

Financial statements of

Family Service Toronto

March 31, 2016

Family Service Toronto

March 31, 2016

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Independent Auditor's Report

To the Members of
Family Service Toronto

We have audited the accompanying financial statements of Family Service Toronto ("FST"), which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in fund balances, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 FST as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 8, 2016

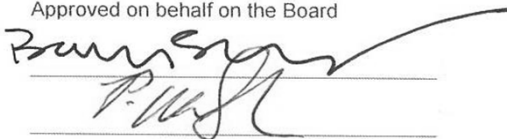
Family Service Toronto

Statement of financial position

as at March 31, 2016

	2016				2015			
	General Fund	Capital and Learning Fund	Endowment Funds	Total	General Fund	Capital and Learning Fund	Endowment Funds	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Assets								
Current assets								
Cash	3,095,112	506,228	-	3,601,340	1,398,637	3,495,385	-	4,894,022
Grants and accounts receivable (Note 5)	640,961	-	-	640,961	1,731,669	-	-	1,731,669
Deposit on purchase of interest in property	-	-	-	-	-	300,000	-	300,000
Prepaid expenses	447,823	-	-	447,823	307,186	-	-	307,186
	4,183,896	506,228	-	4,690,124	3,437,492	3,795,385	-	7,232,877
Investments (Note 3)	-	-	976,013	976,013	-	-	985,531	985,531
Net investment in joint venture (Note 4)	-	2,520,953	-	2,520,953	-	-	-	-
Capital assets (Note 6)	-	1,636,730	-	1,636,730	-	2,224,976	-	2,224,976
Deferred property development costs (Note 7)	-	295,532	-	295,532	-	212,383	-	212,383
Mortgage receivable (Note 8)	-	12,430,301	-	12,430,301	-	-	-	-
	4,183,896	17,389,744	976,013	22,549,653	3,437,492	6,232,744	985,531	10,655,767
Liabilities								
Current liabilities								
Accounts payable and accrued charges (Note 9)	5,322,078	-	-	5,322,078	4,414,272	54,081	-	4,468,353
Deferred lease inducements (Note 16)	-	55,553	-	55,553	-	-	-	-
Inter-fund balances	(848,017)	836,876	11,141	-	(864,218)	852,465	11,753	-
Deferred contributions (Note 11)	279,318	-	265,459	544,777	404,689	-	221,305	625,994
	4,753,379	892,429	276,600	5,922,408	3,954,743	906,546	233,058	5,094,347
Long-term								
Inter-fund loan payable/receivable (Note 10)	-	-	-	-	525,517	(525,517)	-	-
Deferred lease inducements (Note 16)	143,881	476,824	-	620,705	-	-	-	-
Deferred capital contributions (Note 11)	-	590,087	-	590,087	-	754,814	-	754,814
	4,897,260	1,959,340	276,600	7,133,200	4,480,260	1,135,843	233,058	5,849,161
Commitments and contingencies (Notes 22 and 23)								
Fund balances								
Invested in capital assets (Note 13)	-	514,266	-	514,266	-	1,470,162	-	1,470,162
Invested in property development project (Notes 7 and 8)	-	12,725,833	-	12,725,833	-	212,383	-	212,383
Externally restricted (Note 12)	-	-	699,413	699,413	-	-	752,473	752,473
Internally restricted (Note 13)	-	2,190,305	-	2,190,305	-	3,414,356	-	3,414,356
Unrestricted	(713,364)	-	-	(713,364)	(1,042,768)	-	-	(1,042,768)
	(713,364)	15,430,404	699,413	15,416,453	(1,042,768)	5,096,901	752,473	4,806,606
	4,183,896	17,389,744	976,013	22,549,653	3,437,492	6,232,744	985,531	10,655,767

