

Financial Statements of

FIFE HOUSE FOUNDATION INC.

Year ended March 31, 2015



KPMG LLP
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of FIFE House Foundation Inc.

Report on 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, 2015, 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 an 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 of satisfactory audit verification. Accordingly, our verification of such revenue was limited to the amounts recorded in the records of the entity and we were not able to determine whether, as at and for the years ended March 31, 2015 and March 31, 2014, any adjustments might be necessary to development revenue and excess (deficiency) of revenue over expenses in the statements of operations, and assets and net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2014.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of FIFE House Foundation Inc. as at March 31, 2015, and its results of operations, changes in net assets 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 requirements of the financial reporting provisions of the Ministry of Health and Long-Term Care Directive #98-02 with respect to government-funded property. 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 in accordance with the requirements of the financial reporting provisions of the Ministry of Health and Long-Term Care Directive #98-02 with respect to government-funded property, have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2015

Toronto, Canada

FIFE HOUSE FOUNDATION INC.

Statement of Financial Position

March 31, 2015, with comparative information for 2014

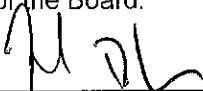

	2015	2014
Assets		
Current assets:		
Cash	\$ 108,375	\$ 148,123
Short-term investments (note 2)	644,548	607,339
Receivables and prepaid expenses	126,518	112,093
	<u>879,441</u>	<u>867,555</u>
Capital assets (note 3)	601,923	602,798
	<u>\$ 1,481,364</u>	<u>\$ 1,470,353</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 244,766	\$ 225,177
Current portion of mortgage payable (note 4)	228,383	18,441
	<u>473,149</u>	<u>243,618</u>
Mortgage payable (note 4)	-	228,383
Deferred contributions:		
Expenses of future periods (note 5(a))	238,545	225,436
Capital assets	341,880	322,678
Capital campaign (note 5(b))	178,705	203,781
	<u>759,130</u>	<u>751,895</u>
Net assets (note 6):		
Endowment	16,438	14,835
Internally restricted	232,647	231,622
	<u>249,085</u>	<u>246,457</u>
Commitments (note 8)		
	<u>\$ 1,481,364</u>	<u>\$ 1,470,353</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, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Core grants (note 7(a))	\$ 2,842,129	\$ 2,775,436
Development	440,457	429,201
Other income (note 7(b))	439,109	410,288
One-time grants (note 7(c))	31,189	62,258
City of Toronto - Shelter, Support and Housing Administration	114,254	113,114
Capital campaign	8,580	2,902
	<u>3,875,718</u>	<u>3,793,199</u>
Expenses:		
Salaries and benefits	2,588,805	2,481,786
Housing operations	448,987	448,884
Rent	144,963	138,928
Other programs	120,763	153,346
Amortization of capital assets	105,963	98,537
Office and administrative	89,169	96,401
Purchased services	89,465	100,734
Residents' programs	73,406	72,953
Development	62,720	48,516
One-time funded	54,733	39,739
Staff education	46,440	38,963
Volunteers and board development	18,073	21,701
Advertising and promotion	16,867	24,936
Research	7,337	11,405
Travel	4,355	5,864
Miscellaneous	2,647	2,836
	<u>3,874,693</u>	<u>3,785,529</u>
Excess of revenue over expenses	\$ 1,025	\$ 7,670

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

				2015	2014
	Endowment (note 6)	Internally restricted (note 6)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 14,835	\$ 231,622	\$ -	\$ 246,457	\$ 236,215
Excess of revenue over expenses	-	-	1,025	1,025	7,670
Endowment	1,603	-	-	1,603	2,572
Internally restricted funds used for specified functional purposes	-	1,025	(1,025)	-	-
Net assets, end of year	\$ 16,438	\$ 232,647	\$ -	\$ 249,085	\$ 246,457

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,025	\$ 7,670
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(85,886)	(78,970)
Amortization of capital assets	105,963	98,537
Unrealized gain on short-term investments	(35,895)	(32,538)
Change in non-cash operating working capital	5,164	(12,765)
Increase (decrease) in deferred contributions related to expenses of future periods	13,109	(50,529)
	3,480	(68,595)
Financing:		
Increase in deferred contributions relating to capital assets	79,232	43,302
Increase in deferred contributions relating to capital campaign	780	2,280
Endowment	1,603	2,572
Mortgage principal repayments	(18,441)	(17,931)
	63,174	30,223
Investments:		
Additions to capital assets	(105,088)	(73,085)
Decrease (increase) in short-term investments	(1,314)	100,600
	(106,402)	27,515
Decrease in cash	(39,748)	(10,857)
Cash, beginning of year	148,123	158,980
Cash, end of year	\$ 108,375	\$ 148,123

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements

Year ended March 31, 2015

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 by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook, 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 land and 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 land and building are 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.

(b) Revenue recognition:

The Organization follows the deferral method of accounting for contributions, which includes 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 period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent year.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

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.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenses. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

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

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

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

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value upon initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount of Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(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 a fair value can be reasonably estimated.

(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 revenues and expenses during the year. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the carrying amount of capital assets.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(g) Foreign currency translation:

Monetary assets and liabilities are translated at the prevailing rates of exchange at the balance sheet date. Revenue and expenses are translated at the average exchange rates for the year. Realized and unrealized exchange gains and losses are included in unrealized gains (losses) on investments and gain (loss) on disposal of investments in the statement of operations.

