

**MADISON COMMUNITY SERVICES**  
FINANCIAL STATEMENTS  
MARCH 31, 2014

**HILBORN** LLP



## Independent Auditor's Report

To the Board of  
**Madison Community Services**

We have audited the accompanying financial statements of Madison Community Services, which comprise the statement of financial position as at March 31, 2014, and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting requirements of the Ministry of Health.

### *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 requirements of the Ministry of Health, 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.

### *Auditor's 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 the 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 the auditor's 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, the auditor considers 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 audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects the financial position of Madison Community Services as at March 31, 2014, and the results of their operations and their cash flows for the year then ended, in accordance with the financial reporting requirements of the Ministry of Health.

### *Basis of Accounting*

Without further modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared for the information and use of the Board of Madison Community Services to comply with Ministry of Health reporting requirements. As a result, the financial statements may not be suitable for another purpose.



Toronto, Ontario  
June 26, 2014

Chartered Professional Accountants  
Licensed Public Accountants

# MADISON COMMUNITY SERVICES

## Statement of Financial Position

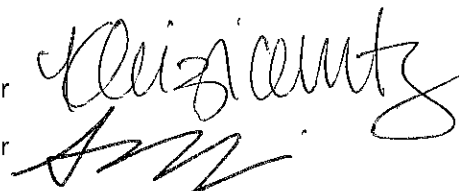
March 31, 2014

	Ministry of Health Fund \$	Rent Supplement Program Fund \$
<b>ASSETS</b>		
Current Assets		
Cash and short-term investments	134,099	38,704
Accounts receivable	22,365	-
HST receivable	46,335	-
Prepaid expenses	27,847	-
	<u>230,646</u>	<u>38,704</u>
Capital assets (note 3)	-	-
	<u>230,646</u>	<u>38,704</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	230,646	1,741
Current portion of mortgage payable (note 5)	-	-
	<u>230,646</u>	<u>1,741</u>
Mortgage payable (note 5)	-	-
<b>FUNDS BALANCES</b>		
Unrestricted	-	-
Restricted, invested in capital assets	-	-
Restricted	-	36,963
	<u>-</u>	<u>36,963</u>
	<u>230,646</u>	<u>38,704</u>

Approved on behalf of the Board:

Director

Director



Craigleigh Project Fund \$	Craigleigh Replacement Reserve Fund \$	Program Fund \$	2014 Total \$
78,608	99,696	127,800	<b>478,907</b>
-	-	45,512	<b>67,877</b>
-	-	-	<b>46,335</b>
-	-	-	<b>27,847</b>
78,608	99,696	173,312	<b>620,966</b>
589,260	-	314,665	<b>903,925</b>
667,868	99,696	487,977	<b>1,524,891</b>
8,725	-	16,838	<b>257,950</b>
43,711	-	-	<b>43,711</b>
52,436	-	16,838	<b>301,661</b>
541,335	-	-	<b>541,335</b>
-	-	156,474	<b>156,474</b>
4,214	-	314,665	<b>318,879</b>
69,883	99,696	-	<b>206,542</b>
74,097	99,696	471,139	<b>681,895</b>
667,868	99,696	487,977	<b>1,524,891</b>

# MADISON COMMUNITY SERVICES

## Statement of Financial Position

March 31, 2013

	Ministry of Health Fund \$	Rent Supplement Program Fund \$
<b>ASSETS</b>		
Current Assets		
Cash and short-term investments	16,166	31,423
Accounts receivable	8,886	-
HST receivable	32,889	-
Prepaid expenses	47,259	-
	<u>105,200</u>	<u>31,423</u>
Capital assets (note 3)		
	-	-
	<u>105,200</u>	<u>31,423</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	105,200	1,741
Current portion of mortgage payable	-	-
	<u>105,200</u>	<u>1,741</u>
Mortgage payable	-	-
<b>FUNDS BALANCES</b>		
Unrestricted	-	-
Restricted, invested in capital assets	-	-
Restricted	-	29,682
	<u>-</u>	<u>29,682</u>
	<u>105,200</u>	<u>31,423</u>

