
Financial statements of Family Service Toronto

March 31, 2019

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Independent Auditor's Report

To the Members of
Family Service Toronto

Opinion

We have audited the financial statements of Family Service Toronto ("FST"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FST as at March 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of FST in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing FST's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate FST or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing FST's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 FST's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on FST's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause FST to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP


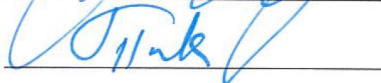
Chartered Professional Accountants
Licensed Public Accountants
June 18, 2019

Family Service Toronto
Statement of financial position
As at March 31, 2019

	Notes	General Fund \$	Capital and Learning Fund \$	Endowment Funds \$	2019 Total \$	General Fund \$	Capital and Learning Fund \$	Endowment Funds \$	2018 Total \$
Assets									
Current assets									
Cash		14,755,024	—	—	14,755,024	4,906,675	—	—	4,906,675
Grants and accounts receivable	5	26,982,432	—	—	26,982,432	746,566	18,750	—	765,316
Prepaid expenses		961,697	—	—	961,697	690,537	—	—	690,537
		42,699,153	—	—	42,699,153	6,343,778	18,750	—	6,362,528
Investments	3	—	—	1,091,660	1,091,660	—	—	1,029,845	1,029,845
Net investment in joint venture	4	—	1,993,879	—	1,993,879	—	2,117,514	—	2,117,514
Capital assets	6	—	15,486,067	—	15,486,067	—	2,993,597	—	2,993,597
Deferred property development costs	7	—	—	—	—	—	466,826	—	466,826
Mortgage receivable	8	—	—	—	—	—	12,430,301	—	12,430,301
		42,699,153	17,479,946	1,091,660	61,270,759	6,343,778	18,026,988	1,029,845	25,400,611
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	9	43,266,451	812	—	43,267,263	7,006,723	5,288	—	7,012,011
Deferred lease inducements	16	—	42,468	—	42,468	—	55,552	—	55,552
Inter-fund balances		(574,286)	535,465	38,821	—	(590,637)	550,792	39,845	—
Deferred contributions	11a	174,796	—	335,830	510,626	214,376	—	297,313	511,689
		42,866,961	578,745	374,651	43,820,357	6,630,462	611,632	337,158	7,579,252
Long-term									
Deferred lease inducements	16	261,599	272,500	—	534,099	247,369	365,721	—	613,090
Deferred capital contributions	11b	—	2,127,914	—	2,127,914	—	2,135,850	—	2,135,850
		43,128,560	2,979,159	374,651	46,482,370	6,877,831	3,113,203	337,158	10,328,192
Commitments and contingencies	22 and 23								
Fund balances									
Invested in capital assets	13	—	13,043,185	—	13,043,185	—	436,474	—	436,474
Invested in property development project	7 and 8	—	—	—	—	—	12,897,127	—	12,897,127
Externally restricted	12	—	—	717,009	717,009	—	—	692,687	692,687
Internally restricted	13	—	1,457,602	—	1,457,602	—	1,580,184	—	1,580,184
Unrestricted		(429,407)	—	—	(429,407)	(534,053)	—	—	(534,053)
		(429,407)	14,500,787	717,009	14,788,389	(534,053)	14,913,785	692,687	15,072,419
		42,699,153	17,479,946	1,091,660	61,270,759	6,343,778	18,026,988	1,029,845	25,400,611