2. Short-term investments:

	2015		2014	
	Cost	Market	Cost	Market
Philips, Hager & North Canadian Social Housing Canadian Bond Fund, Series A	\$ 123,380	\$ 130,475	\$ 119,377	\$ 119,038
Philips, Hager & North Canadian Social Housing Canadian Equity Fund, Series A	123,156	161,525	114,408	145,775
Philips, Hager & North Canadian Money Market, Series D	76,415	76,414	76,854	76,854
Philips, Hager & North Short-term Bond Series A	274,784	276,134	267,637	265,672
	\$ 597,735	\$ 644,548	\$ 578,276	\$ 607,339

3. Capital assets:

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 324,220	\$ -	\$ 324,220	\$ 324,220
Building	334,839	267,967	66,872	21,758
Office equipment	229,778	215,923	13,855	19,504
Computer hardware and software	248,048	243,380	4,668	2,384
Furniture and fixtures	216,276	195,432	20,844	17,388
Leasehold improvements	460,804	289,340	171,464	217,544
	\$ 1,813,965	\$ 1,212,042	\$ 601,923	\$ 602,798

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2015

4. Mortgage payable:

	2015	2014
RBC social housing loan, bearing interest at 2.828%, payable in monthly blended instalments of \$2,095, due September 1, 2015	\$ 228,383	\$ 246,824
Less current portion	(228,383)	(18,441)
	\$ -	\$ 228,383

In the current year, the Organization incurred \$6,703 (2014 - \$7,214) 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.

						2015	2014
	Capital reserve Ministry funded	Capital reserve Organization funded	Research and grants	Other	Donations	Total	Total
Balance, beginning of year	\$ 76,854	\$ 15,367	\$ 70,900	\$ 12,259	\$ 50,056	\$ 225,436	\$ 275,965
Amounts received related to future years	3,747	2,769	155,553	5,000	63,548	230,617	186,188
Amounts recognized as revenue	(2,286)	-	(171,424)	-	(43,798)	(217,508)	(236,717)
	\$ 78,315	\$ 18,136	\$ 55,029	\$ 17,259	\$ 69,806	\$ 238,545	\$ 225,436

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2015

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:

	2015	2014
Balance, beginning of year	\$ 203,781	\$ 228,850
Amounts received related to future periods	780	2,280
Amounts utilized towards deferred capital assets and specified campaign expenses	(25,856)	(27,349)
Balance, end of year	\$ 178,705	\$ 203,781

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 of Directors' direction before any encroachment on their principal.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2015

7. Revenue:

(a) Core grants:

	2015	2014
Ministry of Health and Long-Term Care:		
Toronto Central Local Health Integration Network	\$ 1,530,638	\$ 1,435,171
AIDS Bureau - Community Based AIDS Education and Support	76,690	76,690
AIDS Bureau - AIDS Bereavement and Resiliency Project of Ontario	220,944	220,944
AIDS Bureau - Ontario HIV & Substance Use Training Program	257,310	257,310
Provincial Programs Branch - Ontario Non-Profit Housing Program	278,000	280,140
City of Toronto:		
Housing Support Service Projects	100,027	59,520
AIDS Prevention Community Investment Program	-	15,958
Investing in Neighbourhoods	5,472	-
Public Health Agency of Canada	250,006	274,077
LOFT Community Services	74,638	81,758
Ontario Trillium Foundation	48,404	73,868
	\$ 2,842,129	\$ 2,775,436

(b) Other income:

	2015	2014
Rental income	\$ 186,636	\$ 181,455
Miscellaneous and interest income	118,129	98,778
Amortization of deferred contributions related to capital assets	85,886	78,970
Community based research grants	20,580	27,492
Gain on short-term investments	25,478	21,193
Toronto Community Housing Corporation	2,400	2,400
	\$ 439,109	\$ 410,288

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2015

7. Revenue (continued):

(c) One-time grants:

	2015	2014
Ministry of Health and Long-Term Care:		
AIDS Bureau - Community Based AIDS		
Education and Support	\$ -	\$ 7,463
Toronto Central Local Health Integration Network	-	4,825
City of Toronto - Housing Support Service Projects	29,289	34,170
Provincial Programs Branch - Ontario Non-Profit		
Housing Program	1,900	15,800
	\$ 31,189	\$ 62,258

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 February 28, 2016. Minimum future lease payments are estimated to be as follows:

2016	\$ 115,585
2017	112,018
2018	111,560
2019	111,560
2020	111,560
	\$ 562,283

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.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2015

9. Financial risks and concentrations of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its mortgage payable. However, this risk is reduced because of the short-term investments held.

The Organization believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments. Further details about the short-term investments are included in note 2.

The Organization manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by The Board of Directors. The Organization is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

(b) 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 short-term investments 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.

(c) 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 short-term investments 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 affect 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 short-term investments in various currencies.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2015

9. Financial risks and concentrations of credit risk (continued):

(d) 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.

The Organization's credit risk concentration is spread amongst listed equity securities as discussed under market price risk above. All transactions in listed securities 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.

(e) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. The value of fixed income funds will generally rise if interest rates rise and decrease if interest rates fall. Changes in interest may also affect the value of equity securities. The interest rate risk exposure is managed through the Board of Directors approved policy of allocation of investable assets.

Further details about the mortgage payable are included in note 4.