**MADISON COMMUNITY SERVICES**

Craigleigh Project Fund \$	Craigleigh Replacement Reserve Fund \$	Program Fund \$	2013 Total \$
73,464	92,439	108,514	322,006
-	-	53,357	62,243
-	-	-	32,889
-	-	-	47,259
<u>73,464</u>	<u>92,439</u>	<u>161,871</u>	<u>464,397</u>
<u>631,761</u>	-	<u>280,663</u>	<u>912,424</u>
<u>705,225</u>	<u>92,439</u>	<u>442,534</u>	<u>1,376,821</u>
4,967	-	14,598	126,506
42,501	-	-	42,501
<u>47,468</u>	-	<u>14,598</u>	<u>169,007</u>
<u>585,046</u>	-	-	<u>585,046</u>
-	-	147,273	147,273
4,214	-	280,663	284,877
68,497	92,439	-	190,618
<u>72,711</u>	<u>92,439</u>	<u>427,936</u>	<u>622,768</u>
<u>705,225</u>	<u>92,439</u>	<u>442,534</u>	<u>1,376,821</u>

# MADISON COMMUNITY SERVICES

## Statement of Revenues and Expenses

Years ended March 31

	Ministry of Health Fund		Rent Supplement Program Fund	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Revenues</b>				
Ministry of Health and Long-Term Care				
- base	1,347,803	1,347,231	127,637	129,927
- current year subsidy adjustment	-	-	-	-
- prior year subsidy adjustment	-	-	(3,239)	(3,680)
- prior year sessional adjustment	-	333	-	-
- replacement reserve	-	-	-	-
- sessional fees	11,219	10,619	-	-
- one time funding				
- various	182,841	-	-	-
Rents	168,125	168,458	-	(673)
University Health Network	5,000	5,630	-	-
CAMH	-	-	-	-
Citizenship and Immigration Canada	-	-	-	-
NCCT	-	-	-	-
Fundraising and donations	-	-	-	-
Interest	-	498	-	-
Other	-	-	-	-
	<b>1,714,988</b>	<b>1,532,769</b>	<b>124,398</b>	<b>125,574</b>
<b>Expenses</b>				
Salaries and benefits	1,118,578	1,132,146	-	-
Building	159,178	168,458	117,117	126,004
Outside services	41,839	48,191	-	-
Supplies and equipment	36,657	9,205	-	-
Administrative	86,009	69,467	-	-
Travel	29,481	27,346	-	-
Office rent	61,011	72,216	-	-
One time expenses	184,760	-	-	-
Mortgage interest	-	-	-	-
Amortization	-	-	-	-
	<b>1,717,513</b>	<b>1,527,029</b>	<b>117,117</b>	<b>126,004</b>
Excess or revenues over expenses (expenses over revenues) before the undernoted	<b>(2,525)</b>	5,740	<b>7,281</b>	(430)
Amount refundable to Toronto Central LHIN	<b>(7,075)</b>	(8,443)	-	-
Excess of revenues over expenses (expenses over revenues) for year	<b>(9,600)</b>	(2,703)	<b>7,281</b>	(430)