Approved on behalf on the Board



Director

Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Family Service Toronto

Statement of operations year ended March 31, 2016

	2016					2015				
	Community programs	FSEAP/IWS (1)	General Fund Client purchase of service (2)	Capital and Learning Fund	Total	Community programs	FSEAP (1)	General Fund Client purchase of service (2)	Capital and Learning Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Government (Note 14)	6,301,625	-	27,656,847	-	33,958,472	6,287,772	-	22,158,328	-	28,446,100
United Way										
Base allocation	3,720,104	-	-	49,191	3,769,295	3,769,295	-	-	-	3,769,295
Other	81,167	-	-	-	81,167	49,684	-	-	-	49,684
Foundations and other agencies	199,791	-	455,160	-	654,951	350,854	-	261,206	-	612,060
Fees										
Employee assistance program	-	1,506,922	-	-	1,506,922	-	3,197,768	-	-	3,197,768
Client	141,270	-	-	-	141,270	139,269	-	-	-	139,269
Membership, donations and bequests	103,097	-	-	-	103,097	225,686	-	-	-	225,686
Investment income (Note 3)	11,082	-	-	12,105	23,187	8,336	1,148	-	39,228	48,712
Gain on sale of capital assets (Note 6)	-	-	-	12,269,584	12,269,584	-	-	-	-	-
Amortization of deferred capital contributions (Note 11b)	-	-	-	321,185	321,185	-	-	-	348,460	348,460
Amortization of deferred lease inducements (Note 16)	-	-	-	50,923	50,923	-	-	-	-	-
Other	74,286	9,472	-	9,246	93,004	76,317	2,606	-	-	78,923
	10,632,422	1,516,394	28,112,007	12,712,234	52,973,057	10,907,213	3,201,522	22,419,534	387,688	36,915,957
Expenses										
Salaries	7,078,775	968,658	-	-	8,047,433	7,244,154	1,557,885	-	-	8,802,039
Employee benefits	1,232,881	168,726	-	-	1,401,607	1,270,578	261,353	-	-	1,531,931
Client purchase of service	-	-	28,112,007	-	28,112,007	-	-	22,419,534	-	22,419,534
Contracted services	807,290	73,420	-	768,520	1,649,230	998,465	850,247	-	220,915	2,069,627
Building occupancy	611,103	181,532	-	307,330	1,099,965	595,924	210,233	-	1,771	807,928
Office and supplies	511,404	51,797	-	140,963	704,164	482,043	185,578	-	-	667,621
Transportation	96,877	4,536	-	-	101,413	140,079	16,683	-	-	156,762
Promotion	19,952	35,099	-	-	55,051	28,915	58,241	-	-	87,156
Education and conferences	42,060	1,065	-	-	43,125	24,712	3,156	-	12,970	40,838
Amortization	-	-	-	421,299	421,299	-	-	-	375,538	375,538
Share of loss of joint venture (Note 4)	-	-	-	152,747	152,747	-	-	-	-	-
Other	232,361	22,572	-	267,176	522,109	121,179	58,146	-	-	179,325
	10,632,703	1,507,405	28,112,007	2,058,035	42,310,150	10,906,049	3,201,522	22,419,534	611,194	37,138,299
(Deficiency) excess of revenue over expenses	(281)	8,989	-	10,654,199	10,662,907	1,164	-	-	(223,506)	(222,342)

(1) FSEAP is defined as Family Services Employee Assistance Program. IWS is defined as Integrated Workplace Solutions

(2) FST administers these funds for clients on behalf of the Government of Ontario and Partner Agencies.

The accompanying notes to the financial statements are an integral part of this financial statement.

Family Service Toronto

Statement of changes in fund balances

year ended March 31, 2016

	2016											2015		
	General Fund		Capital and Learning Fund			Endowment Funds		General Fund		Capital and Learning Fund			Endowment Funds	
	Unrestricted	Invested in property development project (Notes 7 and 8)	Invested in capital assets	Internally restricted	Externally restricted	Total	Unrestricted	Invested in property development project (Notes 7 and 8)	Invested in capital assets	Internally restricted	Externally restricted	Total		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Fund balances, beginning of year	(1,042,768)	212,383	1,470,162	3,414,356	752,473	4,806,606	(523,480)	171,343	1,187,795	3,440,817	704,402	4,980,877		
Excess (deficiency) of revenue over expenses	8,708	12,430,301	(1,160,717)	(615,385)	-	10,662,907	1,164	-	(27,078)	(196,428)	-	(222,342)		
Additions during the year	(204,821)	83,149	204,821	(83,149)	-	-	(309,445)	41,040	309,445	(41,040)	-	-		
FSEAP Interfund loan (Note 10)	525,517	-	-	(525,517)	-	-	(211,007)	-	-	211,007	-	-		
Change in unrealized (loss) gain in the endowment funds	-	-	-	-	(53,060)	(53,060)	-	-	-	-	48,071	48,071		
Fund balances, end of year	(713,364)	12,725,833	514,266	2,190,305	699,413	15,416,453	(1,042,768)	212,383	1,470,162	3,414,356	752,473	4,806,606		

The accompanying notes to the financial statements are an integral part of this financial statement.