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, 2019

	2019					2018					
	Community programs	General Fund		Capital and Learning Fund	Total	Community programs	General Fund		Capital and Learning Fund	Total	
		IWS (1)	Client purchase of service (2)				IWS (1)	Client purchase of service (2)			
Notes	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Revenue											
Government	14	10,324,445	—	133,228,195	—	143,552,640	6,175,232	—	34,936,117	—	41,111,349
United Way											
Base allocation		3,557,203	—	—	104,092	3,661,295	3,702,503	—	—	66,792	3,769,295
Other		6,143	—	—	—	6,143	29,309	—	—	—	29,309
Foundations and other agencies		275,556	—	429,318	—	704,874	192,792	—	563,262	—	756,054
Fees											
Integrated Workplace Solutions		—	186,778	—	—	186,778	—	544,439	—	—	544,439
Client		162,308	—	—	—	162,308	162,437	—	—	—	162,437
Membership, donations and bequests		42,330	—	—	—	42,330	59,332	—	—	—	59,332
Investment income		53,875	—	—	—	53,875	43,040	—	—	—	43,040
Amortization of deferred capital contributions	11b	—	—	—	736,319	736,319	—	—	—	243,889	243,889
Amortization of deferred lease inducements	16	—	—	—	50,518	50,518	—	—	—	55,552	55,552
Other		142,014	—	—	60,068	202,082	110,874	—	—	204,267	315,141
		14,563,874	186,778	133,657,513	950,997	149,359,162	10,475,519	544,439	35,499,379	570,500	47,089,837
Expenses											
Salaries		7,064,582	53,511	—	—	7,118,093	6,619,017	231,724	—	—	6,850,741
Employee benefits		1,295,050	11,779	—	—	1,306,829	1,210,607	41,217	—	(4,389)	1,247,435
Client purchase of service		525,092	—	133,657,513	—	134,182,605	—	—	35,499,379	—	35,499,379
Contracted services		2,655,153	98,936	—	—	2,754,089	893,183	232,124	—	10,854	1,136,161
Building occupancy		1,120,925	—	—	—	1,120,925	876,330	20,206	—	114,891	1,011,427
Office and supplies		1,599,663	3,252	—	—	1,602,915	664,902	10,342	—	—	675,244
Transportation		101,903	—	—	—	101,903	90,770	2,418	—	—	93,188
Promotion		37,605	153	—	—	37,758	9,623	603	—	—	10,226
Education and conferences		45,236	729	—	—	45,965	36,526	100	—	—	36,626
Amortization		—	—	—	1,078,406	1,078,406	—	—	—	366,233	366,233
Share of loss of joint venture	4	—	—	—	68,137	68,137	—	—	—	119,451	119,451
Other		117,864	18,663	—	113,362	249,889	74,561	5,705	—	17,600	97,866
		14,563,073	187,023	133,657,513	1,259,905	149,667,514	10,475,519	544,439	35,499,379	624,640	47,143,977
Excess (deficiency) of revenue over expenses		801	(245)	—	(308,908)	(308,352)	—	—	—	(54,140)	(54,140)

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, 2019

	2019						2018					
	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 (Note 13)	Internally restricted (Note 13)	Externally restricted	Total	Unrestricted	Invested in property development project (Notes 7 and 8)	Invested in capital assets (Note 13)	Internally restricted (Note 13)	Externally restricted	Total
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Fund balances, beginning 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
Deficiency of revenue over expenses	556	—	(240,771)	(68,137)	—	(308,352)	—	—	—	(54,140)	—	(54,140)
Inter-fund transfers	104,090	(12,897,127)	12,847,481	(54,444)	—	—	168,792	171,294	(66,792)	(273,294)	—	—
Change in unrealized gain (loss) in the endowment funds	—	—	—	—	24,322	24,322	—	—	—	—	(27,711)	(27,711)
Fund balances, end of year	(429,407)	—	13,043,184	1,457,603	717,009	14,788,389	(534,053)	12,897,127	436,474	1,580,184	692,687	15,072,419

