

Financial Statements of

FIFE HOUSE FOUNDATION INC.

Year ended March 31, 2012



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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, 2012, 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 the financial reporting 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 the financial reporting provisions of the Ministry of Health and Long-Term Care Directive #98-02 with respect to government-funded property, 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.



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, 2012 and March 31, 2011, any adjustments might be necessary to development revenue and excess (deficiency) of revenue over expenses reported in the statements of operations and current assets and net assets reported in the statements 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, 2012, and its results of operations and its cash flows for the year then ended in accordance with the 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 describes 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 25, 2012
Toronto, Canada

FIFE HOUSE FOUNDATION INC.

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

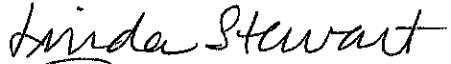
	2012	2011
Assets		
Current assets:		
Cash	\$ 287,370	\$ 301,370
Short-term investments (note 2)	647,028	637,972
Receivables and prepaid expenses	107,888	64,856
	<u>1,042,286</u>	<u>1,004,198</u>
Capital assets (note 3)	723,801	818,663
	<u>\$ 1,766,087</u>	<u>\$ 1,822,861</u>

Liabilities, Deferred Contributions and Net Assets

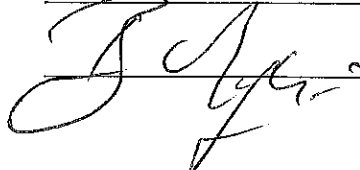
Current liabilities:		
Accounts payable and accrued liabilities	\$ 272,510	\$ 240,339
Current portion of mortgage payable (note 4)	17,434	16,951
	<u>289,944</u>	<u>257,290</u>
Mortgage payable (note 4)	264,755	282,189
Deferred contributions:		
Expenses of future periods (note 5(a))	325,487	309,790
Capital assets	407,618	491,146
Capital campaign (note 5(b))	243,491	240,433
	<u>976,596</u>	<u>1,041,369</u>
Net assets (note 6):		
Endowment	11,236	12,155
Internally restricted	223,556	229,858
	<u>234,792</u>	<u>242,013</u>
Commitments (note 8)		
	<u>\$ 1,766,087</u>	<u>\$ 1,822,861</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, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Core grants (note 7(a))	\$ 2,650,885	\$ 2,265,348
Development	354,954	426,963
Other income (note 7(b))	364,720	296,423
City of Toronto - Shelter, Support and Housing Administration	104,956	98,881
One-time grants (note 7(c))	166,455	42,522
Capital campaign	9,750	932
	<u>3,651,720</u>	<u>3,131,069</u>
Expenses:		
Salaries and benefits	2,337,397	2,156,388
Housing operations	317,452	66,932
Other programs	182,038	136,574
Rent	134,921	137,367
Amortization of capital assets	132,874	128,426
Purchased services	97,319	92,923
Office and administrative	96,249	108,106
One-time funded	84,699	51,157
Research	73,844	30,249
Staff education	54,944	31,215
Development	52,561	64,881
Residents' programs	52,376	45,282
Volunteers and board development	17,834	20,192
Advertising and promotion	16,644	22,397
Travel	6,572	4,011
Miscellaneous	298	198
	<u>3,658,022</u>	<u>3,096,298</u>
Excess (deficiency) of revenue over expenses	\$ (6,302)	\$ 34,771

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Statement of Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

				2012	2011
	Endowment (note 6)	Internally restricted (note 6)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 12,155	\$ 229,858	\$ -	\$ 242,013	\$ 205,953
Excess (deficiency) of revenue over expenses	-	-	(6,302)	(6,302)	34,771
Endowment	(919)	-	-	(919)	1,289
Internally restricted funds used for specified functional purposes (note 6)	-	(6,302)	6,302	-	-
Net assets, end of year	\$ 11,236	\$ 223,556	\$ -	\$ 234,792	\$ 242,013

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (6,302)	\$ 34,771
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(114,213)	(117,852)
Amortization of capital assets	132,874	128,426
Unrealized gain on short-term investments	(1,656)	(25,388)
Change in non-cash operating working capital	(10,861)	(17,548)
Increase in deferred contributions related to expenses of future periods	15,697	60,808
	<u>15,539</u>	<u>63,217</u>
Financing:		
Increase in deferred contributions relating to capital assets	7,158	89,862
Increase in deferred contributions relating to capital campaign	26,585	30,180
Endowment	(919)	1,289
Proceeds from mortgage refinancing	-	307,439
Mortgage principal repayments	(16,951)	(323,220)
	<u>15,873</u>	<u>105,550</u>
Investments:		
Additions to capital assets	(38,012)	(107,770)
Increase in short-term investments	(7,400)	(3,600)
	<u>(45,412)</u>	<u>(111,370)</u>
Increase (decrease) in cash	(14,000)	57,397
Cash, beginning of year	301,370	243,973
Cash, end of year	<u>\$ 287,370</u>	<u>\$ 301,370</u>

