Financial statements of
Family Service Toronto

March 31, 2018

Deloitte.

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, 2018, 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, 2018 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 18, 2018

Family Service Toronto

Statement of financial position

As at March 31, 2018

	Notes	2018 General Fund	2018 Capital and Learning Fund	2018 Endowment Funds	2018 Total	2017 General Fund	2017 Capital and Learning Fund	2017 Endowment Funds	2017 Total
		$	$	$	$	$	$	$	$
Assets									
Current assets									
Cash		4,906,675	—	—	4,906,675	1,192,996	—	—	1,192,996
Grants and accounts receivable	5	746,566	18,750	—	765,316	950,378	15,000	—	965,378
Prepaid expenses		690,537	—	—	690,537	542,353	—	—	542,353
		6,343,778	18,750	—	6,362,528	2,685,727	15,000	—	2,700,727
Investments	3	—	—	1,029,845	1,029,845	—	—	1,028,861	1,028,861
Net investment in joint venture	4	—	2,117,514	—	2,117,514	—	2,315,715	—	2,315,715
Capital assets	6	—	2,993,597	—	2,993,597	—	1,362,086	—	1,362,086
Deferred property development costs	7	—	466,826	—	466,826	—	295,532	—	295,532
Mortgage receivable	8	—	12,430,301	—	12,430,301	—	12,430,301		12,430,301
		6,343,778	18,026,988	1,029,845	25,400,611	2,685,727	16,418,634	1,028,861	20,133,222
Liabilities									
Current liabilities									
Accounts payable and accrued charges	9	7,006,723	5,288	—	7,012,011	3,397,766	—	—	3,397,766
Deferred lease inducements	16	—	55,552	—	55,552	—	55,552	—	55,552
Inter-fund balances		(590,637)	550,792	39,845	—	(463,597)	423,097	40,500	—
Deferred contributions	11a	214,376	—	297,313	511,689	253,078	—	267,963	521,041
		6,630,462	611,632	337,158	7,579,252	3,187,247	478,649	308,463	3,974,359
Long-term									
Deferred lease inducements	16	247,369	365,721	—	613,090	201,325	421,273	—	622,598
Deferred capital contributions	11b	—	2,135,850	—	2,135,850	—	381,995	—	381,995
		6,877,831	3,113,203	337,158	10,328,192	3,388,572	1,281,917	308,463	4,978,952
Commitments and contingencies	22 and 23								
Fund balances									
Invested in capital assets	13	—	436,474	—	436,474	—	503,266	—	503,266
Invested in property development project	7 and 8	—	12,897,127	—	12,897,127	—	12,725,833	—	12,725,833
Externally restricted	12	—	—	692,687	692,687	—	—	720,398	720,398
Internally restricted	13	—	1,580,184	—	1,580,184	—	1,907,618	—	1,907,618
Unrestricted		(534,053)	—	—	(534,053)	(702,845)	—	—	(702,845)
		(534,053)	14,913,785	692,687	15,072,419	(702,845)	15,136,717	720,398	15,154,270
		6,343,778	18,026,988	1,029,845	25,400,611	2,685,727	16,418,634	1,028,861	20,133,222