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

Family Service Toronto
Statement of cash flows
Year ended March 31, 2019

	2019	2018
	\$	\$
Operating activities		
Deficiency of revenue over expenses	(308,352)	(54,140)
Items not affecting cash		
Amortization of deferred lease inducements	(50,518)	(55,552)
Amortization of capital assets	1,078,406	366,233
Amortization of deferred capital contributions	(736,319)	(243,889)
Amortization of deferred capital contributions – disposal of lease inducements	(4,281)	—
Loss on disposal of capital assets	113,367	—
Lease inducements write-off	(55,787)	—
Share of loss of joint venture	68,137	119,451
	104,653	132,103
Changes in operating working capital items		
Grants and accounts receivable	(26,217,116)	200,062
Prepaid expenses	(271,160)	(148,184)
Accounts payable and accrued liabilities		
General fund	36,259,728	3,608,957
Capital and learning fund	(4,476)	5,288
Deferred lease inducements		
General fund	14,230	46,044
Decrease in deferred contributions		
General fund	(39,580)	(38,702)
Endowment fund	38,517	29,350
	9,884,796	3,834,918
Financing activity		
Deferred capital contributions	732,664	1,997,744
Investing activities		
Purchase of capital assets	(13,684,243)	(1,997,744)
Investment in joint venture	55,498	78,750
Deferred property development costs	466,826	(171,294)
Mortgage receivable	12,430,301	—
Net purchase of investments	(37,493)	(28,695)
	(769,111)	(2,118,983)
Increase in cash	9,848,349	3,713,679
Cash, beginning of year	4,906,675	1,192,996
Cash, end of year	14,755,024	4,906,675

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.

On May 2018, FST was selected by the Ministry of Children, Community and Social Services to administer PassportONE for all Passport clients across the Province of Ontario. PassportONE was created by the Ontario Government and Passport agencies to improve the Passport Service experience by making invoice processing and reimbursements faster and more efficient. This new approach to Passport payment processing includes consolidating the back office financial functions associated with Passport.

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.

2. Significant accounting policies (continued)

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.

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 2,933 (3,112 in 2018) 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.

2. Significant accounting policies (continued)

Investment in joint venture (continued)

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.

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.

3. Investments and financial risk management (continued)

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:

	2019		2018	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Mutual Funds				
Cash	2,484	2,484	1,398	1,398
Bond Fund	526,491	533,539	791,536	774,984
Canadian Equity Fund	504,681	555,637	203,229	253,463
	1,033,656	1,091,660	996,163	1,029,845

Total interest earned on endowment funds for the year was \$36,431 (\$21,536 in 2018) 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:

	2019	2018
	\$	\$
Opening balance	2,117,514	2,315,715
Less		
Distributions from joint ventures	(55,498)	(78,750)
Share of loss of the joint venture for the year	(68,137)	(119,451)
	1,993,879	2,117,514

The difference between the \$1,993,879 above (\$2,117,514 in 2018) and Co-owners' equity amount of \$1,787,678 below (\$1,911,314 in 2018) 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:

4. Net investment in joint venture (continued)

Financial position

	2019	2018
	\$	\$
Total assets	3,374,064	3,531,694
Total liabilities	1,586,386	1,620,380
Co-owners' equity	1,787,678	1,911,314
	3,374,064	3,531,694

Results of operations

	2019	2018
	\$	\$
Total revenue	396,128	284,657
Total expenses	464,266	404,108
Net loss for the year	(68,138)	(119,451)

Cash flows

	2019	2018
	\$	\$
Cash provided by operating activities	159,843	101,399
Cash used in financing activities	40,378	40,082
Cash used in investing activities	96,086	101,299
Increase (decrease) in cash	23,379	(39,982)

Related party transactions

During the year, an amount of \$486,278 (\$452,936 in 2018) for rent expense was paid to the joint venture.

5. Grants and accounts receivable – General Fund

	2019	2018
	\$	\$
Ministry of Children, Community and Social Services	26,081,364	—
Canada Revenue Agency (Harmonized Sales Tax receivable)	568,836	348,385
Government of Canada	141,632	29,161
The Residence of Alter Inc.	93,221	42,838
Griffin Centre	54,295	33,157
Skylark Children, Youth and families	21,090	27,226
Province of Ontario	11,146	5,098
City of Toronto	7,645	3,220
Family Services of Peel	2,880	6,560
Other	323	9,536
Integrated Workplace Solutions customers	—	241,385
128 Sterling Joint Venture	—	18,750
	26,982,432	765,316

The above amount receivable from the Ministry of Children, Community and Social Services is related to the PassportONE program (see Note 9).

6. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
	\$	\$	\$	\$
Buildings	12,526,685	130,486	12,396,199	—
Computers	219,362	204,413	14,949	39,652
Furniture and equipment	886,147	278,689	607,458	14,314
Leasehold improvements	1,300,854	610,423	690,431	902,021
Computer software	4,505,758	2,728,728	1,777,030	84,257
Computer software WIP	—	—	—	1,953,353
	19,438,806	3,952,739	15,486,067	2,993,597

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 current year, FST completed the purchase of certain units of the 355 Church Street property. The purchase price of \$12,184,850 was satisfied from the mortgage receivable (Note 8). An additional \$341,835 was also transferred from property development costs (Note 7).

During the year, FST's PassportONE system became fully operational and hence the costs related to the system were transferred from Computer software WIP to Computer software.

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
2019	37,685
2019	<u>(504,511)</u>
	<u>—</u>

In addition to the above \$504,511, \$30,044 was expensed in 2011, and interest of \$40,158 was charged, resulting in project cost to date of \$574,713. During the current year, the project was completed and the purchase of certain units of the 355 Church Street property was finalized on November 1, 2018. \$341,835 of property development costs were transferred to the cost of the building, and the remaining \$162,676 is included in furniture and equipment (Note 6).

8. Mortgage receivable

During 2016, FST entered into a vendor take back mortgage in the amount of \$12,430,301 (Note 6). The mortgage was carried at face value in the Statement of financial position and was interest free without a maturity date. It did not require monthly principal or interest payments and was unsecured.

During the current year, FST completed the purchase of certain units of the 355 Church Street property. \$12,184,850 of the mortgage receivable amount was used to satisfy the purchase price and the remaining \$245,451 was received in cash.

9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$13,028,397 of unpaid claims for the PassportONE program that have been submitted by clients. In addition, \$28,722,061 has been accrued as at the year-end for unclaimed amounts. Of this total, \$26,081,364 is included in accounts receivable.

Accounts payable and accrued liabilities also include an amount outstanding with respect to government remittances as at March 31, 2019 of \$126,986 (\$51,557 in 2018).

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
	<u>1,768,536</u>

The Board of Directors approved management's recommendation to wind down IWS on June 26, 2018. IWS gave notice to its customers and stopped taking cases on September 1, 2018. The total loss to date of \$1,768,536 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:

	2019	2018
	\$	\$
Province of Ontario	47,054	66,982
Special purpose contributions	56,767	56,767
City of Toronto	-	42,526
Government of Canada	20,518	23,769
Other agencies	50,457	22,595
Foundations	-	1,737
	<u>174,796</u>	<u>214,376</u>

11. Deferred contributions and deferred capital contributions (continued)

(a) *Deferred contributions (continued)*

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.

	Note	2019 \$	2018 \$
Beginning balance		297,313	267,963
Interest earned for the year	3	36,431	21,536
Realized gain on sale of investment		2,086	7,814
Ending balance		335,830	297,313

(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:

	2019 \$	2018 \$
Beginning balance	2,135,850	381,995
Additions		
Grants received	732,664	1,997,744
Less		
Disposal of leasehold inducements	(4,281)	—
Amounts amortized to revenue	(736,319)	(243,889)
Ending balance	2,127,914	2,135,850

12. Externally restricted fund balances

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

	2019	2018
	\$	\$
Hindmarsh endowment fund	500,100	500,100
Other endowment funds	158,904	158,904
Unrealized investment gain/(loss)	58,005	33,683
	717,009	692,687

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, 2019 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 \$1,457,602 (\$1,580,184 in 2018) to be used for capital and learning requirements.

