

Financial Statements of

**FIFE HOUSE FOUNDATION INC.**

Years ended March 31, 2013 and 2012



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## 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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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.



*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, 2013 and March 31, 2012, 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, 2012.

*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, 2013, March 31, 2012 and April 1, 2011 and its results of operations, changes in net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012 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 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, after giving retrospective effect to the change in accounting policy as explained in the notes to the financial statements, on a basis consistent with that of the preceding year.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

June 24, 2013

Toronto, Canada

# FIFE HOUSE FOUNDATION INC.

## Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

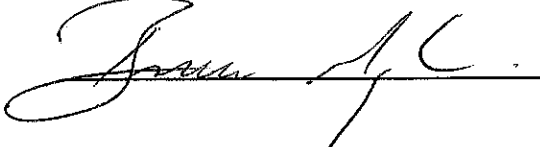

	March 31, 2013	March 31, 2012	April 1, 2011
<b>Assets</b>			
Current assets:			
Cash	\$ 158,980	\$ 287,370	\$ 301,370
Short-term investments (note 2)	675,401	647,028	637,972
Receivables and prepaid expenses	97,496	107,888	64,856
	<u>931,877</u>	<u>1,042,286</u>	<u>1,004,198</u>
Capital assets (note 3)	628,250	723,801	818,663
	<u>\$ 1,560,127</u>	<u>\$ 1,766,087</u>	<u>\$ 1,822,861</u>

## Liabilities, Deferred Contributions and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities	\$ 223,345	\$ 272,510	\$ 240,339
Current portion mortgage payable (note 4)	17,931	17,434	16,951
	<u>241,276</u>	<u>289,944</u>	<u>257,290</u>
Mortgage payable (note 4)	246,824	264,755	282,189
Deferred contributions:			
Expenses of future periods (note 5(a))	275,965	325,487	309,790
Capital assets	330,997	407,618	491,146
Capital campaign (note 5(b))	228,850	243,491	240,433
	<u>835,812</u>	<u>976,596</u>	<u>1,041,369</u>
Net assets (note 6):			
Endowment	12,263	11,236	12,155
Internally restricted	223,952	223,556	229,858
	<u>236,215</u>	<u>234,792</u>	<u>242,013</u>
Commitments (note 8)			
	<u>\$ 1,560,127</u>	<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.

## Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
Revenue:		
Core grants (note 7(a))	\$ 2,604,831	\$ 2,650,885
Other income (note 7(b))	487,771	364,720
Development	378,735	354,954
City of Toronto - Shelter, Support and Housing Administration	113,137	104,956
One-time grants (note 7(c))	213,394	166,455
Capital campaign	13,643	9,750
	<u>3,811,511</u>	<u>3,651,720</u>
Expenses:		
Salaries and benefits	2,424,501	2,337,397
Housing operations	456,444	317,452
Other programs	165,622	182,038
Rent	136,589	134,921
Amortization of capital assets	134,998	132,874
Purchased services	98,453	97,319
Office and administrative	99,642	96,249
One-time funded	76,355	84,699
Residents' programs	57,221	52,376
Research	45,295	73,844
Development	43,552	52,561
Staff education	27,361	54,944
Advertising and promotion	23,257	16,644
Volunteers and board development	16,660	17,834
Travel	4,018	6,572
Miscellaneous	1,147	298
	<u>3,811,115</u>	<u>3,658,022</u>
Excess (deficiency) of revenue over expenses	\$ 396	\$ (6,302)

See accompanying notes to financial statements.

# FIFE HOUSE FOUNDATION INC.

## Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

March 31, 2013	Endowment (note 6)	Internally restricted (note 6)	Unrestricted	Total
Net assets, beginning of year	\$ 11,236	\$ 223,556	\$ -	\$ 234,792
Excess (deficiency) of revenue over expenses	-	-	396	396
Endowment	1,027	-	-	1,027
Internally restricted funds used for specified functional purposes	-	396	(396)	-
<b>Net assets, end of year</b>	<b>\$ 12,263</b>	<b>\$ 223,952</b>	<b>\$ -</b>	<b>\$ 236,215</b>

March 31, 2012	Endowment (note 6)	Internally restricted (note 6)	Unrestricted	Total
Net assets, beginning of year	\$ 12,155	\$ 229,858	\$ -	\$ 242,013
Excess (deficiency) of revenue over expenses	-	-	(6,302)	(6,302)
Endowment	(919)	-	-	(919)
Internally restricted funds used for specified functional purposes	-	(6,302)	6,302	-
<b>Net assets, end of year</b>	<b>\$ 11,236</b>	<b>\$ 223,556</b>	<b>\$ -</b>	<b>\$ 234,792</b>

See accompanying notes to financial statements.

