Financial statements of

Family Service Toronto

March 31, 2017

Family Service Toronto
March 31, 2017

Table of contents

Deloitte LLP
400 Applewood Crescent
Suite 500
Vaughan ON L4K 0C3
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

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, 2017, 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, 2017 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 15, 2017

Family Service Toronto

Statement of financial position
as at March 31, 2017

	2017				2016			
	General Fund	**Capital and Learning Fund**	**Endowment Funds**	**Total**	General Fund	Capital and Learning Fund	Endowment Funds	Total
	$	**$**	**$**	**$**	$	$	$	$
Assets								
Current assets								
Cash	**1,192,996**	**-**	**-**	**1,192,996**	3,095,112	506,228	-	3,601,340
Grants and accounts receivable (Note 5)	**950,378**	**15,000**	**-**	**965,378**	640,961	-	-	640,961
Prepaid expenses	**542,353**	**-**	**-**	**542,353**	447,823	-	-	447,823
	2,685,727	**15,000**	**-**	**2,700,727**	4,183,896	506,228	-	4,690,124
Investments (Note 3)	**-**	**-**	**1,028,861**	**1,028,861**	-	-	976,013	976,013
Net investment in joint venture (Note 4)	**-**	**2,315,715**	**-**	**2,315,715**	-	2,520,953	-	2,520,953
Capital assets (Note 6)	**-**	**1,362,086**	**-**	**1,362,086**	-	1,636,730	-	1,636,730
Deferred property development costs (Note 7)	**-**	**295,532**	**-**	**295,532**	-	295,532	-	295,532
Mortgage receivable (Note 8)	**-**	**12,430,301**		**12,430,301**	-	12,430,301	-	12,430,301
	2,685,727	**16,418,634**	**1,028,861**	**20,133,222**	4,183,896	17,389,744	976,013	22,549,653
Liabilities								
Current liabilities								
Accounts payable and accrued charges (Note 9)	**3,397,766**	**-**	**-**	**3,397,766**	5,322,078	-	-	5,322,078
Deferred lease inducements (Note 16)	**-**	**55,552**	**-**	**55,552**	-	55,552	-	55,552
Inter-fund balances	**(463,597)**	**423,097**	**40,500**	**-**	(848,017)	836,876	11,141	-
Deferred contributions (Note 11)	**253,078**	**-**	**267,963**	**521,041**	279,318	-	265,459	544,777
	3,187,247	**478,649**	**308,463**	**3,974,359**	4,753,379	892,428	276,600	5,922,407
Long-term								
Deferred lease inducements (Note 16)	**201,325**	**421,273**	**-**	**622,598**	143,881	476,825	-	620,706
Deferred capital contributions (Note 11)	**-**	**381,995**		**381,995**	-	590,087	-	590,087
	3,388,572	**1,281,917**	**308,463**	**4,978,952**	4,897,260	1,959,340	276,600	7,133,200
Commitments and contingencies (Notes 22 and 23)								
Fund balances								
Invested in capital assets (Note 13)	**-**	**503,266**	**-**	**503,266**	-	514,266	-	514,266
Invested in property development project (Notes 7 and 8)	**-**	**12,725,833**	**-**	**12,725,833**	-	12,725,833	-	12,725,833
Externally restricted (Note 12)	**-**	**-**	**720,398**	**720,398**	-	-	699,413	699,413
Internally restricted (Note 13)	**-**	**1,907,618**	**-**	**1,907,618**	-	2,190,305	-	2,190,305
Unrestricted	**(702,845)**	**-**	**-**	**(702,845)**	(713,364)	-	-	(713,364)
	(702,845)	**15,136,717**	**720,398**	**15,154,270**	(713,364)	15,430,404	699,413	15,416,453
	2,685,727	**16,418,634**	**1,028,861**	**20,133,222**	4,183,896	17,389,744	976,013	22,549,653