Family Service Toronto

Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	10,662,907	(222,342)
Items not affecting cash		
Gain on sale of capital assets	(12,269,584)	-
Amortization of deferred lease inducements	(50,923)	-
Amortization of capital assets	421,299	375,538
Amortization of deferred capital contributions	(321,185)	(348,460)
Share of loss of joint venture	152,747	-
Write-off of residual balances re: FSEAP (Note 11)	(67,042)	-
	(1,471,781)	(195,264)
Changes in operating working capital items		
Grants and accounts receivable	1,090,708	(421,247)
Prepaid expenses	(140,637)	(46,125)
Accounts payable and accrued charges		
General fund	907,806	2,097,764
Capital and learning fund	(54,081)	22,770
Endowment fund	-	(1,580)
Deferred lease inducements		
General fund	143,881	-
Capital and learning fund	583,300	-
(Decrease) increase in deferred contributions		
General fund	(125,371)	(610,884)
Endowment fund	44,154	28,553
	977,979	873,987
Financing activity		
Deferred capital contributions	223,500	462,489
Investing activities		
Purchase of capital assets	(993,770)	(771,934)
Investment in joint venture	(2,673,700)	-
Deposit on purchase of interest in property	300,000	(300,000)
Deferred property development costs (Note 7)	(83,149)	(41,040)
Proceeds from sale of capital assets	13,430,301	-
Mortgage receivable	(12,430,301)	-
Net purchase of investments	(43,542)	(36,633)
	(2,494,161)	(1,149,607)
(Decrease) increase in cash	(1,292,682)	186,869
Cash, beginning of year	4,894,022	4,707,153
Cash, end of year	3,601,340	4,894,022

The accompanying notes to the financial statements are an integral part of this financial statement.

Family Service Toronto

Notes to the financial statements

March 31, 2016

1. Purpose of the Organization

Family Service Toronto ("FST") strengthens individuals, families and communities through counselling, education, social action, advocacy and community development and works with partners to build a vibrant community social services sector. FST helps people face a wide variety of life challenges. For over 100 years, FST has been assisting families and individuals through counselling, community development, advocacy and public education programs. Services are available to everyone who lives or works in Toronto. FST is incorporated under the Ontario Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the deferral method of reporting contributions.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when FST becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments traded in an active market which are measured at fair value. Any subsequent changes in fair value are recorded in the Statement of operations.

Fair value is determined directly from published price quotations in an active market. Transaction costs are expensed when incurred.

Financial assets measured at amortized cost are assessed at each reporting date for indication of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the Statement of operations.

Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the General Fund.

Assets, liabilities, revenues and expenses relating to FST's current and future capital and special purpose requirements, as approved by the Board, are reflected in the Capital and Learning Fund.

Endowment contributions are reported in the Endowment Fund. All investment income earned on resources of the Endowment Fund have restrictions imposed by the contributors of the funds, and are reported as deferred contributions in the Endowment Fund.

The two internally restricted funds of the Capital Asset Fund and Learning and Innovation Fund were merged as of March 31, 2010. The merged fund is called Capital and Learning Fund. The original purpose of the two funds will be maintained, which is to support initiatives with breakthrough thinking in responding creatively and effectively to emerging community needs and to provide sufficient funds for required capital additions and significant repairs to property. The Board of Directors may approve other uses on an exceptional basis.

Revenue recognition

FST follows the deferral method of accounting for contributions.

Restricted contributions and donations are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in the Endowment Fund Balance. Investment income earned on endowed funds is restricted.

Family Service Toronto

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Revenue recognition (continued)

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue in the General Fund when earned.

Investment income earned from the Capital and Learning Fund during the fiscal year with respect to the purchase of capital assets is deferred and recognized as revenue in the year in which the related amortization expense is recognized.

Capital assets and deferred capital contributions

Purchased capital assets are recorded in the Capital and Learning Fund at cost. Contributed capital assets are recorded in the Capital and Learning Fund at fair value at the date of contribution. Amortization is provided on the straight-line basis over the assets' estimated useful lives, which for buildings is 40 years, for furniture and equipment and vehicles is five years, for computers is three years, for computer software is four years and for leasehold improvements is the term of the lease. Amortization is calculated once the capital asset is operational. Amortization expense is reported in the Capital and Learning Fund. When grants are received to pay for specific asset purchases, the grants are recorded as deferred capital contributions and are recognized in the Capital and Learning Fund as revenue over the estimated useful life of the asset.

Cash

Cash includes cash and short-term investments with maturities of three months or less from the date of acquisition.

