Financial Statements of

THE KENSINGTON FOUNDATION

June 30, 2015

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of
THE KENSINGTON FOUNDATION

We have audited the accompanying financial statements of The Kensington Foundation, which comprise the balance sheet as at June 30, 2015 and the statements of revenue and expenses and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Kensington Foundation as at June 30, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not for-profit organizations.

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

Licensed Public Accountants

TORONTO, Ontario
October 29, 2015

THE KENSINGTON FOUNDATION
Balance Sheet

As at June 30,	2015	2014
Assets		
Current assets		
Cash	$ 605,796	$ 954,894
HST receivable	24,461	26,514
Receivables (note 4(a))	91,244	464,678
Prepaid expense	2,992	38,621
Due from related organizations (note 4(b))	71,110	791,426
	795,603	2,276,133
Investments - at market value (note 3)	29,256,151	26,214,893
Mortgage loan receivable from The Kensington Health Centre (note 4(e))	3,500,000	3,500,000
Capital assets (note 5)	5,790,411	5,734,144
	$ 39,342,165	$ 37,725,170
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 431,359	$ 607,521
HST payable	73,783	62,054
Rent deposits	162,342	158,523
Due to related organizations (note 4(b))	164,610	886,376
	832,094	1,714,474
Net assets	38,510,071	36,010,696
	$ 39,342,165	$ 37,725,170

Contingencies and commitments (notes 4(f), 7 and 8)

See accompanying notes to financial statements.

On behalf of the Board:

________________________ Director

________________________ Director

THE KENSINGTON FOUNDATION

Statement of Revenue and Expense and Net Assets

Year ended June 30,	2015	2014
Revenue		
Donations - Kensington Hospice	$ 567,188	$ 714,779
Donations - other	78,687	514,365
Investment income	1,092,708	776,088
Adjustment of investments to market value (net)	2,115,400	2,587,795
Golf event	267,084	235,332
Net rental income (note 6)	1,453,822	1,234,858
	5,574,889	6,063,217
Expense		
Administrative	101,356	98,873
Development office	51,587	61,009
Golf event	61,257	58,377
Investment management fees	89,892	59,241
Professional fees	13,434	15,854
	317,526	293,354
Excess of revenue over expense before grants and donations	5,257,363	5,769,863
Deduct grants and donations paid or payable to:		
- The Kensington Health Centre (note 4(c))	2,527,221	1,439,528
- The Kensington Cancer Screening Centre (note 4(c))	26,145	8,543
- The Kensington Eye Institute (note 4(c))	82,072	77,105
- The Kensington Research Institute (note 4(c))	5,050	5,050
- Community organizations	117,500	140,200
Excess of revenue over expense for the year	2,499,375	4,099,437
Net asset balance, beginning of year	36,010,696	31,911,259
Net asset balance, end of year	$ 38,510,071	$ 36,010,696

See accompanying notes to financial statements.

THE KENSINGTON FOUNDATION

Statement of Cash Flows

Year ended June 30,	2015	2014
Cash flows from operating activities:		
Excess of revenue over expense for the year	**$ 2,499,375**	$ 4,099,437
Items not requiring an outlay of cash:		
Adjustment of investments to market value (net)	**(2,115,400)**	(2,587,795)
Amortization of capital assets	**201,700**	191,676
	585,675	1,703,318
Net change in non-cash working capital balances:		
HST receivable	**2,053**	(15,421)
Receivables	**373,434**	(175,219)
Prepaid expense	**35,629**	(30,629)
Accounts payable and accrued liabilities	**(176,162)**	297,523
HST payable	**11,729**	(9,877)
Rent deposits	**3,819**	(1,453)
Due to related organizations	**(1,450)**	(2,454,876)
	249,052	(2,389,952)
Net cash provided (used) by operating activities	**834,727**	(686,634)
Cash flows from investing activities:		
(Purchase) / sale of investments (net)	**(925,858)**	(595,538)
(Purchase) of capital assets	**(257,967)**	(164,930)
Net cash (used) by investing activities	**(1,183,825)**	(760,468)
(Decrease) in cash	**(349,098)**	(1,447,102)
Cash, beginning of year	**954,894**	2,401,996
Cash, end of year	**$ 605,796**	$ 954,894

See accompanying notes to financial statements.

1 Organization

The Kensington Foundation ("the Foundation") was incorporated in the province of Ontario without share capital on March 31, 1978. The Foundation is a registered charity under the Canadian Income Tax Act and accordingly is exempt from income taxes provided certain requirements are met.

The Foundation is committed to supporting the mission, programs, and services of The Kensington Health Centre ("KHC"), The Kensington Eye Institute ("KEI"), The Kensington Research Institute ("KRI"), and The Kensington Cancer Screening Centre ("KCSC"), and organizations that promote and improve community health.

The Foundation owns revenue producing real estate located at 340 College Street, Toronto, Ontario and an investment portfolio.

