

**MADISON COMMUNITY SERVICES**

FINANCIAL STATEMENTS

MARCH 31, 2016

**HILBORN**<sub>LLP</sub>

## Independent Auditor's Report

To the Board of Directors 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, 2016, 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 to meet the financial reporting requirements of the Ontario Ministry of Health and Long-Term Care in accordance with the financial reporting framework described in note 1 of the financial statements.

### *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 framework described in note 1 of the financial statements, 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 in all material respects the financial position of Madison Community Services as at March 31, 2016, and the results of its operations and its cash flows for the year then ended, in accordance with the financial reporting framework described in note 1 of the financial statements.



Toronto, Ontario  
June 29, 2016

Chartered Professional Accountants  
Licensed Public Accountants

# MADISON COMMUNITY SERVICES



## Statement of Financial Position

March 31, 2016

	Ministry of Health Fund \$	Rent Supplement Program Fund \$
<b>ASSETS</b>		
Current Assets		
Cash	40,955	44,922
Accounts receivable	-	-
HST recoverable	24,274	-
Prepaid expenses	22,391	-
	<u>87,620</u>	<u>44,922</u>
Capital assets (note 2)	-	-
	<u>87,620</u>	<u>44,922</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	87,620	9,600
Current portion of mortgage payable (note 4)	-	-
	<u>87,620</u>	<u>9,600</u>
Mortgage payable (note 4)	-	-
<b>FUNDS BALANCES</b>		
Unrestricted	-	-
Restricted, invested in capital assets	-	-
Restricted	-	35,322
	-	<u>35,322</u>
	<u>87,620</u>	<u>44,922</u>

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board of Directors:

Director  (Stephany Mandin)  
Director  (Jared Kligerman)

# MADISON COMMUNITY SERVICES

Craigleigh Project Fund \$	Craigleigh Replacement Reserve Fund \$	Program Fund \$	2016 Total \$
73,608	80,936	111,893	<b>352,314</b>
-	-	80,111	<b>80,111</b>
-	-	-	<b>24,274</b>
-	-	5,545	<b>27,936</b>
<u>73,608</u>	<u>80,936</u>	<u>197,549</u>	<u><b>484,635</b></u>
<u>498,985</u>	<u>-</u>	<u>269,973</u>	<u><b>768,958</b></u>
<u>572,593</u>	<u>80,936</u>	<u>467,522</u>	<u><b>1,253,593</b></u>
4,967	8,736	26,542	<b>137,465</b>
49,005	-	-	<b>49,005</b>
<u>53,972</u>	<u>8,736</u>	<u>26,542</u>	<u><b>186,470</b></u>
<u>445,766</u>	<u>-</u>	<u>-</u>	<u><b>445,766</b></u>
-	-	171,007	<b>171,007</b>
4,214	-	269,973	<b>274,187</b>
68,641	72,200	-	<b>176,163</b>
<u>72,855</u>	<u>72,200</u>	<u>440,980</u>	<u><b>621,357</b></u>
<u>572,593</u>	<u>80,936</u>	<u>467,522</u>	<u><b>1,253,593</b></u>

# MADISON COMMUNITY SERVICES

## Statement of Financial Position

March 31, 2015

	Ministry of Health Fund \$	Rent Supplement Program Fund \$
<b>ASSETS</b>		
Current Assets		
Cash	37,377	60,875
Accounts receivable	30,040	-
HST recoverable	41,871	-
Prepaid expenses	48,951	-
	<u>158,239</u>	<u>60,875</u>
Capital assets ( <i>note 2</i> )	-	-
	<u>158,239</u>	<u>60,875</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	158,239	9,022
Current portion of mortgage payable	-	-
	<u>158,239</u>	<u>9,022</u>
Mortgage payable	-	-
<b>FUNDS BALANCES</b>		
Unrestricted	-	-
Restricted, invested in capital assets	-	-
Restricted	-	51,853
	<u>-</u>	<u>51,853</u>
	<u>158,239</u>	<u>60,875</u>

The accompanying notes are an integral part of these financial statements.

# MADISON COMMUNITY SERVICES

Craigleigh Project Fund \$	Craigleigh Replacement Reserve Fund \$	Program Fund \$	2015 Total \$
70,605	72,870	102,646	344,373
-	4,200	79,955	114,195
-	-	-	41,871
-	-	-	48,951
<u>70,605</u>	<u>77,070</u>	<u>182,601</u>	<u>549,390</u>
<u>545,549</u>	-	<u>290,513</u>	<u>836,062</u>
<u>616,154</u>	<u>77,070</u>	<u>473,114</u>	<u>1,385,452</u>
3,761	-	4,070	175,092
<u>541,335</u>	-	-	<u>541,335</u>
<u>545,096</u>	-	<u>4,070</u>	<u>716,427</u>
-	-	-	-
-	-	178,531	178,531
4,214	-	290,513	294,727
66,844	77,070	-	195,767
<u>71,058</u>	<u>77,070</u>	<u>469,044</u>	<u>669,025</u>
<u>616,154</u>	<u>77,070</u>	<u>473,114</u>	<u>1,385,452</u>