The Invested in capital assets fund consist of the following:

	Notes	2019	2018
		\$	\$
Net book value of capital assets	6	15,486,067	2,993,597
Less			
Deferred capital contributions	11b	(2,127,914)	(2,135,850)
Deferred lease inducement	16	(314,968)	(421,273)
		13,043,185	436,474

The balance of \$13,043,185 (\$436,474 in 2018) represents the net book value of the 355 Church Street property and unfunded leasehold improvements at the 128 Sterling Road property that will be recovered from future program funding.

14. Revenue - government

General Fund

	2019	2018
	\$	\$
Federal		
Public Health Agency of Canada	110,546	110,546
Employment and Social Development Canada	97,353	6,899
Immigration, Refugees and Citizenship Canada	263,368	264,174
Provincial		
Ministry of Children, Community and Social Services	141,236,377	39,196,319
Toronto Central Local Health Integration Network	835,378	665,034
Ministry of Attorney General	495,656	503,767
Ministry of Health and Long-Term Care - AIDS Bureau	145,520	141,540
Ministry of Senior Affairs	99,432	56,560
Ministry of Status of Women	85,372	12,628
Ministry of Citizenship, Immigration and International Trade	7,457	10,749
Municipal		
City of Toronto - Community Service Partnership	108,550	106,315
City of Toronto - Investing in Neighbourhoods	30,631	36,818
City of Toronto - Community Projects	37,000	—
	143,552,640	41,111,349

15. Pension plan

The employer pension expense for the defined contributions plan amounted to \$60,828 (\$60,764 in 2018).

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 \$261,599 (\$247,369 in 2018) 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:

	2019	2018
	\$	\$
Balance, beginning of the year	421,273	476,825
Amortization	(50,518)	(55,552)
Lease inducements write-off	(55,787)	—
Balance, end of year	314,968	421,273
Current portion	42,468	55,552
Long-term portion	272,500	365,721
	314,968	421,273

Family Service Toronto
Notes to the financial statements
 March 31, 2019

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

FST has a Service Contract/CFST Approval with the Ministry of Children, Community and Social Services ("MCCSS"). 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, 2019. 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	Passport Coord Process	
MCCSS detail code	9133	9252	8888	9131	9131	9112	9130	8847	9132	9134	
MCCSS TPBE #	928799	928799	928799	928799	1000840	928799	928799	928799	928799	39330	Sub-total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
MCCSS contract	692,923	299,142	241,488	1,637,927	174,167	358,677	53,793	545,804	973,212	1,753,550	6,730,683
Miscellaneous revenue	1,245	—	—	—	—	—	—	—	4,560	48,473	54,278
Revenue	694,168	299,142	241,488	1,637,927	174,167	358,677	53,793	545,804	977,772	1,802,023	6,784,961
Expenses											
Salaries	294,334	206,329	99,675	—	3,378	43,015	—	—	516,573	575,546	1,738,850
Employee benefits	59,922	37,620	18,665	—	862	7,638	—	—	100,411	131,288	356,406
Travel and communication	5,509	8,822	1,871	—	—	—	—	—	43,409	17,420	77,031
Services	19,215	5,028	—	—	—	2,196	—	—	140,482	588,658	755,579
Supplies and equipment	2,207	280	52	—	—	—	—	—	48,041	50,713	101,293
Client purchase of services	—	—	—	1,318,112	142,630	216,687	40,029	485,022	30,305	—	2,232,785
Capital purchase	—	—	—	—	—	—	—	—	—	125,227	125,227
MCCSS admin allocation	51,756	28,632	17,496	—	17,412	12,324	—	—	93,624	162,972	384,216
	432,943	286,711	137,759	1,318,112	164,282	281,860	40,029	485,022	972,845	1,651,824	5,771,387
Surplus (deficit)	261,225	12,431	103,729	319,815	9,885	76,817	13,764	60,782	4,927	150,199	1,013,574

