

**MADISON COMMUNITY SERVICES**

FINANCIAL STATEMENTS

MARCH 31, 2017

**HILBORN**LLP

## 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, 2017, 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, 2017, 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.

### *Basis of Accounting*

Without modifying our opinion, we draw attention to note 1 to the financial statements, which describes the basis of accounting and presentation. The financial statements are prepared to assist Madison Community Services to meet the requirements of Ontario Ministry of Health and Long-Term Care.



Toronto, Ontario  
June 29, 2017

Chartered Professional Accountants  
Licensed Public Accountants

# MADISON COMMUNITY SERVICES

## Statement of Financial Position

March 31, 2017

	Ministry of Health Fund \$	Rent Supplement Program Fund \$
<b>ASSETS</b>		
Current Assets		
Cash	13,202	50,285
Accounts receivable	-	-
HST recoverable	23,535	-
Prepaid expenses	28,145	-
	<u>64,882</u>	<u>50,285</u>
Capital assets (note 2)	-	-
	<u>64,882</u>	<u>50,285</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	64,882	14,963
Current portion of mortgage payable (note 4)	-	-
	<u>64,882</u>	<u>14,963</u>
Mortgage payable (note 4)	-	-
<b>FUNDS BALANCES</b>		
Unrestricted	-	-
Restricted, invested in capital assets	-	-
Restricted	-	35,322
	<u>-</u>	<u>35,322</u>
	<u>64,882</u>	<u>50,285</u>

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

Approved on behalf of the Board of Directors:

Director

Director

# MADISON COMMUNITY SERVICES

Craigleigh Project Fund \$	Craigleigh Replacement Reserve Fund \$	Program Fund \$	2017 Total \$
86,833	75,157	120,087	<b>345,564</b>
-	3,100	278,211	<b>281,311</b>
-	-	-	<b>23,535</b>
-	-	5,545	<b>33,690</b>
<u>86,833</u>	<u>78,257</u>	<u>403,843</u>	<u><b>684,100</b></u>
<u>449,980</u>	-	<u>248,431</u>	<u><b>698,411</b></u>
<u>536,813</u>	<u>78,257</u>	<u>652,274</u>	<u><b>1,382,511</b></u>
4,967	-	116,841	<b>201,653</b>
49,703	-	-	<b>49,703</b>
<u>54,670</u>	-	<u>116,841</u>	<u><b>251,356</b></u>
<u>396,063</u>	-	-	<u><b>396,063</b></u>
-	-	287,002	<b>287,002</b>
4,214	-	248,431	<b>252,645</b>
81,866	78,257	-	<b>195,445</b>
<u>86,080</u>	<u>78,257</u>	<u>535,433</u>	<u><b>735,092</b></u>
<u>536,813</u>	<u>78,257</u>	<u>652,274</u>	<u><b>1,382,511</b></u>

# 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 ( <i>note 2</i> )	-	-
	<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	-	-
	<u>87,620</u>	<u>9,600</u>
Mortgage payable	-	-
<b>FUNDS BALANCES</b>		
Unrestricted	-	-
Restricted, invested in capital assets	-	-
Restricted	-	35,322
	<u>-</u>	<u>35,322</u>
	<u>87,620</u>	<u>44,922</u>

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

# MADISON COMMUNITY SERVICES

## Statement of Revenues and Expenses

Years ended March 31

	Ministry of Health Fund		Rent Supplement Program Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Revenues</b>				
Ministry of Health and Long-Term Care				
- base	<b>1,347,841</b>	1,347,841	<b>133,900</b>	129,576
- prior year subsidy adjustment	-	-	-	(16,531)
- replacement reserve	-	-	-	-
- sessional fees	<b>10,800</b>	10,839	-	-
- one time funding	-	-	-	-
- various	-	-	-	-
Rents	-	-	-	-
University Health Network	-	-	-	-
City of Toronto	-	-	-	-
CAMH	-	-	-	-
Immigration, Refugees and Citizenship Canada	-	-	-	-
IIN	-	-	-	-
Fundraising and donations	-	-	-	-
	<b>1,358,641</b>	1,358,680	<b>133,900</b>	113,045
<b>Expenses</b>				
Salaries and benefits	<b>1,082,891</b>	1,110,638	-	-
Building	-	-	<b>128,537</b>	121,717
Outside services	<b>31,805</b>	33,161	-	-
Supplies and equipment	<b>29,825</b>	22,035	-	-
Administrative	<b>63,955</b>	74,802	-	-
Travel	<b>34,373</b>	35,982	-	-
Office rent	<b>120,593</b>	127,243	-	-
One time expenses	-	-	-	-
Mortgage interest	-	-	-	-
Amortization	-	-	-	-
	<b>1,363,442</b>	1,403,861	<b>128,537</b>	121,717
Excess or revenues over expenses (expenses over revenues) before the undernoted	<b>(4,801)</b>	(45,181)	<b>5,363</b>	(8,672)
Amounts refundable to Funder	<b>(4,066)</b>	(4,623)	<b>(5,363)</b>	(7,859)
Excess of revenues over expenses (expenses over revenues) for year	<b>(8,867)</b>	(49,804)	-	(16,531)