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

Approved on behalf of the Board

Director

Director

Family Service Toronto

Statement of operations

Year ended March 31, 2018

	Notes	2018 Community programs	2018 General Fund IWS (1)	2018 General Fund Client purchase of service (2)	2018 Capital and Learning Fund	2018 Total	2017 Community programs	2017 General Fund IWS (1)	2017 General Fund Client purchase of service (2)	2017 Capital and Learning Fund	2017 Total
		$	$	$	$	$	$	$	$	$	$
Revenue											
Government	14	**6,175,232**	**—**	**34,936,117**	**—**	**41,111,349**	6,224,851	—	30,462,379	—	36,687,230
United Way											
Base allocation		**3,702,503**	**—**	**—**	**66,792**	**3,769,295**	3,707,974	—	—	61,321	3,769,295
Other		**29,309**	**—**	**—**	**—**	**29,309**	89,047	—	—	—	89,047
Foundations and other agencies		**192,792**	**—**	**563,262**	**—**	**756,054**	200,529	—	299,602	—	500,131
Fees											
Integrated Workplace Solutions		**—**	**544,439**	**—**	**—**	**544,439**	—	550,617	—	11,000	561,617
Client		**162,437**	**—**	**—**	**—**	**162,437**	172,935	—	—	—	172,935
Membership, donations and bequests		**59,332**	**—**	**—**	**—**	**59,332**	48,712	—	—	—	48,712
Investment income		**43,040**	**—**	**—**	**—**	**43,040**	45,739	—	—	—	45,739
Amortization of deferred capital contributions	11b	**—**	**—**	**—**	**243,889**	**243,889**	—	—	—	301,001	301,001
Amortization of deferred lease inducements	16	**—**	**—**	**—**	**55,552**	**55,552**	—	—	—	55,552	55,552
Other		**110,874**	**—**	**—**	**204,267**	**315,141**	38,602	—	—	85,902	124,504
		10,475,519	**544,439**	**35,499,379**	**570,500**	**47,089,837**	10,528,389	550,617	30,761,981	514,776	42,355,763
Expenses											
Salaries		**6,619,017**	**231,724**	**—**	**—**	**6,850,741**	6,653,554	230,494	—	5,304	6,889,352
Employee benefits		**1,210,607**	**41,217**	**—**	**(4,389)**	**1,247,435**	1,168,923	38,890	—	8,437	1,216,250
Client purchase of service		**—**	**—**	**35,499,379**	**—**	**35,499,379**	—	—	30,761,981	—	30,761,981
Contracted services		**893,183**	**232,124**	**—**	**10,854**	**1,136,161**	975,405	249,490	—	17,661	1,242,556
Building occupancy		**876,330**	**20,206**	**—**	**114,891**	**1,011,427**	788,179	21,910	—	253,258	1,063,347
Office and supplies		**664,902**	**10,342**	**—**	**—**	**675,244**	614,138	5,777	—	419	620,334
Transportation		**90,770**	**2,418**	**—**	**—**	**93,188**	74,514	2,800	—	210	77,524
Promotion		**9,623**	**603**	**—**	**—**	**10,226**	19,876	21	—	—	19,897
Education and conferences		**36,526**	**100**	**—**	**—**	**36,626**	42,660	—	—	—	42,660
Amortization		**—**	**—**	**—**	**366,233**	**366,233**	—	—	—	417,874	417,874
Share of loss of joint venture	4	**—**	**—**	**—**	**119,451**	**119,451**	—	—	—	137,736	137,736
Other		**74,561**	**5,705**	**—**	**17,600**	**97,866**	192,302	554	—	(43,436)	149,420
		10,475,519	**544,439**	**35,499,379**	**624,640**	**47,143,977**	10,529,551	549,936	30,761,981	797,463	42,638,931
(Deficiency) excess of revenue over expenses		**—**	**—**	**—**	**(54,140)**	**(54,140)**	(1,162)	681	—	(282,687)	(283,168)

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

(1) IWS is defined as Integrated Workplace Solutions

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

Family Service Toronto

Statement of changes in fund balances

Year ended March 31, 2018

	2018						2017					
	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 (Note 13)	Externally restricted	Total
	$	$	$	$	$	$	$	$	$	$	$	$
Fund balances, beginning 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
Deficiency of revenue over expenses	—	—	—	(54,140)	—	(54,140)	(481)	—	—	(282,687)	—	(283,168)
Interfund Transfers	168,792	171,294	(66,792)	(273,294)	—	—	11,000	—	(11,000)	—	—	—
Change in unrealized (loss) gain in the endowment funds	—	—	—	—	(27,711)	(27,711)	—	—	—	—	20,985	20,985
Fund balances, end of year	(534,053)	12,897,127	436,474	1,580,184	692,687	15,072,419	(702,845)	12,725,833	503,266	1,907,618	720,398	15,154,270

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

Family Service Toronto

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Deficiency of revenue over expenses		**(54,140)**	(283,168)
Items not affecting cash			
Amortization of deferred lease inducements		**(55,552)**	(55,552)
Amortization of capital assets		**366,233**	417,874
Amortization of deferred capital contributions		**(243,889)**	(301,001)
Share of loss of joint venture		**119,451**	137,736
		132,103	(84,111)
Changes in operating working capital items			
Grants and accounts receivable		**200,062**	(324,417)
Prepaid expenses		**(148,184)**	(94,530)
Accounts payable and accrued charges			
General fund		**3,608,957**	(1,924,312)
Capital and learning fund		**5,288**	—
Deferred lease inducements			
General fund		**46,044**	57,444
Decrease in deferred contributions			
General fund		**(38,702)**	(26,240)
Endowment fund		**29,350**	2,504
		3,834,918	(2,393,662)
Financing activity			
Deferred capital contributions		**1,997,744**	92,909
Investing activities			
Purchase of capital assets		**(1,997,744)**	(143,230)
Investment in joint venture		**78,750**	67,502
Deferred property development costs	7	**(171,294)**	—
Net purchase of investments		**(28,695)**	(31,863)
		(2,118,983)	(107,591)
Increase (decrease) in cash		**3,713,679**	(2,408,344)
Cash, beginning of year		**1,192,996**	3,601,340
Cash, end of year		**4,906,675**	1,192,996

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

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 3,112 (2,988 in 2017) 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.

