

Financial Statements of

FIFE HOUSE FOUNDATION INC.

Year ended March 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of FIFE House Foundation Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of FIFE House Foundation Inc., which comprise the statement of financial position as at March 31, 2011, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with financial provisions of the Ministry of Health and Long-Term Care Directive #98-02 with respect to government-funded property.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial provisions of the Ministry of Health and Long-Term Care Directive #98-02, 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.

Auditors' 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 our 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, we consider 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 we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Page 2

Basis for Qualified Opinion

In common with many charitable organizations, FIFE House Foundation Inc. derives revenue from development, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of FIFE House Foundation Inc. and we were not able to determine whether, as at or for the years ended March 31, 2011 and March 31, 2010, any adjustments might be necessary to development revenue and excess of revenue over expenses reported in the statement of operations and current assets and net assets reported in the statement of financial position.

Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of FIFE House Foundation Inc. as at March 31, 2011, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with financial reporting provisions of the Ministry of Health and Long-Term Care Directive #98-02 with respect to government-funded property.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to note 1(a) to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist FIFE House Foundation Inc. to meet the financial reporting requirements of the directive referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for FIFE House Foundation Inc. and the Ministry of Health and Long-Term Care and should not be used by parties other than FIFE House Foundation Inc. or the Ministry of Health and Long-Term Care.

Report on Other Legal and Regulatory Requirements

As required by the Corporations Act (Ontario), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 24, 2011
Toronto, Canada

FIFE HOUSE FOUNDATION INC.

Statement of Financial Position

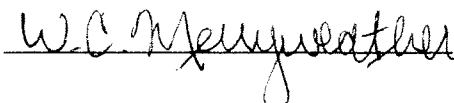
March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	\$ 301,370	\$ 243,973
Short-term investments (note 2)	637,972	608,984
Receivables and prepaid expenses	64,856	32,417
	<u>1,004,198</u>	<u>885,374</u>
Capital assets (note 3)	818,663	839,319
	<u>\$ 1,822,861</u>	<u>\$ 1,724,693</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 240,339	\$ 225,448
Current portion of mortgage payable (note 4)	16,951	314,921
	<u>257,290</u>	<u>540,369</u>
Mortgage payable (note 4)	282,189	-
Deferred contributions:		
Expenses of future periods (note 5(a))	309,790	248,982
Capital assets	491,146	507,685
Capital campaign (note 5(b))	240,433	221,704
	<u>1,041,369</u>	<u>978,371</u>
Net assets (note 6):		
Endowment	12,155	10,866
Internally restricted	229,858	195,087
	<u>242,013</u>	<u>205,953</u>
Commitments (note 8)		
	<u>\$ 1,822,861</u>	<u>\$ 1,724,693</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

FIFE HOUSE FOUNDATION INC.

Statement of Operations

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Core grants (note 7(a))	\$ 2,265,348	\$ 2,176,086
Development	426,963	346,717
Other income (note 7(b))	296,423	527,297
City of Toronto - Shelter, Support and Housing Administration	98,881	94,122
One-time grants (note 7(c))	42,522	18,861
Capital campaign	932	4,883
	<u>3,131,069</u>	<u>3,167,966</u>
Expenses:		
Salaries and benefits	2,156,388	2,199,652
Rent	137,367	81,642
Other programs	136,574	113,103
Amortization of capital assets	128,426	120,695
Office and administrative	108,106	88,836
Purchased services	92,923	79,487
Housing operations	66,932	52,442
Development	64,881	45,211
One-time funded	51,157	43,906
Residents' programs	45,282	48,175
Staff education	31,215	37,150
Research	30,249	173,253
Advertising and promotion	22,397	12,096
Volunteers and board development	20,192	17,182
Travel	4,011	4,793
Miscellaneous	198	3,267
Capital campaign	-	2,294
	<u>3,096,298</u>	<u>3,123,184</u>
Excess of revenue over expenses	<u>\$ 34,771</u>	<u>\$ 44,782</u>

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

				2011	2010
	Endowment (note 6)	Internally restricted (note 6)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 10,866	\$ 195,087	\$ -	\$ 205,953	\$ 158,279
Excess of revenue over expenses	-	-	34,771	34,771	44,782
Endowment income	1,289	-	-	1,289	2,892
Internally restricted funds used for specified functional purposes (note 6)	-	34,771	(34,771)	-	-
Net assets, end of year	\$ 12,155	\$ 229,858	\$ -	\$ 242,013	\$ 205,953

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 34,771	\$ 44,782
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(117,852)	(105,626)
Amortization of capital assets	128,426	120,695
Unrealized gain on short-term investments	(25,388)	(54,771)
Change in non-cash operating working capital	(17,548)	8,295
Increase in deferred contributions related to expenses of future periods	60,808	17,450
	<u>63,217</u>	<u>30,825</u>
Financing:		
Increase in deferred contributions relating to capital assets	89,862	3,460
Increase in deferred contributions relating to capital campaign	30,180	62,447
Endowment contributions	1,289	2,892
Proceeds from mortgage refinancing	307,439	—
Mortgage principal repayments	(323,220)	(14,635)
	<u>105,550</u>	<u>54,164</u>
Investments:		
Additions to capital assets	(107,770)	(49,457)
Increase in short-term investments	(3,600)	(5,379)
	<u>(111,370)</u>	<u>(54,836)</u>
Increase in cash	57,397	30,153
Cash, beginning of year	243,973	213,820
Cash, end of year	<u>\$ 301,370</u>	<u>\$ 243,973</u>