# MADISON COMMUNITY SERVICES

## Statement of Revenues and Expenses

Years ended March 31

	Ministry of Health Fund		Rent Supplement Program Fund	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Revenues</b>				
Ministry of Health and Long-Term Care				
- base	1,347,841	1,347,843	129,576	129,089
- prior year subsidy adjustment	-	(3,522)	(16,531)	(7,281)
- prior year sessional adjustment	-	(40)	-	-
- replacement reserve	-	-	-	-
- sessional fees	10,839	11,222	-	-
- one time funding	-	-	-	-
- various	-	-	-	-
Rents	-	178,268	-	-
University Health Network	-	5,000	-	-
City of Toronto	-	-	-	-
CAMH	-	-	-	-
Citizenship and Immigration Canada	-	-	-	-
IIN	-	-	-	-
Fundraising and donations	-	-	-	-
	<b>1,358,680</b>	<b>1,538,771</b>	<b>113,045</b>	<b>121,808</b>
<b>Expenses</b>				
Salaries and benefits	1,110,638	1,080,583	-	-
Building	-	164,796	121,717	106,918
Outside services	33,161	43,351	-	-
Supplies and equipment	22,035	22,200	-	-
Administrative	74,802	81,202	-	-
Travel	35,982	36,306	-	-
Office rent	127,243	119,450	-	-
One time expenses	-	-	-	-
Mortgage interest	-	-	-	-
Amortization	-	-	-	-
	<b>1,403,861</b>	<b>1,547,888</b>	<b>121,717</b>	<b>106,918</b>
<b>Excess or revenues over expenses</b>				
(expenses over revenues) before the undernoted	(45,181)	(9,117)	(8,672)	14,890
Amounts refundable to Funder	(4,623)	(5,006)	(7,859)	-
<b>Excess of revenues over expenses (expenses over revenues) for year</b>	<b>(49,804)</b>	<b>(14,123)</b>	<b>(16,531)</b>	<b>14,890</b>

The accompanying notes are an integral part of these financial statements.

# MADISON COMMUNITY SERVICES

Craigleigh Program Fund		Craigleigh Replacement Reserve Fund		Program Fund		Total	
2016	2015	2016	2015	2016	2015	2016	2015
\$	\$	\$	\$	\$	\$	\$	\$
112,615	113,051	-	-	-	-	1,590,032	1,589,983
2,892	1,206	-	-	-	-	(13,639)	(9,597)
-	-	-	-	-	-	-	(40)
-	-	2,957	7,157	-	-	2,957	7,157
-	-	-	-	-	-	10,839	11,222
-	-	12,500	-	16,000	-	28,500	-
14,004	14,508	-	-	176,147	-	190,151	192,776
-	-	-	-	5,000	-	5,000	5,000
-	-	56,630	64,017	-	-	56,630	64,017
-	-	-	-	284,200	284,200	284,200	284,200
-	-	-	-	295,900	297,247	295,900	297,247
-	-	-	-	11,800	12,813	11,800	12,813
-	-	-	-	69,907	63,200	69,907	63,200
<b>129,511</b>	<b>128,765</b>	<b>72,087</b>	<b>71,174</b>	<b>858,954</b>	<b>657,460</b>	<b>2,532,277</b>	<b>2,517,978</b>
23,000	23,000	-	-	526,662	542,306	1,660,300	1,645,889
35,229	39,060	64,457	93,800	156,737	-	378,140	404,574
-	-	-	-	-	-	33,161	43,351
-	-	-	-	116,272	78,975	138,307	101,175
11,839	10,144	-	-	-	-	86,641	91,346
-	-	-	-	-	-	35,982	36,306
-	-	-	-	-	-	127,243	119,450
-	-	12,500	-	16,000	-	28,500	-
11,082	15,888	-	-	-	-	11,082	15,888
46,564	43,712	-	-	21,543	24,151	68,107	67,863
<b>127,714</b>	<b>131,804</b>	<b>76,957</b>	<b>93,800</b>	<b>837,214</b>	<b>645,432</b>	<b>2,567,463</b>	<b>2,525,842</b>
1,797	(3,039)	(4,870)	(22,626)	21,740	12,028	(35,186)	(7,864)
-	-	-	-	-	-	(12,482)	(5,006)
<b>1,797</b>	<b>(3,039)</b>	<b>(4,870)</b>	<b>(22,626)</b>	<b>21,740</b>	<b>12,028</b>	<b>(47,668)</b>	<b>(12,870)</b>



# MADISON COMMUNITY SERVICES

## Statement of Changes in Fund Balances

Year ended March 31, 2016

	Ministry of Health Fund \$	Rent Supplement Program \$
Funds balance, beginning of year	-	51,853
Excess of revenues over expenses (expenses over revenues) for year	(49,804)	(16,531)
Funds transferred from Program Fund to cover shortfall	49,804	-
Funds balance, end of year	-	35,322

Year ended March 31, 2015

	Ministry of Health Fund \$	Rent Supplement Program \$
Funds balance, beginning of year	-	36,963
Excess of revenues over expenses (expenses over revenues) for year	(14,123)	14,890
Funds transferred from Program Fund to cover shortfall	14,123	-
Funds balance, end of year	-	51,853

The accompanying notes are an integral part of these financial statements.