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements

Year ended March 31, 2012

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 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, 2012

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, 2012

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, including those of volunteers are not recognized in the financial statements. Contributed materials 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, 2012

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:

	2012		2011	
	Cost	Market	Cost	Market
Phillips, Hager & North Canadian Social Housing Canadian Bond Fund, Series A	\$ 154,707	\$ 161,230	\$ 148,168	\$ 149,316
Phillips, Hager & North Social Housing Canadian Equity Fund, Series A	152,033	150,960	144,396	163,302
Phillips, Hager & North Canadian Money Market, Series D	334,836	334,838	325,354	325,354
	\$ 641,576	\$ 647,028	\$ 617,918	\$ 637,972

(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, 2012

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, 2012

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:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 324,220	\$ -	\$ 324,220	\$ 324,220
Building	224,797	173,863	50,934	55,112
Office equipment	205,368	175,642	29,726	50,452
Computer hardware and software	233,894	223,471	10,423	15,969
Furniture and fixtures	188,383	145,812	42,571	67,516
Leasehold improvements	419,683	153,756	265,927	305,394
	\$ 1,596,345	\$ 872,544	\$ 723,801	\$ 818,663

4. Mortgage payable:

	2012	2011
RBC social housing loan, bearing interest at 2.828%, payable in monthly blended instalments of \$2,095, due September 1, 2015	\$ 282,189	\$ 299,140
Less current portion	17,434	16,951
	\$ 264,755	\$ 282,189

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

4. Mortgage payable (continued):

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

2013	\$ 17,434
2014	17,931
2015	18,441
2016	228,383
	\$ 282,189

In the current year, the Organization incurred \$8,193 (2011 - \$10,261) 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		Research and Grants	Other	Donation	2012		2011	
	Ministry funded	Organization funded				Total	Total		
Balance, beginning of year	\$ 52,597	\$ 8,191	\$ 179,451	\$ 66,421	\$ 3,130	\$ 309,790	\$ 248,982		
Amounts received related to future periods	3,382	2,315	255,975	--	12,500	274,172	248,918		
Amounts recognized as revenue	-	-	(226,596)	(30,486)	(1,393)	(258,475)	(186,110)		
Balance, end of year	\$ 55,979	\$ 10,506	\$ 208,830	\$ 35,935	\$ 14,237	\$ 325,487	\$ 309,790		

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

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:

	2012	2011
Balance, beginning of year	\$ 240,433	\$ 221,704
Amounts received related to future periods	26,585	30,180
Amounts utilized towards deferred capital assets and specified campaign expenses	(23,527)	(11,451)
Balance, end of year	\$ 243,491	\$ 240,433

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 specified 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, 2012

7. Revenue:

(a) Core grants:

	2012	2011
Ministry of Health and Long-Term Care:		
Toronto Central Local Health Integration Network	\$ 1,435,171	\$ 1,413,962
AIDS Bureau - Community Based AIDS Education and Support	76,690	74,490
AIDS Bureau - AIDS Bereavement and Resiliency Project of Ontario	220,944	214,444
AIDS Bureau - Ontario HIV & Substance Use Training Program	257,310	243,590
Provincial Programs Branch - Ontario Non-Profit Housing Program	218,027	59,240
City of Toronto:		
Homeless Initiatives Fund	55,216	55,261
AIDS Prevention Community Investment Program	61,439	40,826
Public Health Agency of Canada	169,755	160,000
LOFT Community Services	70,228	3,535
Ontario Trillium Foundation	86,105	-
	\$ 2,650,885	\$ 2,265,348

(b) Other income:

	2012	2011
Amortization of deferred contributions related to capital assets	\$ 114,213	\$ 117,852
Miscellaneous and interest income	133,374	105,641
Community based research grants	10,956	46,302
Gain (loss) on short-term investments	(5,602)	15,645
Rental income	109,379	8,583
Toronto Community Housing Corporation	2,400	2,400
	\$ 364,720	\$ 296,423

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

7. Revenue (continued):

(c) One-time grants:

	2012	2011
Ministry of Health and Long-Term Care:		
AIDS Bureau	\$ 70,000	\$ 19,465
Provincial Programs Branch	–	17,057
Toronto Central Local Health Integration Network	12,700	–
Public Health Agency of Canada	83,755	6,000
	<u>\$ 166,455</u>	<u>\$ 42,522</u>

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:

2013	\$ 109,646
2014	107,523
2015	106,815
2016	106,815
2017	106,815
Thereafter	320,446
	<u>\$ 858,060</u>

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.