2 Significant accounting policies

These financial statements do not include the assets, liabilities, and activities of KHC, KEI, KRI, or KCSC which are related but independent registered charities. These entities are incorporated without share capital and are governed by independent Boards of Directors.

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Cash

Cash includes cash deposits with financial institutions.

(b) Capital assets

The Foundation records capital assets at cost. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the statement of revenue and expense when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. An impairment loss is not reversed if the fair value of the capital asset subsequently increases. As at June 30, 2015, no such impairment exists.

Capital assets are amortized over their estimated useful lives using the straight-line method as follows:

Building	40 years
Tenant improvements	10 years
Signage	5 years

(c) Revenue recognition

(i) Rental revenue

Rental revenue is recognized over the term of the lease and when collection is reasonably assured.

Tenant's rental deposits consist of rent received in advance and security deposits and are deferred and recorded as income in the period to which they relate.

(ii) Donations

Donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is assured.

Donations in kind are recorded as revenue at appraised values and the corresponding expense is reported as fundraising expenses.

2 Significant accounting policies (continued)

(c) Revenue recognition (continued)

(iii) Special event revenue

Special event revenue is recognized on completion of the event.

(iv) Investment income

Investment income comprises interest from cash and investments and dividend income. Revenue is recognized on an accrual basis. Interest on fixed income investments is recognized over the terms of these investments using the effective interest method.

Unrealized gains and losses, being the difference between book value and fair value, is recorded directly in the statement of revenue and expense. Realized gains and losses are recognized as the difference between the proceeds on sale of the investment and the previously recognized market value of the investments held. Realized gains and losses on the sale of investments are recognized on the settlement date.

(d) Contributed services

The value of goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services would otherwise be purchased if not donated.

Volunteers provide invaluable donated services to the Foundation. Since volunteer time is not purchased, these contributed services are not recognized in the financial statements.

(e) Financial instruments

(i) Measurement

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and investments, which are measured at fair value. Changes in fair value are recognized in the statement of revenue and expense in the period incurred. Financial assets measured at amortized cost include receivables and mortgage loan receivable from The Kensington Health Centre. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to related organizations.

The fair values of the investments are determined by reference to quoted market prices.

(ii) Impairment

At the end of each reporting period, the Foundation assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Foundation. When there is an indication of impairment, the Foundation determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

2 Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Impairment (continued)

When the Foundation identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset to the highest of the following: i) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset; ii) the amount that could be realized by selling the asset at the balance sheet date; and iii) the amount the Foundation expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statement of revenue and expense.

When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statement of revenue and expense in the period the reversal occurs.

(iii) Transaction costs

Transaction costs are recognized in the statement of revenue and expense in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs associated with the acquisition and disposal of fixed income investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal. Any investment management fees are expensed as incurred.

(f) Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the current period. Significant estimates include the useful lives of capital assets and impairment of accounts receivable.

All estimates are reviewed periodically and adjustments are made to the statement of revenue and expense as appropriate in the year they become known.

3 Investments

Investments are managed by TD Asset Management Inc. and consist of units in pooled funds, which are carried at market. The underlying securities of the pooled funds consist of Canadian equities, international equities, fixed income instruments and other short term investments. The composition of the Foundation's investments by underlying security type are as follows:

As at June 30,	**2015**	2014
Canadian equities	**$ 9,004,527**	$ 8,200,706
International equities	**9,704,523**	8,030,038
Fixed income instruments	**9,997,346**	9,440,819
Short term investments	**549,755**	543,330
Investments, at market	**$ 29,256,151**	$ 26,214,893

4 Related party transactions and balances

(a) Receivables

Included in receivables is $19,458 due from The Kensington Eye Institute related to normal operating expenses. The transaction is in the normal course of operations and has been recorded at the exchange amount, which is the amount of consideration agreed to by both parties.

(b) Due to (from) related organizations

The balance due from related organizations relates to $71,110 (2014 - $791,426) due from The Kensington Eye Institute.

The balance due to related organizations relates to $164,610 (2014 - $886,376) due to The Kensington Health Centre.

Amounts due to (from) related organizations are non-interest bearing with no fixed terms of repayment.

(c) Grants and donations

(i) The Kensington Health Centre

Grants and donations paid or payable to The Kensington Health Centre consist of the following:

Year ended June 30,	**2015**	2014
Operating grants for The Kensington Hospice	**$ 1,154,182**	$ 1,408,528
Donations designated for The Kensington Hospice, including capital campaign	**1,331,823**	-
Donations and grants designated for The Kensington Health Centre	**41,216**	31,000
	$ 2,527,221	$ 1,439,528

(ii) The Kensington Cancer Screening Centre

Donations paid or payable to The Kensington Cancer Screening Centre total $26,145 (2014 - $8,543).

(iii) The Kensington Eye Institute

Donations paid or payable to The Kensington Eye Institute total $82,072 (2014 - $77,105), which includes $7,500 (2014 - $50,000) designated for The Kensington Vision and Research Centre.