# MADISON COMMUNITY SERVICES

Craigleigh Project Fund \$	Craigleigh Replacement Reserve Fund \$	Program Fund \$	2016 Total \$
71,058	77,070	469,044	<b>669,025</b>
1,797	(4,870)	21,740	<b>(47,668)</b>
		(49,804)	-
72,855	72,200	440,980	<b>621,357</b>

Craigleigh Project Fund \$	Craigleigh Replacement Reserve Fund \$	Program Fund \$	2015 Total \$
74,097	99,696	471,139	681,895
(3,039)	(22,626)	12,028	(12,870)
-	-	(14,123)	-
71,058	77,070	469,044	669,025

# MADISON COMMUNITY SERVICES

## Statement of Cash Flows

Year ended March 31, 2016	2016 \$	2015 \$
Cash flows from operating activities		
Excess of expenses over revenues for year	(47,668)	(12,870)
Item not requiring a current cash outlay		
Amortization	68,107	67,863
	<u>20,439</u>	<u>54,993</u>
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	34,084	(46,318)
Decrease in HST recoverable	17,597	4,464
Decrease (increase) in prepaid expenses	21,015	(21,104)
Decrease in accounts payable and accrued liabilities	(37,627)	(82,858)
	<u>55,508</u>	<u>(90,823)</u>
Cash flows from financing activities		
Decrease in mortgage payable	(46,564)	(43,711)
Cash flows from investing activities		
Purchase of capital assets	(1,003)	-
Change in cash	7,941	(134,534)
Cash, beginning of year	344,373	478,907
Cash, end of year	<u>352,314</u>	<u>344,373</u>

The accompanying notes are an integral part of these financial statements.

## Notes to Financial Statements

March 31, 2016

### **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. On August 6, 2010 Madison Avenue Housing and Support Services Inc. changed the name of the Organization to Madison Community Services (the "Organization").

The Organization is registered as a charitable organization under the Income Tax Act.

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.

### **1. Significant accounting policies**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, except for those specific treatments required by the Ontario Ministry of Health and Long-Term Care to record capital assets and reserves (note 1(a)(iii) and 1(c)) (the "Framework"). The Framework is a disclosed basis of accounting and is a compliance framework. In this regard, these financial statements have not been prepared in accordance with Canadian generally accepted accounting principles.

The Organization's significant accounting policies follow:

#### **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.

##### **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.

# MADISON COMMUNITY SERVICES

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## Notes to Financial Statements (continued)

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March 31, 2016

1. **Significant accounting policies** (continued)

a) **Fund accounting** (continued)

iv) **Program Fund**

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

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 and accounts 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.

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Notes to Financial Statements (continued)

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March 31, 2016

1. **Significant accounting policies** (continued)

b) **Financial instruments** (continued)

ii) Impairment (continued)

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.

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 the Framework 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, 2016

### 2. Capital assets

	Cost \$	Accumulated Amortization \$	2016 Net \$
<b>Craigleigh Project Fund</b>			
Building	1,054,275	555,290	498,985
<b>Program Fund</b>			
Land	170,195	-	170,195
Building	233,000	163,100	69,900
Furniture and equipment	48,461	19,385	29,076
Computer equipment	15,048	14,246	802
	<u>466,704</u>	<u>196,731</u>	<u>269,973</u>

	Cost \$	Accumulated Amortization \$	2015 Net \$
<b>Craigleigh Project Fund</b>			
Building	1,054,275	508,726	545,549
<b>Program Fund</b>			
Land	170,195	-	170,195
Building	233,000	151,450	81,550
Furniture and equipment	48,461	9,693	38,768
Computer equipment	14,045	14,045	-
	<u>465,701</u>	<u>175,188</u>	<u>290,513</u>

### 3. Financial instrument risk management

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.

# MADISON COMMUNITY SERVICES

## Notes to Financial Statements (continued)

March 31, 2016

### 3. Financial instrument risk management (continued)

#### Credit risk

The Organization is exposed to credit risk resulting from the possibility 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, 2016 are as follows:

	2016 \$	2015 \$
Cash	352,314	344,373
Accounts receivable	80,111	114,195
	<u>432,425</u>	<u>458,568</u>

Cash: Credit risk associated with cash 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: 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

## Notes to Financial Statements (continued)

March 31, 2016

### 3. Financial instrument risk management (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.

### 4. Mortgage payable

The mortgage bears interest at 1.420%, is repayable in blended monthly payments of \$4,641 and matures September 1, 2020. The mortgage is secured by property with a book value of \$498,985.

Principal payments due in the next five years are as follows:

	\$
2017	49,005
2018	49,703
2019	50,412
2020	51,130
2021	294,521
	<u>494,771</u>

# MADISON COMMUNITY SERVICES

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## Notes to Financial Statements (continued)

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March 31, 2016

### 5. 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:

2017	\$ 133,215
2018	135,922
2019	134,464
2020	133,006
2021	133,006
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	\$ 669,613
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# HILBORN

LISTENERS. THINKERS. DOERS.