# MADISON COMMUNITY SERVICES

Craigleigh Program Fund		Craigleigh Replacement Reserve Fund		----- Program Fund -----		----- Total -----	
2014	2013	2014	2013	2014	2013	2014	2013
\$	\$	\$	\$	\$	\$	\$	\$
111,007	109,311	-	-	-	-	1,586,447	1,586,469
-	-	-	-	-	-	-	-
(3,758)	(2,293)	-	-	-	-	(6,997)	(5,973)
-	-	-	-	-	-	-	333
-	-	7,257	6,457	-	-	7,257	6,457
-	-	-	-	-	-	11,219	10,619
-	-	-	-	-	-	182,841	-
16,443	21,408	-	-	-	-	184,568	189,193
-	-	-	-	-	-	5,000	5,630
-	-	-	-	284,200	284,200	284,200	284,200
-	-	-	-	284,861	240,627	284,861	240,627
-	-	-	-	73,955	37,368	73,955	37,368
-	-	-	-	75,378	40,817	75,378	40,817
-	-	-	-	-	-	-	498
-	-	-	-	-	25,667	-	25,667
<b>123,692</b>	<b>128,426</b>	<b>7,257</b>	<b>6,457</b>	<b>718,394</b>	<b>628,679</b>	<b>2,688,729</b>	<b>2,421,905</b>
23,000	19,495	-	-	523,537	436,495	1,665,115	1,588,136
28,223	41,474	-	-	-	-	304,518	335,936
-	-	-	-	-	-	41,839	48,191
-	-	-	-	127,595	179,722	164,252	188,927
11,484	14,347	-	-	-	-	97,493	83,814
-	-	-	-	-	-	29,481	27,346
-	-	-	-	-	-	61,011	72,216
-	-	-	-	-	-	184,760	-
17,098	18,275	-	-	-	-	17,098	18,275
42,501	41,324	-	-	14,459	14,459	56,960	55,783
<b>122,306</b>	<b>134,915</b>	<b>-</b>	<b>-</b>	<b>665,591</b>	<b>630,676</b>	<b>2,622,527</b>	<b>2,418,624</b>
1,386	(6,489)	7,257	6,457	52,803	(1,997)	66,202	3,281
-	-	-	-	-	-	(7,075)	(8,443)
<b>1,386</b>	<b>(6,489)</b>	<b>7,257</b>	<b>6,457</b>	<b>52,803</b>	<b>(1,997)</b>	<b>59,127</b>	<b>(5,162)</b>

# MADISON COMMUNITY SERVICES

## Statement of Changes in Fund Balances

Year ended March 31, 2014

	Ministry of Health Fund \$	Rent Supplement Program \$
Funds balance, beginning of year	-	29,682
Excess of revenues over expenses (expenses over revenues) for year	(9,600)	7,281
Funds transferred from Program Fund to cover shortfall	9,600	-
Funds balance, end of year	-	36,963

Year ended March 31, 2013

	Ministry of Health Fund \$	Rent Supplement Program \$
Funds balance, beginning of year	-	30,112
Excess of revenues over expenses (expenses over revenues) for year	(2,703)	(430)
Funds transferred from Program Fund to cover shortfall	2,703	-
Funds balance, end of year	-	29,682

# MADISON COMMUNITY SERVICES

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<b>Craigleight Project Fund \$</b>	<b>Craigleight Replacement Reserve Fund \$</b>	<b>Program Fund \$</b>	<b>2014 Total \$</b>
72,711	92,439	427,936	<b>622,768</b>
1,386	7,257	52,803	<b>59,127</b>
-	-	(9,600)	-
<b>74,097</b>	<b>99,696</b>	<b>471,139</b>	<b>681,895</b>

<b>Craigleight Project Fund \$</b>	<b>Craigleight Replacement Reserve Fund \$</b>	<b>Program Fund \$</b>	<b>2013 Total \$</b>
79,200	85,982	432,636	627,930
(6,489)	6,457	(1,997)	(5,162)
-	-	(2,703)	-
<b>72,711</b>	<b>92,439</b>	<b>427,936</b>	<b>622,768</b>

# MADISON COMMUNITY SERVICES

## Statement of Cash Flows

Year ended March 31, 2014	2014 \$	2013 \$
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues) for year	59,127	(5,162)
Item not requiring a current cash outlay		
Amortization	56,960	55,783
	116,087	50,621
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	(5,634)	72,042
Increase in HST receivable	(13,446)	(32,889)
Decrease (increase) in prepaid expenses	19,412	(22,750)
Increase in accounts payable and accrued liabilities	131,444	32,322
	247,863	99,346
Cash flows from financing activities		
Decrease in mortgage payable	(42,501)	(41,324)
Cash flows from investing activities		
Purchase of capital assets	(48,461)	-
Increase in cash during year	156,901	58,022
Cash, beginning of year	322,006	263,984
Cash, end of year	478,907	322,006

