Financial Statements of

FIFE HOUSE FOUNDATION INC.

Year ended March 31, 2016



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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 statement of financial position as at March 31, 2016, 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.



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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, 2016 and March 31, 2015, 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, 2015.

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, 2016, 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.

Chartered Professional Accountants, Licensed Public Accountants

June 15, 2016

KPMG LLP

Toronto, Canada

Statement of Financial Position

March 31, 2016, with comparative information for 2015

		2016		2015
Assets				
Current assets:				
Cash (note 2)	\$	33,011	\$	108,375
Short-term investments (note 3)		647,520		644,548
Receivables and prepaid expenses		112,349	· · · · · · -	126,518
		792,880		879,441
Capital assets (note 4)		511,130		601,923
	\$	1,304,010	\$	1,481,364
Accounts payable and accrued liabilities Current portion of mortgage payable (note 5)	\$	254,814 20,783	\$	244,766 228,383
Current liabilities: Accounts payable and accrued liabilities	\$	254,814	\$	244,766
Current portion of mortgage payable (note 5)				
		275,597		473,149
Mortgage payable (note 5)		187,901		-
D. C				
Deferred contributions:				
Expenses of future periods (note 6(a))		176,870		238,545
Expenses of future periods (note 6(a)) Capital assets		272,404		341,880
Expenses of future periods (note 6(a))	· · · · · · · · · · · · · · · · · · ·	272,404 163,293		341,880 178,705
Expenses of future periods (note 6(a)) Capital assets		272,404		341,880 178,705
Expenses of future periods (note 6(a)) Capital assets		272,404 163,293		341,880 178,705
Expenses of future periods (note 6(a)) Capital assets Capital campaign (note 6(b))		272,404 163,293 612,567 15,883		341,880 178,705 759,130 16,438
Expenses of future periods (note 6(a)) Capital assets Capital campaign (note 6(b)) Net assets (note 7):		272,404 163,293 612,567 15,883 212,062		341,880 178,705 759,130 16,438 232,647
Expenses of future periods (note 6(a)) Capital assets Capital campaign (note 6(b)) Net assets (note 7): Endowment	·	272,404 163,293 612,567 15,883		341,880 178,705 759,130 16,438
Expenses of future periods (note 6(a)) Capital assets Capital campaign (note 6(b)) Net assets (note 7): Endowment		272,404 163,293 612,567 15,883 212,062		341,880 178,705 759,130 16,438 232,647

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

		2016		2015
Revenue:				
Core grants (note 8(a))	\$ 2,89	95,027	\$	2,842,129
Development		24,778	•	440,457
Other income (note 8(b))		35,449		439,109
One-time grants (note 8(c))		7,574		31,189
City of Toronto - Shelter, Support and				.,
Housing Administration	11	14,745		114,254
Capital campaign	•	7,253		8,580
	3,83	34,826		3,875,718
Expenses:				
Salaries and benefits	2,64	12,508		2,588,805
Housing operations	-	54,645		448,987
Rent		15,695		144,963
Other programs		11,895		120,763
Amortization of capital assets		03,555		105,963
Purchased services		93,665		89,465
Office and administrative		76,818		89,169
Residents' programs		39,873		73,406
Development		17,408		62,720
One-time funded		16,782		54,733
Staff education		24,658		46,440
Advertising and promotion		16,114		16,867
Volunteers and board development		15,475		18,073
Travel		3,585		4,355
Research		2,444		7,337
Miscellaneous		291		2,647
	3,85	55,411		3,874,693
Excess (deficiency) of revenue over expenses	\$ (2	20,585)	\$	1,025

See accompanying notes to financial statements.

Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

	,							2016	2015
	Endowment			Internally restricted		Unrestricted		Total	Total
		(note 7)	-	(note 7)					
Net assets, beginning of year	\$	16,438	\$	232,647	\$	-	\$	249,085 \$	246,457
Excess (deficiency) of revenue over expenses		-		-		(20,585)		(20,585)	1,025
Endowment		(555)		-		-		(555)	1,603
Internally restricted funds used for specified functional purposes		-		(20,585)		20,585		-	-
Net assets, end of year	\$	15,883	\$	212,062	\$	-	\$	227,945 \$	249,085

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

		2016	 2015
Cash provided by (used in):			
Operations:			
Excess (deficiency) of revenue over expenses Items not involving cash: Amortization of deferred contributions related to	\$	(20,585)	\$ 1,025
capital assets		(82,238)	(05 006)
Amortization of capital assets		103,555	(85,886) 105,963
Unrealized (gain) loss on short-term investments		20,830	(17,750)
Change in non-cash operating working capital Increase (decrease) in deferred contributions related to		24,217	5,164
expenses of future periods		(61,675)	13,109
The second secon		(15,896)	21,625
Financing:			
Increase (decrease) in deferred contributions relating to capital assets Increase in deferred contributions relating to		(2,650)	79,232
capital campaign		_	780
Increase (decrease) in endowment		(555)	1,603
Mortgage principal repayments		(19,699)	(18,441)
		(22,904)	63,174
Investments:			
Additions to capital assets		(12,762)	(105,088)
Additions to short-term investments		(23,802)	 (19,459)
		(36,564)	(124,547)
Decrease in cash		(75,364)	(39,748)
Cash, beginning of year		108,375	148,123
Cash, end of year	\$	33,011	\$ 108,375

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2016

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 CPA Canada 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.