2. Significant accounting policies (continued)

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.

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.

3. Investments and financial risk management (continued)

Market risk (continued)

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

	2018		2017	
	Cost	**Fair value**	Cost	Fair value
	$	**$**	$	$
Mutual funds				
Cash	**1,398**	**1,398**	6,040	6,040
Bond fund	**791,536**	**774,984**	754,203	747,597
Canadian equity fund	**203,229**	**253,463**	207,225	275,224
	996,163	**1,029,845**	967,468	1,028,861

Total interest earned on endowment funds for the year was $21,536 ($30,099 in 2017) which was recognized as a deferred contribution in the Endowment Fund (Note 11).

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:

	2018	2017
	$	$
Opening balance	**2,315,715**	2,520,953
Less		
Distributions from joint venture	**(78,750)**	(67,502)
Share of loss of the joint venture for the year	**(119,451)**	(137,736)
	2,117,514	2,315,715

The difference between the $2,117,514 above ($2,315,715 in 2017) and Co-owners' equity amount of $1,911,314 below ($2,109,515 in 2017) 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

	2018	2017
	$	$
Total assets	**3,531,694**	3,772,818
Total liabilities	**1,620,380**	1,663,303
Co-owners' equity	**1,911,314**	2,109,515
	3,531,694	3,772,818

4. Net investment in joint venture (continued)

Results of operations

	2018	2017
	$	$
Total revenue	**284,657**	234,943
Total expenses	**404,108**	372,679
Net loss for the year	**(119,451)**	(137,736)

Cash flows

	2018	2017
	$	$
Cash provided by operating activities	**101,399**	89,842
Cash provided by financing activities	**(40,082)**	(35,323)
Cash used in investing activities	**(101,299)**	(87,884)
(Decrease) increase in cash	**(39,982)**	(33,365)

Related party transactions

During the year, an amount of $452,936 ($417,940 in 2017) for rent expense was paid to the joint venture.

5. Grants and accounts receivable – General Fund

	2018	2017
	$	$
Canada Revenue Agency (Harmonized Sales Tax receivable)	**348,385**	224,629
Integrated Workplace Solutions customers	**241,385**	137,001
The Residence of Alter Inc.	**42,838**	—
Griffin Centre	**33,157**	50,771
Government of Canada	**29,161**	117,961
Skylark Children, Youth and families	**27,226**	59,353
128 Sterling Joint Venture	**18,750**	15,000
Other	**9,536**	14,394
Family Services of Peel	**6,560**	—
Province of Ontario	**5,098**	268,280
City of Toronto	**3,220**	—
Aisling Discoveries	**—**	77,989
	765,316	965,378

6. Capital assets

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Computers	219,362	179,710	39,652	29,179
Furniture and equipment	115,774	101,460	14,314	37,469
Leasehold improvements	1,394,363	492,342	902,021	1,016,631
Computer software	2,185,078	2,100,821	84,257	278,807
Computer Software WIP	1,953,353	-	1,953,353	-
	5,867,930	2,874,333	2,993,597	1,362,086

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).

During the year, FST began the development of the PassportONE system which will administer financial transactions for invoicing and payments for all Passport clients and agencies across the province. As at March 31, 2018 the PassportONE system is identified as work in progress. The system went live on May 7, 2018.

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.

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)
2018	171,294
	466,826

In addition to the above $466,826, $30,044 was expensed in 2011, and interest of $40,158 was charged, resulting in project cost to date of $537,028.

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, 2018, were $51,557 ($25,382 in 2017). These amounts are included in accounts payable and accrued charges.

10. Family Service Toronto Employee Assistance Program ("FSEAP") and Integrated Workplace Solutions ("IWS") write off of losses

	$
2016 – FSEAP	1,699,662
2017 – FSEAP	38,951
2018 – IWS	29,923
	1,768,536

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. During the current fiscal year, the IWS loss of $29,923 has been written off through the Capital and Learning Fund, resulting in a total loss to date of $1,768,536.

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.

11. Deferred contributions and deferred capital contributions (continued)

(a) Deferred contributions (continued)

General Fund (continued)

The breakdown by source of revenue is as follows:

	2018	2017
	$	$
Province of Ontario	**66,982**	48,905
Special purpose contributions	**56,767**	56,767
City of Toronto	**42,526**	—
Government of Canada	**23,769**	—
Other agencies	**22,595**	45,407
Foundations	**1,737**	—
Deferred interest and special purpose contributions	**—**	101,999
	214,376	253,078

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.