March 31, 2014

**1. Purpose of the Organization**

Madison Avenue Housing and Support Services Inc. was incorporated October 13, 1981 under the laws of Ontario as a corporation without share capital. The organization is registered as a charitable organization under the Income Tax Act.

On August 6, 2010 the organization filed an application for Supplementary Letter Patent to change the name of the organization to Madison Community Services

Madison Community Services is a community-based supportive housing organization. The objectives of the organization are to promote the health, well-being and community integration of people (16 years of age and over) with serious mental health issues through advocacy, education and the provision of a broad range of high quality community based support services.

**2. Significant Accounting Policies and General**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, except as described below, and include the following significant accounting policies:

**a) Fund accounting**

The organization follows the restricted fund method of accounting for contributions whereby all contributions are recognized as revenue when received or receivable. These financial statements have been prepared using accounting principles required by the Ministry of Health and Long-Term Care to record capital assets and reserves (note 2(a)(iii) and 2(c)). In this regard, these financial statements are not in accordance with Canadian generally accepted accounting principles.

**i) Ministry of Health Fund and Rent Supplement Program Fund**

The Ministry of Health Fund and Rent Supplement Program Fund are externally restricted funds and account for all contributions and expenses towards the operation of supportive housing. All unexpended funds are repayable to the Ministry of Health and Long-Term Care.

**ii) Craleigh Project Fund**

The Craleigh Project Fund, funded by Ministry of Health and Long-Term Care, is an externally restricted fund and accounts for all contributions and expenses towards the operation of an 11 unit non-profit housing complex.

**iii) Craleigh Replacement Reserve Fund**

The Replacement Reserve Fund is an externally restricted fund established to provide for major repairs on the Craleigh Project Fund housing complex. Purchases of a capital nature, other than building, are expensed in the year of acquisition from the Replacement Reserve Fund.

**iv) Program Fund**

The Program Fund is a fund where donation and other program revenue is managed by the organization.

# MADISON COMMUNITY SERVICES

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## Notes to Financial Statements (continued)

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March 31, 2014

### 2. Significant Accounting Policies and General (continued)

#### b) Financial instruments

##### i) Measurement of financial instruments

The organization initially measures its financial assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial asset or financial liability is subsequently measured at amortized cost.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Transaction costs associated with the acquisition and disposal of investments are capitalized to the acquisition costs or reduce proceeds on disposal.

Financial assets measured at amortized cost include cash, short-term investments and receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and mortgage payable.

##### ii) Impairment

At the end of each reporting period, the organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the organization, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; or bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the organization determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the organization identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset to the highest of the following:

- the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset;
- the amount that could be realized by selling the asset at the statement of financial position date; and
- the amount the Organization expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights.

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Notes to Financial Statements (continued)

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March 31, 2014

2. **Significant Accounting Policies and General** (continued)

b) **Financial instruments** (continued)

The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statements of revenues and expenses.

When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statements of operations in the period the reversal occurs.

c) **Capital assets**

Buildings are recorded at acquisition cost. Amortization of the Craigeigh Project Fund building is equivalent to the annual principal repayments on the mortgage. Amortization of the Program Fund building is 5% per annum on a straight-line basis. Amortization of furniture and equipment and computer equipment is 20% per annum on a straight line basis.

