

Financial Statements of

FIFE HOUSE FOUNDATION INC.

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of FIFE House Foundation Inc.

Qualified Opinion

We have audited the financial statements of FIFE House Foundation Inc., (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, 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 for Qualified Opinion

In common with many charitable organizations, the Entity derives revenue from development, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2019 and March 31, 2018;
- the development revenues and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended March 31, 2019 and March 31, 2018;



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- the net assets, at the beginning and the end of the year, reported in the statement of changes in net assets for the years ended March 31, 2019 and March 31, 2018;
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended March 31, 2019 and March 31, 2018.

Our opinion on the financial statements for the year ended March 31, 2018 was qualified accordingly because of the possible effects on this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Matter – Restriction on Use

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 other parties.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 19, 2019

Vaughan, Canada

FIFE HOUSE FOUNDATION INC.

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash (note 2)	\$ 1,656,570	\$ 959,131
Short-term investments (note 3)	726,608	698,552
Receivables and prepaid expenses	273,225	273,406
	<u>2,656,403</u>	<u>1,931,089</u>
Capital assets (notes 4 and 9)	1,444,601	576,332
	<u>\$ 4,101,004</u>	<u>\$ 2,507,421</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,141,628	\$ 749,517
Current portion of mortgage payable (note 5)	21,684	21,380
	<u>1,163,312</u>	<u>770,897</u>
Mortgage payable (note 5)	123,757	145,441
Deferred contributions:		
Expenses of future periods (note 6(a))	287,090	267,250
Capital assets (note 9)	1,270,957	382,406
Capital campaign (note 6(b))	896,149	687,035
	<u>2,454,196</u>	<u>1,336,691</u>
Net assets (note 7):		
Endowment	20,728	19,854
Internally restricted	339,011	234,538
	<u>359,739</u>	<u>254,392</u>
Commitments (note 10)		
	<u>\$ 4,101,004</u>	<u>\$ 2,507,421</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, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Core grants (note 8(a))	\$ 3,254,718	\$ 3,007,140
Development	541,155	437,751
Other income (note 8(b))	516,565	600,776
One-time grants (note 8(c))	1,011,942	271,214
City of Toronto - Shelter, Support and Housing Administration	118,683	115,788
Capital campaign	17,168	1,827
	<u>5,460,231</u>	<u>4,434,496</u>
Expenses:		
Salaries and benefits	3,454,552	2,933,412
Housing operations	604,133	474,209
Other programs	213,440	120,070
Purchased services	167,507	171,479
Residents' programs	165,772	44,696
Rent	162,815	159,073
Office and administrative	128,240	85,343
Staff education	118,934	22,605
Development	107,013	81,416
One-time funded	106,015	184,075
Amortization of capital assets	99,322	127,236
Advertising and promotion	18,291	16,135
Volunteers and board development	7,721	10,383
Travel	1,153	2,531
Research	567	2,619
Miscellaneous	283	95
	<u>5,355,758</u>	<u>4,435,377</u>
Excess (deficiency) of revenue over expenses	\$ 104,473	\$ (881)

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

				2019	2018
	Endowment (note 7)	Internally restricted (note 7)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 19,854	\$ 234,538	\$ -	\$ 254,392	\$ 253,862
Excess (deficiency) of revenue over expenses	-	-	104,473	104,473	(881)
Endowment	874	-	-	874	1,411
Internally restricted funds used for specified functional purposes	-	104,473	(104,473)	-	-
Net assets, end of year	\$ 20,728	\$ 339,011	\$ -	\$ 359,739	\$ 254,392

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 104,473	\$ (881)
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(79,232)	(104,500)
Amortization of capital assets	99,322	127,236
Loss on disposal of capital assets	388	-
Unrealized loss (gain) on short-term investments	9,596	(497)
Changes in non-cash operating working capital	392,292	375,889
Increase in deferred contributions related to expenses of future periods	19,840	49,916
	546,679	447,163
Financing:		
Increase in deferred contributions relating to capital assets	111,604	256,183
Increase in deferred contributions relating to capital campaign	899,030	536,635
Increase in endowment	874	1,411
Mortgage principal repayments	(21,380)	(21,080)
	990,128	773,149
Investments:		
Additions to capital assets	(801,716)	(279,560)
Additions to short-term investments	(37,652)	(17,949)
	(839,368)	(297,509)
Increase in cash	697,439	922,803
Cash, beginning of year	959,131	36,328
Cash, end of year	\$ 1,656,570	\$ 959,131
Supplemental cash flow information:		
Contributed materials included in capital assets and deferred contributions relating to capital assets (note 9)	\$ 166,263	\$ -

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements

Year ended March 31, 2019

FIFE House Foundation Inc. (the "Entity") 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 Entity 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 CPA Canada Handbook, except for the government-funded property, for which the Entity 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 Entity 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, 2019

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 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 Entity'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, 2019

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 Entity 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 Entity 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 Entity 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, 2019

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 gain (loss) on investments and gain (loss) on disposal of investments in other income in the statement of operations.

2. Cash:

The Entity has a line of credit in the amount of \$200,000, which bears interest at bank prime, is secured by a general security agreement and is due on demand.

As at March 31, 2019, the line of credit has not been utilized.