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, 2017

	2017					2016				
			General Fund	Capital and				General Fund	Capital and	
	Community programs	IWS (1)	Client purchase of service (2)	Learning Fund	Total	Community programs	FSEAP/IWS (1)	Client purchase of service (2)	Learning Fund	Total
	$	$	$	$	$	$	$	$	$	$
Revenue										
Government (Note 14)	**6,224,851**	**-**	**30,462,379**	**-**	**36,687,230**	6,301,625	-	27,656,847	-	33,958,472
United Way										
Base allocation	**3,707,974**	**-**	**-**	**61,321**	**3,769,295**	3,720,104	-	-	49,191	3,769,295
Other	**89,047**	**-**	**-**	**-**	**89,047**	81,167	-	-	-	81,167
Foundations and other agencies	**200,529**	**-**	**299,602**	**-**	**500,131**	199,791	-	455,160	-	654,951
Fees										
Integrated Workplace Solutions	**-**	**550,617**	**-**	**11,000**	**561,617**	-	-	-	-	-
Employee assistance program	**-**	**-**	**-**	**-**	**-**	-	1,506,922	-	-	1,506,922
Client	**172,935**	**-**	**-**	**-**	**172,935**	141,270	-	-	-	141,270
Membership, donations and bequests	**48,712**	**-**	**-**	**-**	**48,712**	103,097	-	-	-	103,097
Investment income (Note 3)	**45,739**	**-**	**-**	**-**	**45,739**	11,082	-	-	12,105	23,187
Gain on sale of capital assets (Note 6)	**-**	**-**	**-**	**-**	**-**	-	-	-	12,269,584	12,269,584
Amortization of deferred capital contributions (Note 11b)	**-**	**-**	**-**	**301,001**	**301,001**	-	-	-	321,185	321,185
Amortization of deferred lease inducements (Note 16)	**-**	**-**	**-**	**55,552**	**55,552**	-	-	-	50,923	50,923
Other	**38,602**	**-**	**-**	**85,902**	**124,504**	74,286	9,472	-	9,246	93,004
	10,528,389	**550,617**	**30,761,981**	**514,776**	**42,355,763**	10,632,422	1,516,394	28,112,007	12,712,234	52,973,057
Expenses										
Salaries	**6,653,554**	**230,494**	**-**	**5,304**	**6,889,352**	7,078,775	968,658	-	-	8,047,433
Employee benefits	**1,168,923**	**38,890**	**-**	**8,437**	**1,216,250**	1,232,881	168,726	-	-	1,401,607
Client purchase of service	**-**	**-**	**30,761,981**	**-**	**30,761,981**	-	-	28,112,007	-	28,112,007
Contracted services	**975,405**	**249,490**	**-**	**17,661**	**1,242,556**	807,290	73,420	-	768,520	1,649,230
Building occupancy	**788,179**	**21,910**	**-**	**253,258**	**1,063,347**	611,103	181,532	-	307,330	1,099,965
Office and supplies	**614,138**	**5,777**	**-**	**419**	**620,334**	511,404	51,797	-	140,963	704,164
Transportation	**74,514**	**2,800**	**-**	**210**	**77,524**	96,877	4,536	-	-	101,413
Promotion	**19,876**	**21**	**-**	**-**	**19,897**	19,952	35,099	-	-	55,051
Education and conferences	**42,660**	**-**	**-**	**-**	**42,660**	42,060	1,065	-	-	43,125
Amortization	**-**	**-**	**-**	**417,874**	**417,874**	-	-	-	421,299	421,299
Share of loss of joint venture (Note 4)	**-**	**-**	**-**	**137,736**	**137,736**	-	-	-	152,747	152,747
Other	**192,302**	**554**	**-**	**(43,436)**	**149,420**	232,361	22,572	-	267,176	522,109
	10,529,551	**549,936**	**30,761,981**	**797,463**	**42,638,931**	10,632,703	1,507,405	28,112,007	2,058,035	42,310,150
(Deficiency) excess of revenue over expenses	**(1,162)**	**681**	**-**	**(282,687)**	**(283,168)**	(281)	8,989	-	10,654,199	10,662,907