d) **Management estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

# MADISON COMMUNITY SERVICES

## Notes to Financial Statements (continued)

March 31, 2014

### 3. Capital Assets

	Cost \$	Accumulated Amortization \$	2014 Net \$
<b>Craigleigh Project Fund</b>			
Building	1,054,275	465,015	589,260
<b>Program Fund</b>			
Land	170,000	-	170,000
Building	233,195	139,800	93,395
Furniture and equipment	48,461	-	48,461
Computer equipment	62,506	11,236	51,270
	<u>465,701</u>	<u>151,036</u>	<u>314,665</u>

	Cost \$	Accumulated Amortization \$	2013 Net \$
<b>Craigleigh Project Fund</b>			
Building	1,054,275	422,514	631,761
<b>Program Fund</b>			
Land	170,000	-	170,000
Building	233,195	128,150	105,045
Computer equipment	14,045	8,427	5,618
	<u>417,240</u>	<u>136,577</u>	<u>280,663</u>

### 4. Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the organization's financial instruments.

The organization manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its risk management policy. The objective of the policy is to reduce volatility in cash flow and earnings. The organization monitors compliance with risk management policies and reviews risk management policies and procedures on an annual basis.

The organization does not use derivative financial instruments to manage its risks.



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**Notes to Financial Statements (continued)**

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March 31, 2014

**4. Financial Instruments (continued)**

**Credit risk**

The organization is exposed to credit risk resulting from the possibility is the risk that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the organization could incur a financial loss. The organization does not hold directly any collateral as security for financial obligations of counterparties.

The maximum exposures of the organization to credit risk at March 31, 2014 are as follows:

	March 31, 2014 \$	March 31, 2013 \$
Cash and short-term investments	478,907	322,006
Accounts receivable	67,877	62,243
	546,784	384,249

**Cash and short-term investments:** Credit risk associated with cash and investments is minimized substantially by ensuring that these assets are invested in major financial institutions that have been accorded investment grade ratings by a primary rating agency; and/or other credit-worthy parties.

**Receivables:** In management's opinion the organization is not exposed to significant credit risk on its receivables.

**Liquidity risk**

Liquidity risk is the risk that the organization will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the organization not being able to liquidate assets in a timely manner at a reasonable price.

The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

# MADISON COMMUNITY SERVICES

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## Notes to Financial Statements (continued)

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March 31, 2014

### 4. Financial Instruments (continued)

#### Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The functional currency of the organization is the Canadian dollar. The organization does not enter into transactions in foreign currencies.

#### Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The exposure of the organization to interest rate risk arises from its interest bearing assets.

Fluctuations in market rates of interest on cash do not have a significant impact on the organization's results of operations.

#### Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The organization is not subject to other price risk.

#### Changes in risk

There have been no changes in the organization's risk exposures from the prior year.

### 5. Mortgage Payable

The mortgage bears interest at 2.828%, is repayable in blended monthly payments of \$4,967 and matures September 1, 2015. The mortgage is secured by property with a book value of \$589,260.

Principal repayments are due as follows:

2015	43,711
2016	<u>541,335</u>
	585,046
Less current portion	<u>43,711</u>
	<u><u>541,335</u></u>

# MADISON COMMUNITY SERVICES

## Notes to Financial Statements (continued)

March 31, 2014

### 6. CAMH

Included in the program fund is restricted funding received from CAMH as follows:

	2014	2013
	\$	\$
Grant received	284,200	284,200
Wages and benefits	213,783	237,479
Administrative and program	41,240	48,437
Communications	-	140
	<u>255,023</u>	<u>286,056</u>
Excess of revenues over expenses (expenses over revenues) for year	29,177	(1,856)
Funds balance, beginning of year	(1,856)	-
Funds balance (deficit), end of year	<u>27,321</u>	<u>(1,856)</u>

### 7. Commitments

The organization is committed to leasing its office premises to March 31, 2021 and office equipment. Minimum lease payments including estimated operating costs and property taxes are as follows:

2015	\$ 129,300
2016	129,300
2017	130,650
2018	133,350
2019	131,900
Thereafter	<u>260,900</u>
	<u>\$ 915,400</u>





# HILBORN

LISTENERS. THINKERS. DOERS.