(iv) The Kensington Research Institute

Donations paid or payable to The Kensington Research Institute total $5,050 (2014 - $5,050).

(d) Rental revenue

Included in net rental income is $249,594 (2014 - $188,454) of rent received from The Kensington Eye Institute, which includes $36,084 relating to The Kensington Vision and Research Centre, and $37,380 (2014 - $37,380) of rent received from The Kensington Cancer Screening Centre.

Rental income is measured at the exchange amount which is the amount of consideration agreed to by both parties.

(e) Mortgage loan receivable from The Kensington Health Centre

The Foundation has a $3,500,000 (2014 - $3,500,000) loan receivable from The Kensington Health Centre, which is secured by a third mortgage on the long term care facilities. The mortgage loan receivable matures October 31, 2021, and requires monthly payments of interest only at an annual interest rate of 4.50%. Included in investment income is interest of $157,500 (2014 - $157,500) received from The Kensington Health Centre.

4 Related party transactions (continued)

(f) Infrastructure Ontario Loan

The Foundation has guaranteed a loan from Infrastructure Ontario to The Kensington Health Centre up to a maximum of $5,000,000. The loan balance as at June 30, 2015 is $3,777,855 (2014 - $4,234,551). The loan has a term to maturity of ten years commencing September 17, 2012 requiring 120 equal installments of principal and interest totaling $48,627 (2014 - $48,627) per month. The interest on the loan is fixed at a rate of 3.15% per annum.

(g) Property management fees and real estate commissions

Included in the operating expenses of the revenue producing real estate located at 340 College Street are real estate management fees and commissions totaling $113,302 paid under normal commercial terms to a company significantly influenced by a member of the Board of Directors.

5 Capital assets

As at June 30,			**2015**
	Cost	**Accumulated Amortization**	**Net book value**
Land	**$ 1,260,140**	**$ -**	**$ 1,260,140**
Building	**6,271,759**	**1,961,948**	**4,309,811**
Tenant improvements	**485,529**	**317,594**	**167,935**
Signage	**58,361**	**5,836**	**52,525**
	$ 8,075,789	**$ 2,285,378**	**$ 5,790,411**

As at June 30,			2014
	Cost	Accumulated Amortization	Net book value
Land	$ 1,260,140	$ -	$ 1,260,140
Building	6,066,318	1,808,802	4,257,516
Tenant improvements	485,529	269,041	216,488
	$ 7,811,987	$ 2,077,843	$ 5,734,144

6 Net rental income

Year ended June 30,	**2015**	2014
Net rental income comprises:		
Rental income	**$ 1,735,120**	$ 1,556,521
Amortization	**(201,700)**	(191,676)
Operating expenses	**(79,598)**	(129,987)
Net rental income	**$ 1,453,822**	$ 1,234,858

7 Contingent asset

In 2010, the City of Toronto reassessed property taxes retroactively to 2002 in the amount of $513,297 which was expensed in the year of payment. The Foundation has appealed the reassessment and it is management's opinion that this amount is fully recoverable. The Foundation received $109,665 in fiscal 2014 from the City of Toronto relating to the reassessment. The reassessment remains in dispute with the City of Toronto.

No amount has been recorded as receivable in the financial statements. Any future amounts received will be accounted for in the year of settlement.

8 Commitments

The Board of Directors has passed a motion to approve an additional grant of up to $614,000 to be paid to The Kensington Health Centre to cover the operating costs of The Kensington Hospice for the period July 1, 2015 to June 30, 2016. This amount has not been accrued in the financial statements.

Pursuant to an agreement dated September 30, 2010, the Foundation has guaranteed the financing provided by Infrastructure Ontario as described in note 4(f).

9 Financial instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations. The financial instruments and the nature of the risks to which they may be subject are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk through its cash, receivables, investments and mortgage loan receivable from The Kensington Health Centre.

While the Foundation's bank accounts are held at multiple financial institutions, funds on deposit exceed the maximum amount insured and hence there is a concentration of credit risk.

Credit risk related to investments is minimized by ensuring that these assets are invested with credit-worthy parties.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet a demand for cash or fund its obligations as they come due. The Foundation meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipating investing and financing activities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk reflects the risk that the Foundation's earnings will decline due to the fluctuations in foreign exchange rates. The Foundation is exposed to currency risk through its investment in units of pooled funds to the extent that the underlying assets are denominated in a foreign currency (note 3).

9 Financial instruments (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is subject to interest rate risk to the extent that its mortgage loan receivable from The Kensington Health Centre may be subject to interest rate changes on maturity and from its cash and investments. The Foundation has not entered into any derivative agreements to mitigate this risk.

The Foundation's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Foundation manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Foundation's results of operations.

The primary objective of the Foundation with respect to its investments is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments in the market. The Foundation is exposed to other price risk through its investment in units of pooled funds.

Changes in risk

There have been no significant changes in the Foundation's risk exposures from the prior year.