	2018	2017
	$	$
Beginning balance	**267,963**	265,459
Interest earned for the year (Note 3)	**21,536**	30,099
Realized gain on sale of investment	**7,814**	2,405
Interest recognized from prior years	**—**	(30,000)
Ending balance	**297,313**	267,963

(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.

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

	2018	2017
	$	$
Beginning balance	**381,995**	590,087
Additions		
Grants received	**1,997,744**	92,909
Amounts amortized to revenue	**(243,889)**	(301,001)
Ending balance	**2,135,850**	381,995

12. Externally restricted fund balances

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

	2018	2017
	$	$
Hindmarsh endowment fund	**500,100**	500,100
Other endowment funds	**158,904**	158,904
Unrealized investment gain	**33,683**	61,394
	692,687	720,398

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, 2018 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 $1,580,184 ($1,907,618 in 2017) to be used for capital and learning requirements.

The Invested in capital assets fund consist of the following:

	2018	2017
	$	$
Net book value of capital assets (Note 6)	**2,993,597**	1,362,086
Less		
Deferred capital contributions (Note 11b)	**(2,135,850)**	(381,995)
Deferred lease inducement (Note 16)	**(421,273)**	(476,825)
	436,474	503,266

The balance of $436,474 ($503,266 in 2017) represents unfunded leasehold improvements at the 128 Sterling Road property that will be recovered from future program funding.

14. Revenue - government

General Fund

	2018	2017
	$	$
Federal		
Public Health Agency of Canada	**110,546**	110,546
Employment and Social Development Canada	**6,899**	—
Immigration, Refugees and Citizenship Canada	**264,174**	270,311
Provincial		
Ministry of Community and Social Services	**39,196,319**	34,801,655
Toronto Central Local Health Integration Network	**665,034**	662,771
Ministry of Attorney General	**503,767**	493,794
Ministry of Health and Long-Term Care - AIDS Bureau	**141,540**	134,620
Ministry of Senior Affairs	**56,560**	48,053
Ministry of Status of Women	**12,628**	—
Ministry of Citizenship, Immigration and International Trade	**10,749**	41,332
Municipal		
City of Toronto - Community Service Partnerships	**106,315**	104,225
City of Toronto - Investing in Neighbourhoods	**36,818**	19,923
	41,111,349	36,687,230

15. Pension plan

The employer pension expense for the defined contributions plan amounted to $61,596 ($59,679 in 2017).

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 $247,369 ($201,325 in 2017) includes free rent.

16. Deferred lease inducements (continued)

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:

	2018	2017
	$	$
Balance, beginning of the year	**476,825**	532,377
Amortization	**(55,552)**	(55,552)
Balance, end of year	**421,273**	476,825
Current portion	**55,552**	55,552
Long-term portion	**365,721**	421,273
	421,273	476,825

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, 2018. A summary of the contract is as follows:

	DS Coord		Adult	IQAL-CPS				Group	Special	
Cost centre	Proc	Children	PSW	POS	POS	S.I.L.	Respite	Living	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	1,174,522	174,167	258,677	53,793	427,828	973,212	4,064,884
Miscellaneous revenue	—	—	—	—	—	—	—	—	4,430	4,430
Revenue	534,890	286,307	181,488	1,174,522	174,167	258,677	53,793	427,828	977,642	4,069,314
Expenses										
Salaries	276,438	203,593	130,987	—	6,308	33,474	—	—	534,677	1,185,477
Employee benefits	56,183	38,902	23,471	—	1,719	6,660	—	—	101,533	228,468
Travel and communication	5,564	6,447	2,841	—	—	—	—	—	47,230	62,082
Services	14,674	952	127	—	—	2,693	—	—	129,849	148,295
Supplies and equipment	4,884	36	250	—	—	—	—	—	6,342	11,512
Client purchase of service	—	—	—	1,220,039	132,903	198,645	41,662	428,174	30,741	2,052,164
Capital purchase	—	—	—	—	—	—	—	—	—	—
MCSS admin allocation	51,756	28,631	17,490	—	17,417	12,318	—	—	93,626	221,238
	409,499	278,561	175,166	1,220,039	158,347	253,790	41,662	428,174	943,998	3,909,236
Surplus (deficit)	125,391	7,746	6,322	(45,517)	15,820	4,887	12,131	(346)	33,644	160,078