Notes to Financial Statements (continued)

Year ended March 31, 2016

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 Computer hardware and software Furniture and fixtures Leasehold improvements	5 years 3 years 5 years 10 years

Notes to Financial Statements (continued)

Year ended March 31, 2016

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.

Notes to Financial Statements (continued)

Year ended March 31, 2016

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. Bank indebtedness:

The Organization 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, 2016, the line of credit has not been utilized.

3. Short-term investments:

		2016		2015
	Cost	Market	Cost	Market
Philips, Hager & North Canadian Social Housing Canadian Bond Fund, Series A Philips, Hager & North Canadian Social Housing Canadian Equity Fund.	\$ 129,433	\$ 131,071	\$ 123,380	\$ 130,475
Series A	130,178	156,074	123,156	161,525
Philips, Hager & North Canadian Money Market, Series D Philips, Hager & North Short-	79,948	79,948	76,415	76,414
term Bond Series A	281,729	280,427	274,784	276,134
	\$ 621,288	\$ 647,520	\$ 597,735	\$ 644,548

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Capital assets:

			 2016	2015
		Accumulated	Net book	Net book
Manager and the second	Cost	amortization	value	 value
Land \$	324,220	\$ -	\$ 324,220	\$ 324,220
Building	334,839	307,255	27,584	66,872
Office equipment	226,218	216,424	9,794	13,855
Computer hardware and software	257,657	248,070	9,587	4,668
Furniture and fixtures	209,073	194,512	14,561	20,844
Leasehold improvements	460,804	335,420	125,384	171,464
\$	1,812,811	\$ 1,301,681	\$ 511,130	\$ 601,923

5. Mortgage payable:

	2016	 2015
Peoples Trust Company social housing loan, bearing interest at 1.420%, payable in monthly blended installments of \$1,967, due September 1, 2020 RBC social housing loan, bearing interest at 2.828%, payable in monthly blended installments of \$2,095, matured September 1, 2015	\$ 208,684	\$ 228,383
Less current portion	(20,783)	(228,383)
	\$ 187,901	\$

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Mortgage payable (continued):

In the current year, the Organization incurred \$4,675 (2015 - \$6,703) in interest expense relating to this mortgage.

Future minimum principal repayments are as follows:

2017	\$	20,783
2018	·	21,080
2019		21,380
2020		21,684
2021		123,757
	\$	208,684

6. Deferred contributions:

(a) Expenses of future periods:

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

									2016	2015
	<u>Capit</u> Ministry	al res Orga		R	esearch and					
	funded		funded		grants	 Other	D	onations	Total	Total
Balance, beginning of year \$ Amounts received	78,315	\$	18,136	\$	55,029	\$ 17,259	\$	69,806	\$ 238,545	\$ 225,436
related to future years Amounts	1,634		2,403		150,938	3,000		35,048	193,023	230,617
recognized as revenue	-		<u>.</u>	((174,321)	(10,037)		(70,340)	(254,698)	(217,508)
\$	79,949	\$	20,539	\$	31,646	\$ 10,222	\$	34,514	\$ 176,870	\$ 238,545

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. 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:

	2016		2015
Balance, beginning of year Amounts received related to future periods Amounts utilized towards deferred capital	\$ 178,705 -	\$	203,781 780
assets and specified campaign expenses	(15,412)	·	(25,856)
Balance, end of year	\$ 163,293	\$	178,705

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.

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Revenue:

(a) Core grants:

	2016	 2015
Ministry of Health and Long-Term Care:		
Toronto Central Local Health Integration Network AIDS Bureau - Community Based AIDS Education and	\$ 1,555,583	\$ 1,530,638
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	280,236	278,000
City of Toronto:	,	•
Housing Support Service Projects	154,305	100,027
Investing in Neighbourhoods	26,971	5,472
Public Health Agency of Canada	250,006	250,006
LOFT Community Services	69,944	74,638
Ontario Trillium Foundation	3,038	48,404
The state of the s	\$ 2,895,027	\$ 2,842,129

(b) Other income:

2016	2015
\$ 192,667 \$	186,636
86,541	108,521
82,238	85,886
24,131	20,580
18,302	17,336
2,400	2,400
(20,830)	17,750
\$ 385,449 \$	439,109
	\$ 192,667 \$ 86,541

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Revenue (continued):

(c) One-time grants:

	2016	2015
Ministry of Health and Long-Term Care: City of Toronto - Housing Support Service Projects Provincial Programs Branch - Ontario Non-Profit	7,574	29,289
Housing Program	-	1,900
	\$ 7,574 \$	31,189

9. 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, 2017. Minimum future lease payments are estimated to be as follows:

2017 2018 2019 2020	\$ 114,286 111,109 111,109 111,109
	\$ 447,613

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.

10. 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.

Notes to Financial Statements (continued)

Year ended March 31, 2016

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

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 3.

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.

(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.

Notes to Financial Statements (continued)

Year ended March 31, 2016

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

(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 5.

11. Comparative information:

Certain 2015 comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.