Contributed services

During the year, volunteers contributed 3,801 (2015 – 4,953) hours to assist FST in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Investment in joint venture

FST has elected to record its investments in joint ventures using the equity method.

Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to include FST's pro rata share of post-acquisition income or loss. The amount of the pro rata share of income or loss is included in the determination of the excess (deficiency) of revenue over expenses by FST, and the investment account of the joint venture is increased or decreased. The investment account of the joint venture is also increased or decreased to reflect its share of capital transactions and the effect of any changes in accounting policies.

FST recognizes an impairment loss, if any, in the excess (deficiency) of revenue over expenses when it determines that there is an indicator of impairment and a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the joint venture. The impairment loss is measured as the excess of the carrying amount of the investment over the higher of the present value of future cash flows expected to be generated by holding the investment, and the amount that could be realized by selling the asset at the Statement of financial position date. 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 in the excess (deficiency) of revenue over expenses in the period the reversal occurs.

Deferred lease inducements

Deferred lease inducements which consist of free rent and reimbursement of leasehold improvements, are amortized on the straight line basis over the term of the lease.

Family Service Toronto

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses for the year then ended. Future actual results may differ from such estimates. Balances which require some degree of estimation and assumptions are investments, accrued liabilities, deferred contributions, deferred capital contributions and amortization of capital assets.

3. Investments and financial risk management

FST's performance is subject to a number of risks which are managed using a number of tools and techniques. Details of these risks are provided below:

Interest rate risk

Interest rate risk refers to the consequences of interest rate changes on the value of FST's investments. Interest changes directly impact the fair value of fixed income securities held by FST. Interest rate changes will also have an indirect impact on the remaining assets of FST. Due to the nature of the operations of FST and related cash flows, asset mix decisions include consideration of differences in the interest rate sensitivity to FST's assets and liabilities.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. FST's Statement of Investment Policy, which is reviewed annually, defines permitted investments and provides guidelines and restrictions on acceptable investments, which minimize credit risk.

The maximum credit exposure of FST is represented by the fair value of the investments as presented on the Statement of financial position.

Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market conditions, whether those changes are specific to an individual investment or factors affecting all securities traded in the market.

To mitigate the impact of market risk, FST invests in a diversified portfolio of investments, based on Board approved policies.

The table below summarizes the market value and the cost of the investments:

	2016		2015	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Mutual funds				
Cash	34	34	638	638
Bond fund	727,924	738,575	694,683	735,421
Canadian equity fund	207,646	237,404	196,741	249,472
	935,604	976,013	892,062	985,531

Total interest earned on endowment funds for the year was \$43,741 (2015 - \$37,207) which was recognized as a deferred contribution in the Endowment Fund (Note 11).

Total interest earned on the Capital and Learning Fund for the year was \$12,105 (2015 - \$46,381) of which \$Nil (2015 - \$7,153) was recognized as a deferred capital contribution (Note 11).

Family Service Toronto

Notes to the financial statements

March 31, 2016

4. Net investment in joint venture

During the year, FST entered into a joint venture for a 15% interest in a property located at 128 Sterling Road, Toronto, Ontario.

The net investment in the joint venture consists of:

	\$
Purchase price	2,587,500
Less:	
Share of loss of the co-ownership for the period	(152,747)
	<u>2,434,753</u>
Add:	
Land transfer tax	86,200
	<u>2,520,953</u>

The difference of \$120,000 between the \$2,434,753 above and Co-owners' equity amount of \$2,314,753 below represents an amount for lease inducements provided by the Vendor.

FST accounts for its interest in the Joint Venture using the equity method. Summarized financial information of the Joint Venture is set out below:

Financial position

	\$
Total assets	<u>4,042,330</u>
Total liabilities	1,727,577
Co-owners' equity	<u>2,314,753</u>
	<u>4,042,330</u>

Results of operations

	\$
Total revenue	143,697
Total expenses	296,444
Net loss for the period	<u>(152,747)</u>

Cash flows:

	\$
Cash provided by operating activities:	89,933
Cash provided by financing activities:	1,650,000
Cash used in investing activities	(1,661,380)
Increase in cash	<u>78,553</u>

Related party transactions

During the year, an amount of \$367,773 (2015 - \$Nil) for rent expense was paid to the Joint Venture.