# FIFE HOUSE FOUNDATION INC.

## Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 396	\$ (6,302)
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(116,015)	(114,213)
Amortization of capital assets	134,998	132,874
Unrealized gain on short-term investments	(23,173)	(1,656)
Change in non-cash operating working capital	(38,773)	(10,861)
Increase (decrease) in deferred contributions related to expenses of future periods	(49,522)	15,697
	(92,089)	15,539
Financing:		
Increase in deferred contributions relating to capital assets	2,068	7,158
Increase in deferred contributions relating to capital campaign	22,685	26,585
Endowment	1,027	(919)
Mortgage principal repayments	(17,434)	(16,951)
	8,346	15,873
Investments:		
Additions to capital assets	(39,447)	(38,012)
Increase in short-term investments	(5,200)	(7,400)
	(44,647)	(45,412)
Decrease in cash	(128,390)	(14,000)
Cash, beginning of year	287,370	301,370
Cash, end of year	\$ 158,980	\$ 287,370

See accompanying notes to financial statements.

# FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements

Years ended March 31, 2013 and 2012

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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.

On April 1, 2012, the Organization adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook, except for the basis of presentation as disclosed in note 1(a). These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

There were no adjustments to net assets as at April 1, 2011 or excess (deficiency) of revenue over expenses for the year ended March 31, 2012, as a result of the transition to Not-For-Profit Standards.

## 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



# FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## 1. Significant accounting policies (continued):

(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.

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.

# FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 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:

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

### (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.

# FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 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 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.

## 2. Short-term investments:

	March 31, 2013		March 31, 2012		April 1, 2011	
	Cost	Market	Cost	Market	Cost	Market
Philips, Hager & North Canadian Social Housing Canadian Bond Fund, Series A	\$ 163,838	\$ 166,992	\$ 154,707	\$ 161,230	\$ 148,168	\$ 149,316
Philips, Hager & North Canadian Social Housing Canadian Equity Fund, Series A	153,963	164,768	152,033	150,960	144,396	163,302
Philips, Hager & North Canadian Money Market, Series D	59,299	59,299	334,836	334,838	325,354	325,354
Philips, Hager & North Short-term Bond Series A	284,876	284,342	-	-	-	-
	\$ 661,976	\$ 675,401	\$ 641,576	\$ 647,028	\$ 617,918	\$ 637,972

# FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

### 3. Capital assets:

March 31, 2013			
	Cost	Accumulated amortization	Net book value
Land	\$ 324,220	\$ -	\$ 324,220
Building	233,297	200,732	32,565
Office equipment	212,740	201,099	11,641
Computer hardware and software	241,046	233,876	7,170
Furniture and fixtures	190,254	174,656	15,598
Leasehold improvements	434,235	197,179	237,056
	<u>\$ 1,635,792</u>	<u>\$ 1,007,542</u>	<u>\$ 628,250</u>

March 31, 2012			
	Cost	Accumulated amortization	Net book value
Land	\$ 324,220	\$ -	\$ 324,220
Building	224,797	173,863	50,934
Office equipment	205,368	175,642	29,726
Computer hardware and software	233,894	223,471	10,423
Furniture and fixtures	188,383	145,812	42,571
Leasehold improvements	419,683	153,756	265,927
	<u>\$ 1,596,345</u>	<u>\$ 872,544</u>	<u>\$ 723,801</u>

April 1, 2011			
	Cost	Accumulated amortization	Net book value
Land	\$ 324,220	\$ -	\$ 324,220
Building	203,439	148,327	55,112
Office equipment	201,946	151,494	50,452
Computer hardware and software	226,688	210,719	15,969
Furniture and fixtures	184,859	117,343	67,516
Leasehold improvements	417,181	111,787	305,394
	<u>\$ 1,558,333</u>	<u>\$ 739,670</u>	<u>\$ 818,663</u>

# FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 4. Mortgage payable:

	March 31, 2013	March 31, 2012	April 1, 2011
RBC social housing loan, bearing interest at 2.828%, payable in monthly blended instalments of \$2,095, due September 1, 2015	\$ 264,755	\$ 282,189	\$ 299,140
Less current portion	(17,931)	(17,434)	(16,951)
	\$ 246,824	\$ 264,755	\$ 282,189

Principal repayments due over the next three years ended March 31 are as follows:

2014	\$ 17,931
2015	18,441
2016	228,383
	\$ 264,755

In the current year, the Organization incurred \$7,710 (2012 - \$8,193) in interest expense relating to this mortgage.

# FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 5. Deferred contributions:

### (a) Expenses of future periods:

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

March 31, 2013							
	Capital Ministry funded	reserve Organization funded	Research and grants	Other	Donations	Total	
Balance, beginning of year	\$ 55,979	\$ 10,506	\$ 208,830	\$ 35,935	\$ 14,237	\$ 325,487	
Amounts received related to future years	3,320	2,394	184,600	5,000	58,329	253,643	
Amounts recognized as revenue	-	-	(248,830)	(23,251)	(31,084)	(303,165)	
	\$ 59,299	\$ 12,900	\$ 144,600	\$ 17,684	\$ 41,482	\$ 275,965	
March 31, 2012							
	Capital Ministry funded	reserve Organization funded	Research and grants	Other	Donations	Total	
Balance, beginning of year	\$ 52,597	\$ 8,191	\$ 179,451	\$ 66,421	\$ 3,130	\$ 309,790	
Amounts received related to future periods	3,382	2,315	255,975	-	12,500	274,172	
Amounts recognized as revenue	-	-	(226,596)	(30,486)	(1,393)	(258,475)	
Balance, end of year	\$ 55,979	\$ 10,506	\$ 208,830	\$ 35,935	\$ 14,237	\$ 325,487	

# FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 5. Deferred contributions (continued):

March 31, 2011						
	Capital reserve Ministry funded	Organization funded	Research and grants	Other	Donation	Total
Balance, beginning of year	\$ 48,831	\$ 5,506	\$ 134,257	\$ 45,388	\$ 15,000	\$ 248,982
Amounts received related to future periods	18,723	2,685	183,975	41,535	-	246,918
Amounts recognized as revenue	(14,957)	-	(138,781)	(20,502)	(11,870)	(186,110)
Balance, end of year	\$ 52,597	\$ 8,191	\$ 179,451	\$ 66,421	\$ 3,130	\$ 309,790

### (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:

	March 31, 2013	March 31, 2012	April 1, 2011
Balance, beginning of year	\$ 243,491	\$ 240,433	\$ 221,704
Amounts received related to future periods	22,685	26,585	30,180
Amounts utilized towards deferred capital assets and specified campaign expenses	(37,326)	(23,527)	(11,451)
Balance, end of year	\$ 228,850	\$ 243,491	\$ 240,433

# FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 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.

## 7. Revenue:

### (a) Core grants:

	2013	2012
Ministry of Health and Long-Term Care:		
Toronto Central Local Health Integration Network	\$ 1,435,171	\$ 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	253,112	257,310
Provincial Programs Branch - Ontario Non-Profit Housing Program	278,928	218,027
City of Toronto:		
Homeless Initiatives Fund	55,239	55,216
AIDS Prevention Community Investment Program	50,138	61,439
Public Health Agency of Canada	83,806	169,755
LOFT Community Services	65,096	70,228
Ontario Trillium Foundation	85,707	86,105
	\$ 2,604,831	\$ 2,650,885



# FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 7. Revenue (continued):

### (b) Other income:

	2013	2012
Amortization of deferred contributions related to capital assets	\$ 116,015	\$ 114,213
Miscellaneous and interest income	107,764	133,374
Community based research grants	58,963	10,956
Gain (loss) on short-term investments	14,431	(5,602)
Rental income	188,198	109,379
Toronto Community Housing Corporation	2,400	2,400
	<u>\$ 487,771</u>	<u>\$ 364,720</u>

### (c) One-time grants:

	2013	2012
Ministry of Health and Long-Term Care:		
AIDS Bureau	\$ -	\$ 70,000
Community Care Information Management - CSS CAP	8,500	12,700
Public Health Agency of Canada	204,894	83,755
	<u>\$ 213,394</u>	<u>\$ 166,455</u>

# FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## 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:

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2014	\$	113,103
2015		112,395
2016		112,097
2017		108,815
2018		108,815
Thereafter		217,630
	\$	772,855

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

## 9. 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.

# FIFE HOUSE FOUNDATION INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## 9. 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 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.

### (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.