
Financial statements of Family Service Toronto

March 31, 2020

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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, 2020, 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, 2020, 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
September 17, 2020

Family Service Toronto
Statement of financial position
As at March 31, 2020

	Notes	General Fund	Capital and Learning Fund	Endowment Funds	2020 Total	General Fund	Capital and Learning Fund	Endowment Funds	2019 Total
		\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Current assets									
Cash and cash equivalents		29,859,866	—	—	29,859,866	14,755,024	—	—	14,755,024
Grants and accounts receivable	5	25,863,693	13,982	—	25,877,675	26,982,432	—	—	26,982,432
Prepaid expenses		2,196,109	—	—	2,196,109	961,697	—	—	961,697
		57,919,668	13,982	—	57,933,650	42,699,153	—	—	42,699,153
Investments	3	—	—	1,049,978	1,049,978	—	—	1,091,660	1,091,660
Net investment in joint venture	4	—	1,865,830	—	1,865,830	—	1,993,879	—	1,993,879
Capital assets	6	—	14,503,978	—	14,503,978	—	15,486,067	—	15,486,067
		57,919,668	16,383,790	1,049,978	75,353,436	42,699,153	17,479,946	1,091,660	61,270,759
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	9	57,471,130	—	—	57,471,130	43,266,451	812	—	43,267,263
Deferred lease inducements	15	—	39,674	—	39,674	—	42,468	—	42,468
Inter-fund balances		(573,162)	535,464	37,698	—	(574,286)	535,465	38,821	—
Deferred contributions	10a	285,028	—	365,569	650,597	174,796	—	335,830	510,626
		57,182,996	575,138	403,267	58,161,401	42,866,961	578,745	374,651	43,820,357
Long-term									
Deferred lease inducements	15	250,458	221,514	—	471,972	261,599	272,500	—	534,099
Deferred capital contributions	10b	—	1,817,578	—	1,817,578	—	2,127,914	—	2,127,914
		57,433,454	2,614,230	403,267	60,450,951	43,128,560	2,979,159	374,651	46,482,370
Commitments and contingencies									
Fund balances									
Invested in capital assets	12	—	12,425,212	—	12,425,212	—	13,043,185	—	13,043,185
Externally restricted	11	—	—	646,711	646,711	—	—	717,009	717,009
Internally restricted	12	—	1,344,348	—	1,344,348	—	1,457,602	—	1,457,602
Unrestricted		486,214	—	—	486,214	(429,407)	—	—	(429,407)
		486,214	13,769,560	646,711	14,902,485	(429,407)	14,500,787	717,009	14,788,389
		57,919,668	16,383,790	1,049,978	75,353,436	42,699,153	17,479,946	1,091,660	61,270,759

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, 2020

Notes	2020				2019				
	Community programs	IWS (1)	General Fund Client purchase of service (2)	Capital and Learning Fund	Community programs	IWS (1)	General Fund Client purchase of service (2)	Capital and Learning Fund	2019 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Government	12,463,404	—	346,289,886	—	10,324,445	—	133,228,195	—	143,552,640
United Way									
Base allocation	3,406,526	—	—	53,628	3,557,203	—	—	104,092	3,661,295
Other	4,226	—	—	—	6,143	—	—	—	6,143
Foundations and other agencies	215,784	—	491,307	—	275,556	—	429,318	—	704,874
Fees									
Integrated Workplace Solutions	—	—	—	—	—	186,778	—	—	186,778
Client	138,745	—	—	—	162,308	—	—	—	162,308
Membership, donations and bequests	99,558	—	—	—	42,330	—	—	—	42,330
Investment income	277,563	—	—	—	53,875	—	—	—	53,875
Amortization of deferred capital contributions	—	—	—	733,508	—	—	—	736,319	736,319
Amortization of deferred lease inducements	—	—	—	53,780	—	—	—	50,518	50,518
Other	71,558	—	—	—	142,014	—	—	60,068	202,082
	16,677,364	—	346,781,193	840,916	14,563,874	186,778	133,657,513	950,997	149,359,162
Expenses									
Salaries	7,991,945	—	—	—	7,064,582	53,511	—	—	7,118,093
Employee benefits	1,454,411	—	—	—	1,295,050	11,779	—	—	1,306,829
Client purchase of service	520,938	—	346,781,193	—	525,092	—	133,657,513	—	134,182,605
Contracted services	4,132,620	—	—	—	2,655,153	98,936	—	—	2,754,089
Building occupancy	751,584	—	—	—	1,120,925	—	—	—	1,120,925
Office and supplies	963,983	—	—	—	1,599,663	3,252	—	—	1,602,915
Transportation	103,462	—	—	—	101,903	—	—	—	101,903
Promotion	10,464	—	—	—	37,605	153	—	—	37,758
Education and conferences	30,984	—	—	—	45,236	729	—	—	45,965
Amortization	—	—	—	1,233,303	—	—	—	1,078,406	1,078,406
Share of loss of joint venture	—	—	—	42,067	—	—	—	68,137	68,137
Other	98,125	—	—	—	117,864	18,663	—	113,362	249,889
	16,058,516	—	346,781,193	1,275,370	14,563,073	187,023	133,657,513	1,259,905	149,667,514
Excess (deficiency) of revenue over expenses	618,848	—	—	(434,454)	801	(245)	—	(308,908)	(308,352)