Family Service Toronto

Notes to the financial statements

March 31, 2016

5. Grants and accounts receivable – General Fund

	2016	2015
	\$	\$
Canada Revenue Agency (Harmonized Sales Tax receivable)	295,352	252,744
Employee Assistance Program customers	-	723,930
Integrated Workplace Solutions customers	151,212	-
Government of Canada	70,925	133,843
Delisle Youth Services	50,812	39,780
Griffin Centre	46,133	-
Other	14,086	33,921
Province of Ontario	9,913	482,194
City of Toronto	2,528	24,538
The Etobicoke Children's Centre (WESAT)	-	21,663
Woodgreen Community Services	-	19,056
	640,961	1,731,669

6. Capital assets

	2016			2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	-	-	-	592,100
Buildings	-	-	-	568,617
Computers	147,908	142,195	5,713	11,428
Furniture and equipment	115,774	55,150	60,624	118,407
Leasehold improvements	1,335,181	220,810	1,114,371	388,390
Computer software	2,146,237	1,690,215	456,022	546,034
	3,745,100	2,108,370	1,636,730	2,224,976

During the year, FST completed the sale of the 355 Church Street property (see Note 7) for proceeds of \$13,430,301 resulting in a gain on sale of \$12,269,584. The proceeds were satisfied by the receipt of cash of \$1,000,000 and a vendor take back mortgage of \$12,430,301 (see Note 8).

7. Deferred property development costs

355 Church Street property development project

In 2008, the Board of Directors (the "Board") agreed to proceed with a strategy to develop its property located at 355 Church Street, Toronto, ON, into new office space for FST and residential condominiums. In October 2010, the Board approved the expenses for the property development project to be taken from the Capital and Learning Fund, as needed, with the understanding that the expenses will be repaid from the proceeds of the property development project with appropriate interest so that the Fund is not eroded.

FST signed a purchase and sale agreement on October 20, 2011 (with subsequent amendments) for the development of the project, which commenced during the current fiscal year.

Family Service Toronto

Notes to the financial statements

March 31, 2016

7. Deferred property development costs (continued)

Amounts capitalized to the project are as follows:

	\$
Up to 2011	144,067
2012	92,125
2013	26,385
2014	8,766
2015	41,040
2016	(16,851)
	<u>295,532</u>

In addition to the above \$295,532, \$30,044 was expensed in 2011, and interest of \$40,158 was charged, resulting in project cost to date to \$365,734.

8. Mortgage receivable

During the year, FST entered into a vendor take back mortgage in the amount of \$12,430,301 which will be used in the purchase of the new condominium unit at 355 Church Street, Toronto, Ontario. The mortgage is carried at face value in the Statement of financial position and is interest free without a maturity date. It does not require monthly principal or interest payments and is unsecured.

9. Government remittances

The amounts outstanding with respect to government remittances as at March 31, 2016, were \$197,074 (2015 - \$252,357). These amounts are included in accounts payable and accrued charges.

10. FSEAP interfund loan

	2016	2015
	\$	\$
Product development loan		
Beginning balance	107,028	107,028
Inter-fund loan written off	(107,028)	-
Ending balance	-	107,028
Deficit loans		
Beginning balance	418,489	207,482
Inter-fund loan 2015		211,007
Inter-fund loan written off	(418,489)	-
Ending balance	-	418,489
	-	<u>525,517</u>

The Board approved management's recommendation to wind down FSEAP at its meeting on September 16, 2015, due to its continuing financial instability. Subsequently, FSEAP gave notice to its customers and transferred some of its business to other FSEAP partners. FSEAP officially closed its operations on December 31, 2015. The outstanding FSEAP loan of \$525,517 and FSEAP 2015-16 operating loss of \$1,174,145 have been written off through Capital and Learning Fund.

Family Service Toronto

Notes to the financial statements

March 31, 2016

11. Deferred contributions and deferred capital contributions

(a) *Deferred contributions*

General Fund

Deferred contributions reported in the General Fund relate to restricted operating funding received in the current and prior years that are to be used in a subsequent year. For example, grants received for work to be completed in the next fiscal year and unspent contributions which have externally imposed restrictions are included in this category.

The breakdown by source of revenue is as follows:

	2016	2015
	\$	\$
Government of Canada	-	24,810
Province of Ontario	40,050	83,716
Deferred interest and special purpose contributions	102,132	102,132
Foundations	27,734	78,156
Other agencies	48,751	36,669
Special purpose contributions	56,767	56,767
Employee assistance program	-	13,491
Other	3,884	8,948
	279,318	404,689

Endowment Funds

Deferred contributions reported in the Endowment Fund represent unspent restricted investment income net of investment management fees earned on the various endowment funds.

