Financial Statements of

FIFE HOUSE FOUNDATION INC.

And Independent Auditor's Report thereon

Year ended March 31, 2023

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INDEPENDENT AUDITOR'S 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, 2023
- 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 auditor's report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, 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 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, 2023 and March 31, 2022;
- the development revenues and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended March 31, 2023 and March 31, 2022;

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- the net assets, at the beginning and the end of the year, reported in the statements of changes in net assets for the years ended March 31, 2023 and March 31, 2022;
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended March 31, 2023 and March 31, 2022.

Our opinion on the financial statements for the year ended March 31, 2022 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Emphasis of Matter – Financial Reporting Framework

We draw attention Note 1(a) in the financial statements, which describes the applicable reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

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 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.

Auditor's 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 auditor's 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.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- 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

Vaughan, Canada

June 29, 2023

FIFE HOUSE FOUNDATION INC.

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash (note 2)	$ 1,068,144	$ 1,015,173
Short-term investments (note 3)	785,754	795,624
Receivables and prepaid expenses	318,600	334,936
	2,172,498	2,145,733
Capital assets (note 4)	1,403,871	1,612,256
	$ 3,576,369	$ 3,757,989
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 934,078	$ 878,122
Current portion of mortgage payable (note 5)	22,792	22,310
	956,870	900,432
Mortgage payable (note 5)	35,114	57,906
Deferred contributions:		
Expenses of future periods (note 6(a))	625,021	528,117
Capital assets	1,320,993	1,506,171
Capital campaign (note 6(b))	182,564	270,241
	2,128,578	2,304,529
Net assets (note 7):		
Endowment	24,977	26,909
Internally restricted	430,830	468,213
	455,807	495,122
Commitments (note 9)		
	$ 3,576,369	$ 3,757,989

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

FIFE HOUSE FOUNDATION INC.

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Core grants (note 8(a))	$ 5,622,586	$ 4,113,479
Other income (note 8(b))	964,649	855,752
One-time grants (note 8(c))	147,979	1,569,609
Development	300,689	374,943
City of Toronto - Shelter, Support and Housing Administration	120,478	120,478
Capital campaign	5,809	-
	7,162,190	7,034,261
Expenses:		
Salaries and benefits	4,732,969	4,605,413
Housing operations	804,169	738,430
Purchased services	548,873	679,110
Amortization of capital assets	306,932	306,478
Residents' programs	274,598	244,482
Rent	181,190	168,738
Office and administrative	138,988	140,671
Staff education	91,528	25,952
Other programs	64,668	47,886
Travel	16,485	1,511
Advertising and promotion	16,375	7,837
Development	10,104	10,341
One-time funded	9,699	36,703
Volunteers and board development	2,995	2,918
	7,199,573	7,016,470
Excess (deficiency) of revenue over expenses	$ (37,383)	$ 17,791

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Endowment (note 7)	Internally restricted (note 7)	Unrestricted	2023 Total	2022 Total
Net assets, beginning of year	$ 26,909	$ 468,213	$ -	$ 495,122	$ 475,398
Excess (deficiency) of revenue over expenses	-	-	(37,383)	(37,383)	17,791
Endowment	(1,932)	-	-	(1,932)	1,933
Internally restricted funds used for specified functional purposes	-	(37,383)	37,383	-	-
Net assets, end of year	$ 24,977	$ 430,830	$ -	$ 455,807	$ 495,122

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ (37,383)	$ 17,791
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(283,725)	(283,742)
Amortization of capital assets	306,932	306,478
Unrealized loss on short-term investments	36,340	48,096
Changes in non-cash operating working capital	72,292	(97,429)
Increase (decrease) in deferred contributions related to expenses of future periods	96,904	(82,215)
	191,360	(91,021)
Financing:		
Increase in deferred contributions relating to capital assets	8,370	37,291
Increase in deferred contributions relating to capital campaign	2,500	26,225
Increase (decrease) in endowment	(1,932)	1,933
Mortgage principal repayments	(22,310)	(21,838)
	(13,372)	43,611
Investments:		
Additions to capital assets	(98,547)	(58,766)
Additions to short-term investments	(26,470)	(56,325)
	(125,017)	(115,091)
Increase (decrease) in cash	52,971	(162,501)
Cash, beginning of year	1,015,173	1,177,674
Cash, end of year	$ 1,068,144	$ 1,015,173

See accompanying notes to financial statements.

FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements

Year ended March 31, 2023

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 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 year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year.

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

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 year, 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) 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.

1. Significant accounting policies (continued):

(g) 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.

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, 2023, the line of credit has not been utilized.