(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, 2017

	2017						2016					
	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 (Note 13)**	**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	**(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
(Deficiency) excess of revenue over expenses	**(481)**	**-**	**-**	**(282,687)**	**-**	**(283,168)**	8,708	12,430,301	(1,160,717)	(615,385)	-	10,662,907
Additions during the year	**11,000**	**-**	**(11,000)**	**-**	**-**	**-**	(204,821)	83,149	204,821	(83,149)	-	-
FSEAP Interfund loan (Note 10)	**-**	**-**	**-**	**-**	**-**	**-**	525,517	-	-	(525,517)	-	-
Change in unrealized gain (loss) in the endowment funds	**-**	**-**	**-**	**-**	**20,985**	**20,985**	-	-	-	-	(53,060)	(53,060)
Fund balances, end of year	**(702,845)**	**12,725,833**	**503,266**	**1,907,618**	**720,398**	**15,154,270**	(713,364)	12,725,833	514,266	2,190,305	699,413	15,416,453

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, 2017

	2017	2016
	$	$
Operating activities		
(Deficiency) excess of revenue over expenses	**(283,168)**	10,662,907
Items not affecting cash		
Gain on sale of capital assets	**-**	(12,269,584)
Amortization of deferred lease inducements	**(55,552)**	(50,923)
Amortization of capital assets	**417,874**	421,299
Amortization of deferred capital contributions	**(301,001)**	(321,185)
Share of loss of joint venture	**137,736**	152,747
Write-off of residual balances re: FSEAP (Note 10)	**-**	(67,042)
	(84,111)	(1,471,781)
Changes in operating working capital items		
Grants and accounts receivable	**(324,417)**	1,090,708
Prepaid expenses	**(94,530)**	(140,637)
Accounts payable and accrued charges		
General fund	**(1,924,312)**	907,806
Capital and learning fund	**-**	(54,081)
Deferred lease inducements		
General fund	**57,444**	143,881
Capital and learning fund	**-**	583,300
Decrease in deferred contributions		
General fund	**(26,240)**	(125,371)
Endowment fund	**2,504**	44,154
	(2,393,662)	977,979
Financing activity		
Deferred capital contributions	**92,909**	223,500
Investing activities		
Purchase of capital assets	**(143,230)**	(993,770)
Investment in joint venture	**67,502**	(2,673,700)
Deposit on purchase of interest in property	**-**	300,000
Deferred property development costs (Note 7)	**-**	(83,149)
Proceeds from sale of capital assets	**-**	13,430,301
Mortgage receivable	**-**	(12,430,301)
Net purchase of investments	**(31,863)**	(43,542)
	(107,591)	(2,494,161)
Decrease in cash	**(2,408,344)**	(1,292,682)
Cash, beginning of year	**3,601,340**	4,894,022
Cash, end of year	**1,192,996**	3,601,340

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

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 Capital and Learning Fund 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.

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 2,988 (2016 - 3,801) 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.

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:

		2017		2016
	Cost	**Fair value**	Cost	Fair value
	$	**$**	$	$
Mutual funds				
Cash	**6,040**	**6,040**	34	34
Bond fund	**754,203**	**747,597**	727,924	738,575
Canadian equity fund	**207,225**	**275,224**	207,646	237,404
	967,468	**1,028,861**	935,604	976,013

Total interest earned on endowment funds for the year was $30,099 (2016 - $43,741) 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 $Nil (2016 - $12,105).