	2016	2015
	\$	\$
Beginning balance	221,305	192,752
Interest earned for the year (Note 3)	43,741	37,207
Realized gain on sale of investment	413	1,636
Interest recognized from prior years	-	(10,290)
Ending balance	265,459	221,305

(b) *Deferred capital contributions*

Capital and Learning Fund

Deferred capital contributions reported in the Capital and Learning Fund consist of the restricted contributions with which some of FST's leasehold improvements, computers, computer software and furniture and equipment were originally purchased.

Family Service Toronto

Notes to the financial statements

March 31, 2016

11. Deferred contributions and deferred capital contributions (continued)

(b) *Deferred capital contributions (continued)*

The changes for the year in the deferred capital contributions balance reported in the Capital and Learning Fund are as follows:

	2016	2015
	\$	\$
Beginning balance	754,814	640,785
Additions		
Grants received	223,500	445,264
Interest income (Note 3)	-	7,153
Employee assistance program revenue	-	10,072
Write-off of residual balances re: FSEAP	(67,042)	-
Amounts amortized to revenue	(321,185)	(348,460)
Ending balance	590,087	754,814

12. Externally restricted fund balances

Major categories of externally imposed restrictions on fund balances are as follows:

	2016	2015
	\$	\$
Hindmarsh endowment fund	500,100	500,100
Other endowment funds	158,904	158,904
Unrealized investment gain	40,409	93,469
	699,413	752,473

The Hindmarsh Endowment Fund was provided in 1984 by the Atkinson Charitable Foundation to provide income for utilities, repairs and maintenance costs of the Family Life Centre located in Bolton, Ontario, a program which FST no longer operates. By agreement with the Foundation, there has been no impairment to the capital portion of the Endowment Fund, and the purpose of the interest of the Endowment Fund has been varied. The Endowment Fund interest, together with an operating grant from the Foundation, will be used towards Social Reform activities.

All of the endowment funds have restrictions on the use of the interest earned by the capital in the fund. The interest earned but not yet spent to March 31, 2016 is reported as deferred contributions in the Endowment Fund (Note 11).

Family Service Toronto

Notes to the financial statements

March 31, 2016

13. Internally restricted and invested in capital assets fund balances

The Board of Directors has internally restricted \$2,190,305 (2015 - \$3,414,356) to be used for capital and learning requirements.

The Invested in capital assets fund consist of the following:

	2016	2015
	\$	\$
Net book value of capital assets (Note 5)	1,636,730	2,224,976
Less:		
Deferred capital contributions (Note 9)	(590,087)	(754,814)
Deferred lease inducement (Note 16)	(532,377)	-
	514,266	1,470,162

The balance of \$514,266 represents unfunded leasehold improvements at the 128 Sterling Road property that will be recovered from future program funding.

14. Revenue - government

General Fund

	2016	2015
	\$	\$
Federal		
Public Health Agency of Canada - Growing Up Healthy Downtown	110,546	110,546
Employment and Social Development Canada	30,776	234,976
Citizenship and Immigration Canada	264,347	275,260
Provincial		
Ministry of Community and Social Services	32,054,503	26,286,088
Toronto Central Local Health Integration Network	647,174	639,382
Ministry of Health and Long-Term Care - AIDS Bureau	134,620	134,620
Ministry of Attorney General	512,896	501,561
Ministry of Citizenship, Immigration and International Trade	112,960	107,103
Municipal		
City of Toronto - Community Service Partnerships	101,995	130,555
City of Toronto - Investing in Neighbourhoods	(11,345)	26,009
	33,958,472	28,446,100

15. Pension plan

The employer pension expense for the defined contributions plan amounted to \$72,068 (2015 - \$84,451).

Family Service Toronto

Notes to the financial statements

March 31, 2016

16. Deferred lease inducements

General Fund

Total rent payable is calculated over the term of the lease and straight-lined, resulting in a long-term liability. The total long-term liability of \$143,881 (2015- \$Nil) includes free rent.

Capital and Learning Fund

During the year, FST was reimbursed by the landlord for leasehold improvements made to the leased space. The changes in deferred lease inducements are as follows:

	2016
	\$
Balance, beginning of the year	-
Additions	583,300
Amortization	(50,923)
Balance, end of year	532,377
Current portion	55,553
Long-term portion	476,824
	532,377

Family Service Toronto

Notes to the financial statements

March 31, 2016

17. Contracts with Ministry of Community and Social Services that are in surplus or deficit positions

FST has a Service Contract/CFST Approval with the Ministry of Community and Social Services. A reconciliation report summarizes by service (detail code), all revenues and expenses and identifies any resulting surplus or deficit that relates to the Service Contract/CFSA Approval.