3. Short-term investments:

	2023		2022	
	Cost	Market	Cost	Market
Social Housing Canadian Bond Fund, Series A	$ 177,739	$ 155,255	$ 167,648	$ 153,350
Social Housing Canadian Equity Fund, Series A	201,133	223,155	199,076	240,416
Social Housing Short-term Bond Series A	358,634	330,141	349,026	328,071
Manulife Bank Investment savings account	77,203	77,203	73,787	73,787
	$ 814,709	$ 785,754	$ 789,537	$ 795,624

4. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	$ 324,220	$ 216,667	$ 107,553	$ 145,091
Building	385,590	385,590	-	-
Office equipment	243,404	239,384	4,020	8,195
Computer hardware and software	406,325	396,733	9,592	28,210
Furniture and fixtures	425,978	376,587	49,391	89,156
Leasehold improvements	2,459,562	1,226,247	1,233,315	1,341,604
	$ 4,245,079	$ 2,841,208	$ 1,403,871	$ 1,612,256

5. Mortgage payable:

	2023	2022
Peoples Trust Company social housing loan, bearing interest at 2.150%, payable in monthly blended installments of $1,984, due September 1, 2025	$ 57,906	$ 80,216
Less current portion	(22,792)	(22,310)
	$ 35,114	$ 57,906

In the current year, the Entity incurred $1,499 (2022 - $1,971) in interest expense relating to this mortgage.

Future minimum principal repayments are as follows:

2024	$ 22,792
2025	35,114
	$ 57,906

6. Deferred contributions:

(a) Expenses of future periods:

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

	Capital reserve					2023	2022
	Ministry funded	Entity funded	Research and grants	Other	Donations	Total	Total
Balance, beginning of year	$ 73,787	$ 49,756	$ 230,899	$ 62,278	$ 111,397	$ 528,117	$ 610,332
Amounts received related to future years	3,416	8,366	827,901	-	145,375	985,058	108,036
Amounts recognized as revenue	-	-	(645,054)	(42,485)	(200,615)	(888,154)	(190,251)
	$ 77,203	$ 58,122	$ 413,746	$ 19,793	$ 56,157	$ 625,021	$ 528,117

(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:

	2023	2022
Balance, beginning of year	$ 270,241	$ 265,491
Amounts received related to future periods	2,500	26,225
Amounts utilized towards deferred capital assets and specified campaign expenses	(90,177)	(21,475)
Balance, end of year	$ 182,564	$ 270,241

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:

	2023	2022
Ministry of Health:		
Ontario Health Toronto	$ 3,510,630	$ 2,076,292
AIDS Bureau - Community Based AIDS Education and Support	86,890	86,890
AIDS Bureau - AIDS Bereavement and Resiliency Project of Ontario	425,044	425,044
AIDS Bureau - Ontario Harm Reduction Network	391,210	391,210
Provincial Programs Branch - Ontario Non-Profit Housing Program	396,841	376,445
City of Toronto:		
Housing Support Service Projects	112,500	150,000
Public Health Agency of Canada	317,265	216,272
LOFT Community Services	71,842	66,378
Habitat Services	227,503	228,666
St. Clare's Multifaith - Homes for Good	57,861	56,282
Ontario HIV Treatment Network	25,000	40,000
	$ 5,622,586	$ 4,113,479

8. Revenue (continued):

(b) Other income:

	2023	2022
Rental income	$ 341,889	$ 347,522
Miscellaneous	346,244	223,901
Amortization of deferred contributions related to capital assets	283,725	283,742
Unrealized loss on short-term investments	(36,340)	(48,096)
Investment income	15,131	46,283
Corporate foundations	14,000	-
Toronto Community Housing Corporation	-	2,400
	$ 964,649	$ 855,752

(c) One-time grants:

	2023	2022
Ministry of Health:		
Ontario Health Toronto:		
Huntley Street Transitional Housing Program	$ 32,223	$ 1,148,616
Seaton House Supportive Housing Program	115,756	113,063
Expanding Community Support Services	-	32,428
COVID-19 Temporary Wage Enhancement	-	262,526
City of Toronto:		
Shelter, Support and Housing Administration	-	12,976
	$ 147,979	$ 1,569,609

9. Commitments:

The Entity leases its premises under an operating lease which expires March 31, 2025 and certain office equipment under various operating leases with expiry dates up to September 30, 2023. Minimum future lease payments are as follows:

2024	$ 121,511
2025	121,511
2026	719
	$ 243,741

10. Financial risks and concentrations of credit risk:

(a) Industry risk:

The Entity's operations are derived from core grants, development, one-time grants and other income and are affected by general economic trends. A decline in economic conditions could impact the Entity's operations negatively. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. During the year, the Entity received $239,591 (2022 - $275,503) in government assistance related to the pandemic.

(b) 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.

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

(c) 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 (deficiency) of revenue over expenses.

(d) 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.

(e) 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.

(f) 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.