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

# MADISON COMMUNITY SERVICES

Craigleigh Program Fund		Craigleigh Replacement Reserve Fund		Program Fund		Total	
2017	2016	2017	2016	2017	2016	2017	2016
\$	\$	\$	\$	\$	\$	\$	\$
114,877	112,615	-	-	-	-	1,596,618	1,590,032
-	2,892	-	-	-	-	-	(13,639)
-	-	6,057	2,957	-	-	6,057	2,957
-	-	-	-	-	-	10,800	10,839
-	-	-	12,500	-	16,000	-	28,500
14,482	14,004	-	-	183,415	176,147	197,897	190,151
-	-	-	-	5,000	5,000	5,000	5,000
-	-	-	56,630	75,400	-	75,400	56,630
-	-	-	-	284,200	284,200	284,200	284,200
-	-	-	-	434,547	295,900	434,547	295,900
-	-	-	-	28,743	11,800	28,743	11,800
-	-	-	-	96,412	69,907	96,412	69,907
<b>129,359</b>	<b>129,511</b>	<b>6,057</b>	<b>72,087</b>	<b>1,107,717</b>	<b>858,954</b>	<b>2,735,674</b>	<b>2,532,277</b>
23,000	23,000	-	-	671,881	526,662	1,777,772	1,660,300
26,699	35,229	-	64,457	131,156	156,737	286,392	378,140
-	-	-	-	-	-	31,805	33,161
-	-	-	-	103,571	116,272	133,396	138,307
10,742	11,839	-	-	-	-	74,697	86,641
-	-	-	-	-	-	34,373	35,982
-	-	-	-	-	-	120,593	127,243
-	-	-	12,500	76,246	16,000	76,246	28,500
6,688	11,082	-	-	-	-	6,688	11,082
49,005	46,564	-	-	21,543	21,543	70,548	68,107
<b>116,134</b>	<b>127,714</b>	<b>-</b>	<b>76,957</b>	<b>1,004,397</b>	<b>837,214</b>	<b>2,612,510</b>	<b>2,567,463</b>
13,225	1,797	6,057	(4,870)	103,320	21,740	123,164	(35,186)
-	-	-	-	-	-	(9,429)	(12,482)
<b>13,225</b>	<b>1,797</b>	<b>6,057</b>	<b>(4,870)</b>	<b>103,320</b>	<b>21,740</b>	<b>113,735</b>	<b>(47,668)</b>



# MADISON COMMUNITY SERVICES

## Statement of Changes in Fund Balances

Year ended March 31, 2017

	<b>Ministry of Health Fund \$</b>	<b>Rent Supplement Program \$</b>
Funds balance, beginning of year	-	35,322
Excess of revenues over expenses (expenses over revenues) for year	(8,867)	-
Funds transferred from Program Fund to cover shortfall	8,867	-
Funds balance, end of year	-	35,322

Year ended March 31, 2016

	<b>Ministry of Health Fund \$</b>	<b>Rent Supplement Program \$</b>
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

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

# MADISON COMMUNITY SERVICES

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<b>Craigleigh Project Fund \$</b>	<b>Craigleigh Replacement Reserve Fund \$</b>	<b>Program Fund \$</b>	<b>2017 Total \$</b>
72,855	72,200	440,980	<b>621,357</b>
13,225	6,057	103,320	<b>113,735</b>
-	-	(8,867)	-
<b>86,080</b>	<b>78,257</b>	<b>535,433</b>	<b>735,092</b>

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

# MADISON COMMUNITY SERVICES

## Statement of Cash Flows

Year ended March 31, 2017	2017 \$	2016 \$
Cash flows from operating activities		
Excess of expenses over revenues for year	113,735	(47,668)
Item not requiring a current cash outlay		
Amortization	70,548	68,107
	<u>184,283</u>	<u>20,439</u>
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	(201,200)	34,084
Decrease in HST recoverable	739	17,597
Decrease (increase) in prepaid expenses	(5,754)	21,015
Increase (decrease) in accounts payable and accrued liabilities	64,187	(37,627)
	<u>42,255</u>	<u>55,508</u>
Cash flows from financing activities		
Decrease in mortgage payable	(49,005)	(46,564)
Cash flows from investing activities		
Purchase of capital assets	-	(1,003)
Change in cash	(6,750)	7,941
Cash, beginning of year	<u>352,314</u>	<u>344,373</u>
Cash, end of year	<u><u>345,564</u></u>	<u><u>352,314</u></u>

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

March 31, 2017

### **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) Craigleigh Project Fund**

The Craigleigh 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) Craigleigh Replacement Reserve Fund**

The Replacement Reserve Fund is an externally restricted fund established to provide for major repairs on the Craigleigh 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, 2017

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, 2017

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 Craleigh 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, 2017

### 2. Capital assets

	Cost \$	Accumulated Amortization \$	2017 Net \$
<b>Craigleigh Project Fund</b>			
Building	1,054,275	604,295	449,980
<b>Program Fund</b>			
Land	170,195	-	170,195
Building	233,000	174,750	58,250
Furniture and equipment	48,461	29,077	19,384
Computer equipment	15,048	14,446	602
	<u>466,704</u>	<u>218,273</u>	<u>248,431</u>

	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>

### 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.

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**Notes to Financial Statements (continued)**

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March 31, 2017

**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, 2017 are as follows:

	2017 \$	2016 \$
Cash	345,564	352,314
Accounts receivable	281,311	80,111
	626,875	432,425

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

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## Notes to Financial Statements (continued)

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March 31, 2017

### 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 are due as follows:

	\$
2018	49,703
2019	50,412
2020	51,130
2021	294,521
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	445,766
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# MADISON COMMUNITY SERVICES

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## Notes to Financial Statements (continued)

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March 31, 2017

### 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:

2018	139,666
2019	139,666
2020	139,666
2021	139,666
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	\$ 558,664

**HILBORN**

LISTENERS. THINKERS. DOERS.