A review of these reports shows the following services to be in a surplus/(deficit) position as at March 31, 2016. A summary of the contract is as follows:

Cost centre	DS Coord Proc	Children	Adult PSW	IQOL-CPS POS	POS	S.I.L.	Respite	Group Living	Special Service	Sub-total
MCSS detail code	9133	9252	8888	9131	9131	9112	9130	8847	9132	
MCSS TPBE #	928799	928799	928799	928799	10000840	928799	928799	928799	928799	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
MCSS contract	517,561	286,307	174,896	1,294,575	174,167	351,511	43,793	427,828	944,986	4,215,624
Miscellaneous revenue	-	-	-	-	-	-	-	-	-	-
Revenue	517,561	286,307	174,896	1,294,575	174,167	351,511	43,793	427,828	944,986	4,215,624
Expenses										
Salaries	371,204	200,895	129,662	-	6,145	54,933	-	-	575,368	1,338,207
Employee benefits	57,919	39,791	23,977	-	1,678	11,568	-	-	97,118	232,051
Travel and communication	5,806	4,359	2,983	-	-	8,893	-	-	48,568	70,609
Services	23,336	12,383	784	-	-	-	-	-	102,449	138,952
Supplies and equipment	2,379	70	-	-	-	-	-	-	14,157	16,606
Client purchase of service	-	-	-	1,169,208	122,290	248,666	43,615	525,840	12,827	2,122,446
Capital purchase	5,152	-	-	-	-	-	-	-	-	5,152
MCSS admin allocation	51,765	28,809	17,490	-	17,417	12,496	-	-	94,499	222,476
	517,561	286,307	174,896	1,169,208	147,530	336,556	43,615	525,840	944,986	4,146,499
Surplus (deficit)	-	-	-	125,367	26,637	14,955	178	(98,012)	-	69,125

Family Service Toronto

Notes to the financial statements

March 31, 2016

17. Contracts with Ministry of Community and Social Services that are in surplus or deficit positions (continued)

								2016	2015	
Cost centre	Passport Coord Process	Passport POS	Person Directed Planning	VAW Counselling Service	VAW Service Sys Coord	VAW Client Survey	DS Com Part-PDP	Sub-total	Total	
MCSS detail code	9134	9134	9131	8773	8787	8786	9131			
MCSS TPBE #	39330	10000840	39330	112876	112876	112876	112876			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
MCSS contract	1,825,300	26,889,173	116,000	690,765	52,141	2,100	52,617	29,628,096	33,843,720	26,968,715
Miscellaneous revenue	-	-	-	82,137	-	-	-	82,137	82,137	65,214
Revenue	1,825,300	26,889,173	116,000	772,902	52,141	2,100	52,617	29,710,233	33,925,857	27,033,929
Expenses										
Salaries	816,367	-	11,670	539,012	-	-	39,577	1,406,626	2,744,833	2,637,797
Employee benefits	163,451	-	1,893	91,935	-	-	4,918	262,197	494,248	479,910
Travel and communication	44,981	-	292	15,790	-	-	2,035	63,098	133,707	99,263
Services	413,000	-	78,281	56,046	51,098	1,050	821	600,296	739,248	718,886
Supplies and equipment	50,505	-	334	1,931	1,043	1,050	4	54,867	71,473	80,079
Client purchase of service	-	25,413,050	-	-	-	-	-	25,413,050	27,535,496	22,034,521
Capital purchase	154,466	-	-	-	-	-	-	154,466	159,618	290,902
MCSS admin allocation	182,530	-	11,600	68,188	-	-	5,262	267,580	490,056	493,460
	1,825,300	25,413,050	104,070	772,902	52,141	2,100	52,617	28,222,180	32,368,679	26,834,818
Surplus	-	1,476,123	11,930	-	-	-	-	1,488,053	1,557,178	199,111

Family Service Toronto

Notes to the financial statements

March 31, 2016

18. Contracts with Ministry of the Attorney General

The Partner Assault Response (“PAR”) program was funded by the Ministry of the Attorney General (“MAG”). Revenues and expenditures for this contract are combined with revenues and expenses of all other programs of FST in the Statement of operations. In accordance with the agreement with the MAG, the revenues and expenses related to the PAR program contract of 2015/2016 are as follows:

	2016	2015
	\$	\$
Revenue*		
Ministry of the Attorney General allocation	487,715	487,715
MAG funding carried forward from 2014/15	36,294	24,476
Other Revenues	1,000	1,000
Client fees	63,424	56,031
	588,433	569,222
Expenses**		
Salaries	453,024	443,196
Benefits	76,708	76,217
Building occupancy (rent, utilities)	2,851	2,962
Telephone/communications	9,072	3,724
Purchase of service	990	1,429
Program office supplies	4,193	2,930
Advertising	115	-
Program equipment (to include equipment maintenance)	688	1,635
Staff expenses (recruitment, travel, development)	742	835
	548,383	532,928
Excess of revenue over expenses before the undernoted	40,050	36,294
Less: revenue deferred to 2015/2016 to complete “groups in progress” - approved by MAG	-	(36,294)
Less: revenue deferred to 2016/2017 to complete “groups in progress” - approved by MAG	(40,050)	-
Excess of revenue over expenses	-	-

* \$28,936 (2015 - \$25,664) Language Interpreter Services expenses and reimbursements from MAG were excluded.

** During the year, \$221 (2015 - \$13,634) of expenses related to the program that was covered by other sources of FST revenues was excluded.

Family Service Toronto

Notes to the financial statements

March 31, 2016

19. Contract with Public Health Agency of Canada

The Growing Up Healthy Downtown ("GUHD") project is funded by Public Health Agency of Canada ("PHAC"). Revenues and expenses for this contract are combined with revenues and expenses of all other programs of FST in the Statement of operations. In accordance with the agreement with the PHAC, the revenues and expenses related to the GUHD contract of 2015/2016 are as follows:

	2016	2015
	\$	\$
Revenue	520,200	520,200
Expenses		
The 519 Church Street Community Centre	58,522	58,522
Davenport-Perth Neighborhood Community Health Centre	58,522	58,522
Dixon Hall	58,522	58,522
Family Service Toronto	110,546	110,546
Harbourfront Community Centre	58,522	58,522
West Neighbourhood House	58,522	58,522
University Settlement	58,522	58,522
Woodgreen Community Services	58,522	58,522
	520,200	520,200
Excess of revenue over expenses	-	-

20. Contract with Ministry of Health and Long-Term Care - AIDS Bureau

The HIV/AIDS Community Counseling program of David Kelley Services was funded by the Ministry of Health and Long-Term Care-AIDS Bureau. Revenues and expenses for this contract are combined with revenues and expenses of all other programs of FST in the Statement of operations. In accordance with the agreement with the Ministry, the revenues and expenses related to the program contract of 2015/2016 are as follows:

	2016	2015
	\$	\$
Revenue		
MOHLTC - AIDS Bureau Funding Program	134,620	134,620
Other income	966	27,302
	135,586	161,922
Expenses		
Salaries	111,807	132,836
Benefits	19,278	24,507
Supplies and other expenses	1,999	2,041
Protected allocations	2,502	2,538
	135,586	161,922
Excess of revenue over expenses	-	-

21. Additional disclosures

FST is covered under the Broader Public Sector Accountability Act and Public Sector Salary Disclosure Act. Salaries of affected personnel are reported to the Ontario Government.

Family Service Toronto

Notes to the financial statements

March 31, 2016

22. Commitments

Leases

FST has operating lease commitments for premises and equipment up to 2026. The minimum annual payments are as follows:

	\$
2017	967,868
2018	812,959
2019	631,166
2020	543,884
2021	460,749
Thereafter	2,280,187
	<hr/> 5,696,813 <hr/>

23. Contingencies and guarantees

In the normal course of business, FST enters into agreements that meet the definition of a guarantee. FST's primary guarantees are as follows:

- (a) Indemnity has been provided to all directors and officers of FST for various items including, but not limited to, all costs to settle suits or actions due to their involvement with FST, subject to certain restriction. FST has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of FST. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) In the normal course of business, FST has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require FST to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction

The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents FST from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, FST has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

FST has a grievance that is in abeyance as of March 31, 2016. Since the amount and the outcome of this grievance is not determinable at this time, no provision has been made in the financial statements. Any settlement will be recognized in the period when the amount is known.

24. Line of credit

FST has an available line of credit of \$200,000 with a Canadian chartered financial institution of which \$Nil has been drawn as at March 31, 2016 and 2015. Interest is payable at the bank's prime rate plus 1.5% (2015 – the bank's prime rate plus 1.5%).