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

Cost Centre	Passport POS	Person Directed Planning	VAW Counselling Service	VAW Client Survey	DS Com Part-PDP	DS Passport ONE	Partner Facility Renewal	PFR - Fire Code Retrofit			
MCCSS detail code	9134	9131	8773	8786	9131	9134	8915	8917			
MCCSS TPBE #	1000840	39330	112876	112876	112876	112876	39330	39330	Sub-total	Total	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
MCCSS contract	131,169,946	116,000	742,811	2,100	56,016	4,030,000	12,600	9,300	136,138,773	142,869,456	43,366,609
Miscellaneous revenue	—	—	26,370	—	—	—	—	—	26,370	80,648	89,314
Revenue	131,169,946	116,000	769,181	2,100	56,016	4,030,000	12,600	9,300	136,165,143	142,950,104	43,455,923
Expenses											
Salaries	—	9,980	537,185	—	49,805	613,673	—	—	1,210,643	2,949,493	2,573,058
Employee benefits	—	1,685	94,297	—	6,675	97,911	—	—	200,568	556,974	505,620
Travel and communication	—	96	11,872	—	2,814	15,203	—	—	29,985	107,016	105,160
Services	—	90,027	50,306	1,220	775	2,568,924	—	—	2,711,252	3,466,831	738,175
Supplies and equipment	—	—	6,449	880	13	173,606	—	—	180,948	282,241	70,132
Client purchase of services	131,382,557	—	—	—	—	—	—	—	131,382,557	133,615,342	34,796,826
Capital purchase	—	—	—	—	—	246,050	12,600	9,300	267,950	393,177	1,989,824
MCCSS admin allocation	—	11,604	69,072	—	—	207,012	—	—	287,688	671,904	499,522
	131,382,557	113,392	769,181	2,100	60,082	3,922,379	12,600	9,300	136,271,591	142,042,978	41,278,317
Surplus (deficit)	(212,611)	2,608	—	—	(4,066)	107,621	—	—	(106,448)	907,126	2,177,606

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 2018/2019 are as follows:

	2019	2018
	\$	\$
Revenue*		
MAG allocation	463,925	463,925
MAG funding carried forward	53,531	48,905
Client fees	63,840	75,652
Other Revenues	500	4,140
	581,796	592,622
Expenses		
Salaries	436,587	440,333
Benefits	80,164	78,825
Rent	4,520	2,796
Office supplies	2,838	5,436
Telecommunications	9,196	8,765
Office equipment (to include equipment maintenance)	—	727
Community workshops/meetings/events	145	163
Staff expenses (recruitment, travel, development)	344	1,177
Audit	948	869
	534,742	539,091
Excess of revenue over expenses before the undernoted	47,054	53,531
Less:		
Revenue deferred to 2018/2019 to complete "groups in process" - approved by MAG	—	(53,531)
Less:		
Revenue deferred to 2019/2020 to complete "groups in process" - approved by MAG	(47,054)	—
Excess of revenue over expenses	—	—

* \$25,255 (\$43,943 in 2018) Language Interpreter Services expenses and reimbursements from MAG were 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 2018/2019 are as follows:

	2019	2018
	\$	\$
Revenue	520,200	520,200
Expenses		
The 519 Church Street Community Centre	58,522	58,522
Davenport-Perth Neighbourhood 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 2018/2019 are as follows:

	2019	2018
	\$	\$
Revenue		
Ministry of Health and Long-Term Care - AIDS Bureau Funding Program	145,520	143,320
	145,520	143,320
Expenses		
Salaries	111,474	111,943
Benefits	21,181	21,122
Rent and utilities	6,720	6,720
Supplies and other expenses	3,645	1,035
Protected allocations	2,500	720
	145,520	141,540
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:

	\$
2020	780,546
2021	708,405
2022	736,227
2023	755,450
2024	623,627
Thereafter	785,592
	<u>4,389,847</u>

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, 2019. 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 (\$Nil as at March 31, 2019 and 2018). Interest is payable at the bank's prime rate plus 1.5% (the bank's prime rate plus 1.5% in 2018).