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

									2018	2017
Cost centre	Passport Coord Process	Passport POS	Person Directed Planning	VAW Counselling Service	VAW Client Survey	DS Com Part-PDP	DS Passport ONE			
MCSS detail code	9134	9134	9131	8773	8786	9131	9134			
MCSS TPBE #	39330	10000840	39330	112876	112876	112876	112876	Sub-total	Total	Total
	$	$	$	$	$	$	$	$	$	$
MCSS contract	1,680,849	34,436,200	116,000	703,190	2,100	56,016	2,307,370	39,301,725	43,366,609	35,185,583
Miscellaneous revenue	43,773	—	—	41,111	—	—	—	84,884	89,314	40,887
Revenue	1,724,622	34,436,200	116,000	744,301	2,100	56,016	2,307,370	39,386,609	43,455,923	35,226,470
Expenses										
Salaries	727,214	—	10,282	499,575	—	50,112	100,398	1,387,581	2,573,058	2,601,221
Employee benefits	162,445	—	1,653	89,773	—	6,438	16,843	277,152	505,620	480,310
Travel and communication	29,325	—	40	11,973	—	1,629	111	43,078	105,160	111,088
Services	414,142	—	77,238	61,350	1,100	20	36,030	589,880	738,175	767,775
Supplies and equipment	53,645	—	19	2,558	1,000	15	1,383	58,620	70,132	154,909
Client purchase of service	—	32,744,662	—	—	—	—	—	32,744,662	34,796,826	30,329,604
Capital purchase	21,274	—	—	7,276	—	—	1,961,274	1,989,824	1,989,824	28,785
MCSS admin allocation	162,970		11,600	69,072	—	—	34,642	278,284	499,522	464,885
	1,571,015	32,744,662	100,832	741,577	2,100	58,214	2,150,681	37,369,081	41,278,317	34,938,577
Surplus (deficit)	153,607	1,691,538	15,168	2,724	—	(2,198)	156,689	2,017,528	2,177,606	287,893

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 2017/2018 are as follows:

	2018	2017
	$	$
Revenue*		
MAG allocation	**463,925**	463,925
MAG funding carried forward	**48,905**	40,050
Other Revenues	**4,140**	1,240
Client fees	**75,652**	78,176
	592,622	583,391
Expenses**		
Salaries	**440,333**	433,537
Benefits	**78,825**	75,718
Rent	**2,796**	3,822
Office supplies	**5,436**	3,905
Telecommunications	**8,765**	10,264
Office equipment (to include equipment maintenance)	**727**	2,000
Community workshops/meetings/events	**163**	509
Staff expenses (recruitment, travel, development)	**1,177**	788
Audit	**869**	1,024
Translation	**—**	2,919
	539,091	534,486
Excess of revenue over expenses before the undernoted	**53,531**	48,905
Less: revenue deferred to 2017/2018 to complete "groups in progress" – approved by MAG	**—**	(48,905)
Less: revenue deferred to 2018/2019 to complete "groups in progress" – approved by MAG	**(53,531)**	—
Excess of revenue over expenses	**—**	—

* $43,943 ($38,725 in 2017) Language Interpreter Services expenses and reimbursements from MAG were excluded.

** During the year, nil ($257 in 2017) 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 2017/2018 are as follows:

	2018	2017
	$	$
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 2017/2018 are as follows:

	2018	2017
	$	$
Revenue		
MOHLTC – AIDS Bureau Funding Program	**143,320**	134,620
Other income	**—**	455
	143,320	135,075
Expenses		
Salaries	**111,943**	111,797
Benefits	**21,122**	19,538
Rent and utilities	**6,720**	—
Supplies and other expenses	**1,035**	1,146
Protected allocations	**720**	2,594
	141,540	135,075
Excess of revenue over expenses	**1,780**	—

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:

	$
2019	676,615
2020	567,452
2021	448,126
2022	456,790
2023	460,019
Thereafter	1,183,509
	3,792,511

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, 2018. 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, 2018 and 2017. Interest is payable at the bank's prime rate plus 1.5% (the bank's prime rate plus 1.5% in 2017).

25. Subsequent event

FST won the expression of interest issued by Ministry of Community and Social Services ("MCSS") to become the consolidated payment agency (now called PassportONE) for the province-wide Passport program in September 2017. PassportONE will go live in phases starting in May 2018 through to March 2019.

The Passport program supports adults with a developmental disability to participate in their communities and helps caregivers take a break from their caregiving responsibilities. It provides direct funding for clients to purchase the services they need. Clients submit their claims or invoices for reimbursement. The reimbursement process is currently being managed by 11 Passport Agencies across the province.

PassportONE will administer all financial transactions for invoicing and payments going forward. The 11 Passport Agencies will continue to support Passport clients to use their funds.