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements

Year ended March 31, 2011

FIFE House Foundation Inc. (the "Organization") was incorporated in 1988 under the Corporations Act (Ontario) as a not-for-profit organization without share capital. Its purpose is to provide supportive housing and supportive housing services for persons living with HIV/AIDS. The Denison residence is owned by the Organization. The Sherbourne site is owned by Wellesley Central Residences Inc. and the Organization provides support services at this site. At the Jarvis apartment, the Organization provides support services to tenants. All locations are located in the City of Toronto.

The Organization is a registered charitable organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with generally accepted accounting principles except for the government-funded property, for which the Organization is required to apply accounting policies that comply with the Ministry of Health and Long-Term Care Directive #98-02 (the "Directive") as follows:

- (i) the building for which there is a government-based mortgage is amortized according to the sinking fund method as prescribed by the Directive. Under this policy, the cost of the building is amortized over the term of the mortgage secured to finance the asset and the annual charges for amortization are equal to the annual principal repayments on this mortgage.
- (ii) capital assets purchased after initial project construction, being funded from the capital/replacement reserve fund, are reported as a reduction in the capital replacement reserve fund rather than being capitalized on the statement of financial position and amortized over their estimated useful lives through the statement of operations; and
- (iii) transfers to the capital/replacement reserve fund are reported as revenue and expenses in the statement of operations, rather than as an interfund transfer in the statement of changes in net assets.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(b) Financial instruments:

Cash and short-term investments are classified as held-for-trading and stated at fair value. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, current portion of mortgage payable and mortgage payable are classified as other financial liabilities, which are measured at amortized cost.

In determining fair value, adjustments have not been made for transaction costs as they are not considered significant and are expensed as incurred. The unrealized gain or loss on short-term investments, being the difference between book value and fair value, is included in other income in the statement of operations.

Fair values of investments are determined as follows:

Fixed income securities, money market funds and equities are valued at year-end quoted market prices, where available. Where quoted market prices are not available, estimated market values are calculated using comparable securities.

The Organization has adopted The Canadian Institute of Chartered Accountants' Handbook Section 3861, Financial Instruments - Disclosure and Presentation. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, the Organization has elected not to adopt these standards in its financial statements.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization of the building is equal to the annual mortgage amortization amount required to repay the principal amount of the mortgage.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

Amortization of other assets is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Office equipment	5 years
Computer hardware and software	3 years
Furniture and fixtures	5 years
Leasehold improvements	10 years

(d) Revenue recognition:

The Organization follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the year to which they relate. Grants approved but not received at the end of an accounting year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year.

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

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions and income earned on the endowments are recognized as direct increases in endowment net assets.

(e) Contributed materials and services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements. Contributed materials and services, other than volunteer time, are recognized in the financial statements when fair value can be reasonably estimated.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Short-term investments:

(a) Short-term investments:

	2011		2010	
	Cost	Market	Cost	Market
Phillips, Hager & North Canadian Social Housing Canadian Bond Fund, Series A	\$ 148,168	\$ 149,316	\$ 141,710	\$ 142,781
Phillips, Hager & North Social Housing Canadian Equity Fund, Series A	144,396	163,302	142,630	145,985
Phillips, Hager & North Canadian Money Market, Series D	325,354	325,354	320,218	320,218
	<u>\$ 617,918</u>	<u>\$ 637,972</u>	<u>\$ 604,558</u>	<u>\$ 608,984</u>

(b) Associated risks:

(i) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Organization's financial instruments are carried at fair value with fair value changes recognized in the statement of operations, all changes in market conditions will directly result in an increase (decrease) in the excess of revenue over expenses.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Short-term investments (continued):

(ii) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

All of the Organization's equities held in the funds are considered to be readily realizable as they are listed on recognized stock exchanges and can be quickly liquidated at amounts close to their fair value in order to meet liquidity requirements.

(iii) Interest rate risk:

The value of fixed income funds will generally rise if interest rates rise and decrease if interest rates fall. Changes in interest rates may also affect the value of equity securities.

The interest rate risk exposure is managed through the Board approved policy of allocation of investable assets.

(iv) Foreign currency risk:

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization primarily invests in financial instruments and enters into transactions denominated in various foreign currencies, other than its measurement currency. The Organization is exposed to risks that the exchange rate of the various currencies may change in a manner that has an adverse effect on the value of the portion of the Organization's assets or liabilities denominated in currencies other than the Canadian dollar. Foreign currency risk is managed through construction of a diversified portfolio of instruments in various currencies.

(v) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Organization.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Short-term investments (continued):

The Organization's credit risk concentration is spread amongst listed equity securities in the funds as discussed under market price risk. All transactions in listed securities in the funds are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since delivery of securities sold is made only once the broker has received payment. On a purchase, payment is made once the securities have been received by the broker.

3. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 324,220	\$ —	\$ 324,220	\$ 324,220
Building	203,439	148,327	55,112	12,853
Office equipment	201,946	151,494	50,452	74,504
Computer hardware and software	226,688	210,719	15,969	11,834
Furniture and fixtures	184,859	117,343	67,516	68,796
Leasehold improvements	417,181	111,787	305,394	347,112
	\$ 1,558,333	\$ 739,670	\$ 818,663	\$ 839,319

4. Mortgage payable:

	2010	2009
RBC social housing loan, bearing interest at 2.828%, payable in monthly blended instalments of \$2,095, due September 1, 2015	\$ 299,140	\$ —
TD conventional mortgage, bearing interest at 3.840%, payable in monthly blended instalments of \$2,245, due September 1, 2010	—	314,921
	299,140	314,921
Less current portion	16,951	314,921
	\$ 282,189	\$ —

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2011

4. Mortgage payable (continued):

Principal repayments due over the next five years are as follows:

2012	\$ 16,951
2013	17,434
2014	17,931
2015	18,441
2016	228,383
	\$ 299,140

In the current year, the Organization incurred \$10,261 (2010 - \$12,304) in interest expense relating to this mortgage.

5. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants.

	Capital reserve		Grants	Other	Donation	2011	2010
	Ministry funded	Organization funded				Total	Total
Balance, beginning of year	\$ 48,831	\$ 5,506	\$ 134,257	\$ 45,388	\$ 15,000	\$ 248,982	\$ 231,532
Amounts received related to future periods	18,723	2,685	183,975	41,535	-	246,918	324,185
Amounts recognized as revenue	(14,957)	-	(138,781)	(20,502)	(11,870)	(186,110)	(306,735)
Balance, end of year	\$ 52,597	\$ 8,191	\$ 179,451	\$ 66,421	\$ 3,130	\$ 309,790	\$ 248,982

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2011

5. Deferred contributions (continued):

(b) Capital campaign:

The Organization began raising funds in 2007 through a capital campaign to purchase assets and furnish its administrative and program-delivery spaces in a new building. Donations designated as such are recorded as capital campaign deferred contributions until assets are purchased with those funds, whereupon an amount equal to the assets purchased is transferred to capital assets deferred contributions. The following table presents the changes in capital campaign deferred contributions:

	2011	2010
Balance, beginning of year	\$ 221,704	\$ 205,216
Amounts received related to future periods	30,180	62,447
Amounts utilized towards deferred capital assets and specified campaign expenses	(11,451)	(45,959)
Balance, end of year	\$ 240,433	\$ 221,704

6. Endowment and internally restricted net assets:

Net assets restricted for endowment purposes are subject to externally imposed restrictions, which stipulate that the principal be maintained intact. Interest earned on the principal is to be considered part of the principal until the principal reaches \$10,000.

Net assets restricted for specific functional purposes are subject to FIFE House Policies and Board direction before any encroachment on their principal.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2011

7. Revenue:

(a) Core grants:

	2011	2010
Ministry of Health and Long-Term Care:		
Toronto Central Local Health Integration Network	\$ 1,413,962	\$ 1,386,237
AIDS Bureau - Community Based AIDS Education and Support	74,490	69,490
AIDS Bureau - AIDS Bereavement Project of Ontario	214,444	209,444
AIDS Bureau - Ontario HIV & Substance Use Training Program	243,590	244,810
Provincial Programs Branch - Ontario Non-Profit Housing Program	59,240	54,748
City of Toronto:		
Homeless Initiatives Fund	55,261	54,428
AIDS Prevention Community Investment Program	40,826	-
Public Health Agency of Canada	160,000	156,929
LOFT Community Services	3,535	-
	<u>\$ 2,265,348</u>	<u>\$ 2,176,086</u>

(b) Other income:

	2011	2010
Amortization of deferred contributions related to capital assets	\$ 117,852	\$ 105,626
Interest income and miscellaneous revenue	105,641	94,610
Community based research grants	46,302	272,988
Gain on short-term investments	15,645	43,396
Rental income	8,583	8,277
Toronto Community Housing Corporation	2,400	2,400
	<u>\$ 296,423</u>	<u>\$ 527,297</u>

(c) One-time grants:

	2011	2010
Ministry of Health and Long-Term Care:		
AIDS Bureau	\$ 19,465	\$ 15,000
Provincial Programs Branch	17,057	-
Public Health Agency of Canada	6,000	3,861
	<u>\$ 42,522</u>	<u>\$ 18,861</u>

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2011

8. Commitments:

The Organization leases its premises under an operating lease which expires March 31, 2020 and certain office equipment under various operating leases which expire June 1, 2013. Minimum future lease payments are estimated to be as follows:

2012	\$ 111,165
2013	108,675
2014	106,552
2015	105,845
2016	105,845
Thereafter	423,380
	<hr/>
	\$ 961,462

In relation to the lease for premises, the Organization has agreed to indemnify the landlord against losses occurring on the leased premises which may arise from a default of the Organization under the obligations of the lease.

9. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.