3. Short-term investments:

	2019		2018	
	Cost	Market	Cost	Market
Social Housing Canadian Bond Fund, Series A	\$ 168,374	\$ 167,426	\$ 162,561	\$ 158,072
Social Housing Canadian Equity Fund, Series A	162,843	203,682	138,481	195,094
Philips, Hager & North Canadian Money Market, Series D	-	-	85,703	85,703
Social Housing Short-term Bond Series A	274,103	267,458	268,967	259,683
Manulife Bank Investment savings account	88,042	88,042	-	-
	\$ 693,362	\$ 726,608	\$ 655,712	\$ 698,552

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

4. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 324,220	\$ 54,945	\$ 269,275	\$ 300,436
Building	385,590	385,590	-	14,883
Office equipment	239,498	226,039	13,459	13,045
Computer hardware and software	331,873	298,486	33,387	32,619
Furniture and fixtures	328,008	198,924	129,084	78,186
Leasehold improvements	1,444,707	445,311	999,396	137,163
	\$ 3,053,896	\$ 1,609,295	\$ 1,444,601	\$ 576,332

5. Mortgage payable:

	2019	2018
Peoples Trust Company social housing loan, bearing interest at 1.420%, payable in monthly blended installments of \$1,967, due September 1, 2020	\$ 145,441	\$ 166,821
Less current portion	(21,684)	(21,380)
	\$ 123,757	\$ 145,441

In the current year, the Entity incurred \$2,224 (2018 - \$2,524) in interest expense relating to this mortgage.

Future minimum principal repayments are as follows:

2020	\$ 21,684
2021	123,757
	\$ 145,441

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Deferred contributions:

(a) Expenses of future periods:

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

						2019	2018
	Capital reserve Ministry funded	Entity funded	Research and grants	Other	Donations	Total	Total
Balance, beginning of year	\$ 85,703	\$ 25,018	\$ 78,461	\$ 3,739	\$ 74,329	\$ 267,250	\$ 217,334
Amounts received related to future years	2,340	3,058	170,751	21,955	35,241	233,345	442,675
Amounts recognized as revenue	-	-	(143,423)	(13,097)	(56,985)	(213,505)	(392,759)
	\$ 88,043	\$ 28,076	\$ 105,789	\$ 12,597	\$ 52,585	\$ 287,090	\$ 267,250

(b) Capital campaign:

The Entity has 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:

	2019	2018
Balance, beginning of year	\$ 687,035	\$ 173,776
Amounts received related to future periods	899,030	536,635
Amounts utilized towards deferred capital assets and specified campaign expenses	(689,916)	(23,376)
Balance, end of year	\$ 896,149	\$ 687,035

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

7. 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.

8. Revenue:

(a) Core grants:

	2019	2018
Ministry of Health and Long-Term Care:		
Toronto Central Local Health Integration Network	\$ 1,592,292	\$ 1,568,761
AIDS Bureau - Community Based AIDS Education and Support	86,890	77,388
AIDS Bureau - AIDS Bereavement and Resiliency Project of Ontario	300,044	243,556
AIDS Bureau - Ontario Harm Reduction Network	383,748	286,910
Provincial Programs Branch - Ontario Non-Profit Housing Program	346,829	304,056
City of Toronto:		
Housing Support Service Projects	150,000	150,000
Investing in Neighbourhoods	8,723	40,821
Public Health Agency of Canada	197,906	264,447
LOFT Community Services	70,437	71,201
Habitat Services	85,107	-
St. Clare's Multifaith - Homes for Good	32,742	-
	<u>\$ 3,254,718</u>	<u>\$ 3,007,140</u>

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Revenue (continued):

(b) Other income:

	2019	2018
Rental income	\$ 209,752	\$ 195,117
Miscellaneous	118,724	194,313
Amortization of deferred contributions related to capital assets	79,232	104,500
Management fee income	82,000	92,000
Unrealized gain (loss) on short-term investments	(9,596)	497
Investment income	34,053	12,149
Toronto Community Housing Corporation	2,400	2,200
	\$ 516,565	\$ 600,776

(c) One-time grants:

	2019	2018
Ministry of Health and Long-Term Care:		
Huntley Street Transitional Housing Program	\$ 464,937	\$ 62,439
Seaton House Supportive Housing Program	480,008	54,701
Pilot Project - Good Grief Care	18,769	89,695
St. Mike's Respite	22,895	-
AIDS Bureau - ABRPO	-	30,000
Home and Community Care Sector		
Implementation of Fair Workplaces, Better Jobs Act, 2017	-	5,849
Provincial Programs Branch - Ontario Non-Profit Housing	-	800
Miziwe Biik	25,333	27,730
	\$ 1,011,942	\$ 271,214

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

9. Contributed materials:

During the year, materials of \$166,263 (2018 - nil) were contributed to the Entity and are included in capital assets and deferred contributions relating to capital assets.

10. Commitments:

The Entity leases its premises under an operating lease which expires March 31, 2020 and certain office equipment under various operating leases which various expiry dates up to September 30, 2022. Minimum future lease payments are estimated to be as follows:

2020	\$	116,208
2021		1,459
2022		1,459
2023		730
	\$	119,856

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

11. Financial risks and concentrations of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Entity will encounter difficulty in meeting obligations associated with financial liabilities. The Entity 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 Entity 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 3.

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

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

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

(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 Entity'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 Entity primarily invests in short-term investments and enters into transactions denominated in various foreign currencies, other than its measurement currency. The Entity 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 Entity'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.

(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 Entity.

The Entity'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 Entity 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 5.