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

- (1) IWS is defined as Integrated Workplace Solutions. IWS wound up on June 26, 2018.
(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, 2020

	2020				2019						
	General Fund	Capital and Learning Fund	Endowment Funds		General Fund	Invested in property development project	Capital and Learning Fund	Endowment Funds		Total	
	Unrestricted	Invested in capital assets (Note 12)	Internally restricted (Note 12)	Externally restricted	Unrestricted	Notes 7 and 8)	Invested in capital assets (Note 12)	Internally restricted (Note 12)	Externally restricted	2019 Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Fund balances, beginning of year	(429,407)	13,043,185	1,457,602	717,009	14,788,389	(534,053)	12,897,127	436,474	1,580,184	692,687	15,072,419
Excess (deficiency) of revenue over expenses	630,409	(446,015)	—	—	184,394	36,516	—	(344,868)	—	—	(308,352)
Purchase of capital assets	(251,214)	251,214	—	—	—	(13,684,243)	—	13,684,243	—	—	—
Deferred capital contributions	423,172	(423,172)	—	—	—	732,664	—	(732,664)	—	—	—
Inter-fund transfers	113,254	—	(113,254)	—	—	13,019,709	(12,897,127)	—	(122,582)	—	—
Change in unrealized (losses) gains in the endowment funds	—	—	—	(70,298)	(70,298)	—	—	—	—	24,322	24,322
Fund balances, end of year	486,214	12,425,212	1,344,348	646,711	14,902,485	(429,407)	—	13,043,185	1,457,602	717,009	14,788,389

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

Family Service Toronto
Statement of cash flows
Year ended March 31, 2020

	2020	2019
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	184,394	(308,352)
Items not affecting cash		
Amortization of deferred lease inducements	(53,780)	(50,518)
Amortization of capital assets	1,233,303	1,078,406
Amortization of deferred capital contributions	(733,508)	(736,319)
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	42,067	68,137
	672,476	104,653
Changes in operating working capital items		
Grants and accounts receivable	1,104,757	(26,217,116)
Prepaid expenses	(1,234,412)	(271,160)
Accounts payable and accrued liabilities		
General fund	14,204,679	36,259,728
Capital and Learning Fund	(812)	(4,476)
Deferred lease inducements		
General fund	(11,141)	14,230
Increase (decrease) in deferred contributions		
General Fund	110,232	(39,580)
Endowment Fund	29,739	38,517
	14,875,518	9,884,796
Financing activity		
Deferred capital contributions received	423,172	732,664
Investing activities		
Purchase of capital assets	(251,214)	(13,684,243)
Distributions from joint venture	85,982	55,498
Deferred property development costs	–	466,826
Mortgage receivable	–	12,430,301
Net purchase of investments	(28,616)	(37,493)
	(193,848)	(769,111)
Increase in cash and cash equivalents	15,104,842	9,848,349
Cash and cash equivalents, beginning of year	14,755,024	4,906,675
Cash and cash equivalents, end of year	29,859,866	14,755,024
Cash and cash equivalents is comprised of:		
Cash	21,575,240	11,342,559
Short-term investments	8,284,626	3,412,465
	29,859,866	14,755,024

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 (Canada).

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. 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

Assets, liabilities, 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.

The purpose of 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 FST's capital assets. The Board of Directors may approve other uses on an exceptional basis.

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.

2. Significant accounting policies (continued)

Revenue recognition

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 computers is three years, for furniture and equipment is five years, for leasehold improvements is the term of the lease and for computer software is four years. 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 and cash equivalents

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

Contributed services

During the year, volunteers contributed 2,597 (2,933 in 2019) 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 investment in a joint venture 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 financial instruments are 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 investments 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 biennially, 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:

	2020		2019	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Mutual funds				
Cash	9	9	2,484	2,484
Bond Fund	483,713	483,592	526,491	533,539
Canadian Equity Fund	542,197	530,767	504,681	555,637
Pension Trust	36,353	35,610	—	—
	1,062,272	1,049,978	1,033,656	1,091,660

Total investment income earned on endowment funds, net of the investment management fees, for the year was \$15,540 (\$36,431 in 2019) which was recognized as a deferred contribution in the Endowment Fund (Note 10a).