4. Net investment in joint venture

During 2016, 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:

	2017	2016
	$	$
Opening balance	**2,520,953**	-
Purchase price	-	2,587,500
Less:		
Distributions from Joint Venture	**(67,502)**	-
Share of loss of the co-ownership for the period	**(137,736)**	(152,747)
	2,315,715	2,434,753
Add:		
Land transfer tax	**-**	86,200
	2,315,715	2,520,953

The difference between the $2,315,715 above and Co-owners' equity amount of $2,109,515 below represents 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

	2017	2016
	$	$
Total assets	**3,772,818**	4,042,330
Total liabilities	**1,663,303**	1,727,577
Co-owners' equity	**2,109,515**	2,314,753
	3,772,818	4,042,330

Results of operations

	2017	2016
	$	$
Total revenue	**234,943**	143,697
Total expenses	**372,679**	296,444
Net loss for the year	**(137,736)**	(152,747)

Cash flows

	2017	2016
	$	$
Cash provided by operating activities	**89,842**	89,933
Cash provided by financing activities	**(35,323)**	1,650,000
Cash used in investing activities	**(87,884)**	(1,661,380)
(Decrease) increase in cash	**(33,365)**	78,553

4. Net investment in joint venture (continued)

Related party transactions

During the year, an amount of $417,940 (2016 - $367,773) for rent expense was paid to the Joint Venture.

5. Grants and accounts receivable – General Fund

	2017	2016
	$	$
Province of Ontario	**268,280**	9,913
Canada Revenue Agency (Harmonized Sales Tax receivable)	**224,629**	295,352
Integrated Workplace Solutions customers	**137,001**	151,212
Government of Canada	**117,961**	70,925
Aisling Discoveries	**77,989**	-
Skylark Children, Youth and families(formerly Delisle Youth Services)	**59,353**	50,812
Griffin Centre	**50,771**	46,133
128 Sterling Joint Venture	**15,000**	-
Other	**14,394**	14,086
City of Toronto	**-**	2,528
	965,378	640,961

6. Capital assets

			2017	2016
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	$	$	$
Computers	**189,019**	**159,840**	**29,179**	5,713
Furniture and equipment	**115,774**	**78,305**	**37,469**	60,624
Leasehold improvements	**1,380,316**	**363,685**	**1,016,631**	1,114,371
Computer software	**2,185,078**	**1,906,271**	**278,807**	456,022
	3,870,187	**2,508,101**	**1,362,086**	1,636,730

During 2016, FST completed the sale of the 355 Church Street Property 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 (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 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)
	295,532

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 of $365,734.

8. Mortgage receivable

During 2016, 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, 2017, were $23,310 (2016 - $197,074). These amounts are included in accounts payable and accrued charges.

10. FSEAP interfund loan

	2017	2016
	$	$
Product development loan		
Beginning balance	**-**	107,028
Inter-fund loan written off		(107,028)
Ending balance	**-**	-
Deficit loans		
Beginning balance	**-**	418,489
Inter-fund loan 2015		
Inter-fund loan written off		(418,489)
Ending balance	**-**	-
	-	-

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 the Capital and Learning Fund. During the current fiscal year, the FSEAP loss of $38,951 has been written off through the Capital and Learning Fund.

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:

	2017	2016
	$	$
Deferred interest and special purpose contributions	**101,999**	102,132
Special purpose contributions	**56,767**	56,767
Province of Ontario	**48,905**	40,050
Other agencies	**45,407**	48,751
Foundations	**-**	27,734
Other	**-**	3,884
	253,078	279,318

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.

	2017	2016
	$	$
Beginning balance	**265,459**	221,305
Interest earned for the year (Note 3)	**30,099**	43,741
Realized gain on sale of investment	**2,405**	413
Interest recognized from prior years	**(30,000)**	-
Ending balance	**267,963**	265,459

(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.

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:

	2017	2016
	$	$
Beginning balance	**590,087**	754,814
Additions		
Grants received	**92,909**	223,500
Write-off of residual balances re: FSEAP	**-**	(67,042)
Amounts amortized to revenue	**(301,001)**	(321,185)
Ending balance	**381,995**	590,087

12. Externally restricted fund balances

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

	2017	2016
	$	$
Hindmarsh endowment fund	**500,100**	500,100
Other endowment funds	**158,904**	158,904
Unrealized investment gain	**61,394**	40,409
	720,398	699,413

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, 2017 is reported as deferred contributions in the Endowment Fund (Note 11).