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:

	2020	2019
	\$	\$
Opening balance	1,993,879	2,117,514
Less		
Distributions from joint venture	(85,982)	(55,498)
Share of loss of the joint venture for the year	(42,067)	(68,137)
	1,865,830	1,993,879

The difference between the \$1,865,830 above (\$1,993,879 in 2019) and Co-owners' equity amount of \$1,659,629 (\$1,787,678 in 2019) is related to lease inducements provided by the Vendor.

4. Net investment in joint venture (continued)

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

	2020	2019
	\$	\$
Total assets	3,219,084	3,374,064
Total liabilities	1,559,455	1,586,386
Co-owners' equity	1,659,629	1,787,678
	3,219,084	3,374,064

Results of operations

	2020	2019
	\$	\$
Total revenue	398,998	396,128
Total expenses	441,065	464,265
Net loss for the year	(42,067)	(68,137)

Cash flows

	2020	2019
	\$	\$
Cash provided by operating activities	184,600	159,843
Cash used by financing activities	(42,129)	(40,378)
Cash used in investing activities	(99,798)	(96,086)
Increase in cash	42,673	23,379

Related party transactions

During the year, an amount of \$475,841 (\$486,278 in 2019) for rent was paid by FST to the joint venture.

Family Service Toronto
Notes to the financial statements
 March 31, 2020

5. Grants and accounts receivable – General Fund

	2020	2019
	\$	\$
Ministry of Children, Community and Social Services	25,201,895	26,081,364
Canada Revenue Agency (Harmonized Sales Tax receivable)	288,574	568,836
Government of Canada (Immigration, Refugees and Citizenship Canada and Public Health Agency Canada)	142,662	141,632
Griffin Centre	72,212	54,295
City of Toronto	67,022	7,645
York Support Services Network	35,000	—
Skylark Children, Youth and families	34,462	21,090
Province of Ontario	9,073	11,146
Other	8,633	323
Family Services of Peel	4,160	2,880
The Residence of Alter Inc.	—	93,221
	25,863,693	26,982,432

The above grant 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	2020 Net book value	2019 Net book value
	\$	\$	\$	\$
Building	12,533,862	443,818	12,090,044	12,396,199
Computers	423,161	228,910	194,251	14,949
Furniture and equipment	891,544	436,653	454,891	607,458
Leasehold improvements	1,300,854	726,679	574,175	690,431
Computer software	4,540,599	3,349,982	1,190,617	1,777,030
	19,690,020	5,186,042	14,503,978	15,486,067

In fiscal 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).

In fiscal 2019, FST completed the purchase of certain units of the redeveloped 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).

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 expended (capitalized) to the project by fiscal year 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 fiscal 2019, 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.

In fiscal 2019, 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.

The balance of the mortgage receivable as at March 31, 2020 is \$nil (\$nil as at March 31, 2019).

9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$2,001,486 (\$13,028,397 in 2019) of unpaid claims for the PassportONE program that have been submitted by clients. In addition, \$56,141,044 (\$28,722,061 in 2019) has been accrued as at the year-end for unclaimed amounts. Of this total, \$25,201,895 (\$26,081,364 in 2019) is included in accounts receivable.

Accounts payable and accrued liabilities also include an amount outstanding with respect to government remittances as at March 31, 2020 of \$125,970 (\$126,986 in 2019).

10. 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:

	2020	2019
	\$	\$
Province of Ontario	58,539	47,054
Special purpose contributions	56,767	56,767
City of Toronto	47,673	—
Government of Canada	24,046	20,518
Other agencies	98,003	50,457
	285,028	174,796

Endowment Funds

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

	2020	2019
	\$	\$
Beginning balance	335,830	297,313
Investment income earned for the year, net (Note 3)	15,540	36,431
Realized gain on sale of investments	14,199	2,086
Ending balance	365,569	335,830

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:

	2020	2019
	\$	\$
Beginning balance	2,127,914	2,135,850
Additions		
Grants received	423,172	732,664
Less		
Disposal of leasehold inducement	—	(4,281)
Amounts amortized to revenue	(733,508)	(736,319)
Ending balance	1,817,578	2,127,914

11. Externally restricted fund balances

Major categories of externally imposed restrictions on the Endowment Funds are as follows:

	2020	2019
	\$	\$
Hindmarsh Endowment Fund	500,100	500,100
Other endowment funds	158,905	158,905
Accumulated unrealized investment (losses) gains	(12,294)	58,004
	646,711	717,009

The Hindmarsh Endowment Fund was provided in 1984 by the Atkinson Charitable Foundation (the "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 investment income, together with an operating grant from the Foundation, are externally restricted to be used towards Social Reform activities.