13. Internally restricted and invested in capital assets fund balances

The Board of Directors has internally restricted $1,907,618 (2016 - $2,190,305) to be used for capital and learning requirements.

The Invested in capital assets fund consist of the following:

	2017	2016
	$	$
Net book value of capital assets (Note 6)	**1,362,086**	1,636,730
Less:		
Deferred capital contributions (Note 11)	**(381,995)**	(590,087)
Deferred lease inducement (Note 16)	**(476,825)**	(532,377)
	503,266	514,266

The balance of $503,266 represents unfunded leasehold improvements at the 128 Sterling Road property that will be recovered from future program funding.

14. Revenue - government

General Fund

	2017	2016
	$	$
Federal		
Public Health Agency of Canada - Growing Up Healthy Downtown	**110,546**	110,546
Employment and Social Development Canada	**-**	30,776
Immigration, Refugees and Citizenship Canada	**270,311**	264,347
Provincial		
Ministry of Community and Social Services	**34,801,655**	32,054,503
Toronto Central Local Health Integration Network	**662,771**	647,174
Ministry of Health and Long-Term Care - AIDS Bureau	**134,620**	134,620
Ministry of Attorney General	**493,794**	512,896
Ministry of Citizenship, Immigration and International Trade	**89,385**	112,960
Municipal		
City of Toronto - Community Service Partnerships	**104,225**	101,995
City of Toronto - Investing in Neighbourhoods	**19,923**	(11,345)
	36,687,230	33,958,472

15. Pension plan

The employer pension expense for the defined contributions plan amounted to $59,679 (2016 - $72,068).

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 $201,325 (2016 - $143,881) includes free rent.

Capital and Learning Fund

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

	2017	2016
	$	$
Balance, beginning of the year	**532,377**	-
Additions	**-**	583,300
Amortization	**(55,552)**	(50,923)
Balance, end of year	**476,825**	532,377
Current portion	**55,552**	55,552
Long-term portion	**421,273**	476,825
	476,825	532,377

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, 2017. A summary of the contract is as follows:

Cost centre	DS Coord Proc	Children	Adult PSW	IQAL-CPS POS	POS	S.I.L.	Respite	Group Living	Special Service	
MCSS detail code	9133	9252	8888	9131	9131	9112	9130	8847	9132	
MCSS TPBE #	928799	928799	928799	928799	10000840	928799	928799	928799	928799	Sub-total
	$	$	$	$	$	$	$	$	$	$
MCSS contract	534,890	286,307	181,488	1,486,575	174,167	358,677	53,793	427,828	973,212	4,476,937
Miscellaneous revenue	-	-	-	-	-	-	-	-	4,124	4,124
Revenue	534,890	286,307	181,488	1,486,575	174,167	358,677	53,793	427,828	977,336	4,481,061
Expenses										
Salaries	289,803	210,702	132,744	-	6,289	76,452	-	-	566,915	1,282,905
Employee benefits	51,597	40,047	23,402	-	1,673	14,573	-	-	103,149	234,441
Travel and communication	4,781	3,730	2,376	-	-	-	-	-	49,957	60,844
Services	94,128	3,119	75	-	-	2,431	-	-	106,216	205,969
Supplies and equipment	101,045	78	110	-	-	-	-	-	10,134	111,367
Client purchase of service	-	-	-	1,328,542	145,026	252,903	43,364	425,516	24,596	2,219,947
Capital purchase	-	-	-	-	-	-	-	-	-	-
MCSS admin allocation	51,756	28,631	17,490	-	17,417	12,318	-	-	93,626	221,238
	593,110	286,307	176,197	1,328,542	170,405	358,677	43,364	425,516	954,593	4,336,711
(Deficit) surplus	(58,220)	-	5,291	158,033	3,762	-	10,429	2,312	22,743	144,350

Family Service Toronto
Notes to the financial statements
March 31, 2017

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

									2017	2016
Cost centre	Passport Coord Process	Passport POS	Person Directed Planning	VAW Counselling Service	VAW Service Sys Coord	VAW Client Survey	DS Com Part-PDP			
MCSS detail code	9134	9134	9131	8773	8787	8786	9131			
MCSS TPBE #	39330	10000840	39330	112876	112876	112876	112876	Sub-total	Total	Total
	$	$	$	$	$	$	$	$	$	$
MCSS contract	1,688,849	28,110,925	141,000	701,065	8,691	2,100	56,016	30,708,646	35,185,583	33,843,720
Miscellaneous revenue	3,209	-	-	33,554	-	-	-	36,763	40,887	82,137
Revenue	1,692,058	28,110,925	141,000	734,619	8,691	2,100	56,016	30,745,409	35,226,470	33,925,857
Expenses										
Salaries	759,984	-	12,564	500,569	-	-	45,199	1,318,316	2,601,221	2,744,833
Employee benefits	150,515	-	2,196	87,505	-	-	5,653	245,869	480,310	494,248
Travel and communication	37,515	-	-	10,859	-	-	1,870	50,244	111,088	133,707
Services	415,675	-	82,149	53,026	8,691	2,100	165	561,806	767,775	739,248
Supplies and equipment	40,040	-	-	3,283	-	-	219	43,542	154,909	71,473
Client purchase of service	-	28,109,657	-	-	-	-	-	28,109,657	30,329,604	27,535,496
Capital purchase	18,485	-	-	10,300	-	-	-	28,785	28,785	159,618
MCSS admin allocation	162,970	-	11,600	69,077	-	-	-	243,647	464,885	490,056
	1,585,184	28,109,657	108,509	734,619	8,691	2,100	53,106	30,601,866	34,938,577	32,368,679
Surplus	106,874	1,268	32,491	-	-	-	2,910	143,543	287,893	1,557,178

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 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 MAG, the revenues and expenses related to the PAR program contract of 2016/2017 are as follows:

	2017	2016
	$	$
Revenue*		
Ministry of the Attorney General allocation	**463,925**	487,715
MAG funding carried forward	**40,050**	36,294
Other Revenues	**1,240**	1,000
Client fees	**78,176**	63,424
	583,391	588,433
Expenses**		
Salaries	**433,537**	453,024
Benefits	**75,718**	76,708
Rent	**3,822**	2,851
Office supplies	**3,905**	3,850
Telecommunications	**10,264**	9,072
Office equipment (to include equipment maintenance)	**2,000**	688
Advertising	**-**	115
Community workshops/meetings/event	**509**	343
Staff expenses (recruitment, travel, development)	**788**	742
Audit	**1,024**	948
Translation	**2,919**	42
	534,486	548,383
Excess of revenue over expenses before the undernoted	**48,905**	40,050
Less: revenue deferred to 2016/2017 to complete "groups in progress" - approved by MAG	**-**	(40,050)
Less: revenue deferred to 2017/2018 to complete "groups in progress" - approved by MAG	**(48,905)**	-
Excess of revenue over expenses	**-**	-

* $38,725 (2016 - $28,936) Language Interpreter Services expenses and reimbursements from MAG were excluded.

** During the year, $257 (2016 - $221) of expenses related to the program that was covered by other sources of FST revenues was excluded.

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 2016/2017 are as follows:

	2017	2016
	$	$
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
Waterfront 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 2016/2017 are as follows:

	2017	2016
	$	$
Revenue		
MOHLTC - AIDS Bureau Funding Program	**134,620**	134,620
Other income	**455**	966
	135,075	135,586
Expenses		
Salaries	**111,797**	111,807
Benefits	**19,538**	19,278
Supplies and other expenses	**1,146**	1,999
Protected allocations	**2,594**	2,502
	135,075	135,586
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.

22. Commitments

Leases

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

	$
2018	923,060
2019	672,768
2020	547,095
2021	429,269
2022	437,933
Thereafter	1,623,528
	4,633,653

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, 2017. 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, 2017 and 2016. Interest is payable at the bank's prime rate plus 1.5% (2016 - the bank's prime rate plus 1.5%).