All of the endowment funds have external restrictions on the use of the investment income earned by the capital in the fund. The investment income earned but not yet spent to March 31, 2020 is reported as deferred contributions in the Endowment Funds (Note 10a).

12. Internally restricted and invested in capital assets fund balances

The Board of Directors has internally restricted \$1,344,348 (\$1,457,602 in 2019) to be used for capital and learning requirements.

The Invested in capital assets fund consist of the following:

	2020	2019
	\$	\$
Net book value of capital assets (Note 6)	14,503,978	15,486,067
Less		
Deferred capital contributions (Note 10b)	(1,817,578)	(2,127,914)
Deferred lease inducement (Note 15)	(261,188)	(314,968)
	12,425,212	13,043,185

The balance of \$12,425,212 (\$13,043,185 in 2019) 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.

13. Revenue - government

General Fund

	2020	2019
	\$	\$
Federal		
Public Health Agency of Canada	110,546	110,546
Employment and Social Development Canada	20,558	97,353
Immigration, Refugees and Citizenship Canada	262,529	263,368
Provincial		
Ministry of Children, Community and Social Services	356,540,660	141,236,377
Toronto Central Local Health Integration Network	942,524	835,378
Ministry of Attorney General	394,485	495,656
Ministry of Health - AIDS Bureau	144,295	145,520
Ministry of Senior Affairs	104,739	99,432
Ministry of Status of Women	60,453	85,372
Ministry of Citizenship, Immigration and International Trade	—	7,457
Municipal		
City of Toronto - Community Service Partnership	108,532	108,550
City of Toronto - Investing in Neighbourhoods	63,969	30,631
City of Toronto - Community Projects	—	37,000
	358,753,290	143,552,640

14. Pension plan

The employer pension expense for the defined contributions plan amounted to \$63,034 (\$60,828 in 2019).

15. 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 \$250,458 (\$261,599 in 2019) 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:

	2020	2019
	\$	\$
Balance, beginning of the year	314,968	421,273
Amortization	(53,780)	(50,518)
Lease inducement write off	—	(55,787)
Balance, end of year	261,188	314,968
Current portion	39,674	42,468
Long-term portion	221,514	272,500
	261,188	314,968

16. 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, 2020 and 2019. Interest is payable at the bank's prime rate plus 2.45% (the bank's prime rate plus 1.5% in 2019).

Family Service Toronto
Notes to the financial statements
 March 31, 2020

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.

These reports shows the following services to be in a surplus/(deficit) position for the year ended March 31, 2020. A summary of the contract is as follows:

Cost Centre	DS Coord	Children	Adult PSW	IQAL-CPS	POS	S.I.L.	Respite	Group	Special	
MCCSS detail code	Proc			POS	POS	9112	9130	Living	Service	
MCCSS TPBE #	9133	9252	8888	9131	9131	9112	9130	8847	9132	Sub-total
	928799	928799	928799	928799	10000840	928799	928799	928799	928799	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
MCCSS contract	534,890	294,762	241,488	1,592,178	174,167	358,677	53,793	451,054	973,212	4,674,221
Miscellaneous revenue	-	-	-	-	-	-	-	-	500	500
Revenue	534,890	294,762	241,488	1,592,178	174,167	358,677	53,793	451,054	973,712	4,674,721
Expenses										
Salaries	342,477	216,444	161,574	-	10,132	37,353	-	-	514,722	1,282,702
Employee benefits	73,154	39,242	23,672	-	2,031	6,383	-	-	97,754	242,236
Travel and communication	6,963	11,063	2,966	-	-	-	-	-	41,918	62,910
Services	16,882	3,585	365	-	-	-	-	-	92,521	113,353
Supplies and equipment	6,003	247	5,000	-	-	-	-	-	4,369	15,619
Client purchase of Services	-	-	-	1,313,963	144,587	215,679	44,164	427,828	38,215	2,184,436
Capital purchase	-	-	-	-	-	-	-	-	-	-
MCCSS admin allocation	51,756	28,631	17,490	-	17,417	12,318	-	-	93,626	221,238
	497,235	299,212	211,067	1,313,963	174,167	271,733	44,164	427,828	883,125	4,122,494
Surplus (deficit)	37,655	(4,450)	30,421	278,215	-	86,944	9,629	23,226	90,587	552,227

Family Service Toronto
Notes to the financial statements
 March 31, 2020

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

Cost Centre MCCSS detail code MCCSS TPBE #	Passport Coord Process	Passport POS	Person Directed Planning	VAW Counsell ing Service	VAW Client Survey	DS Com Part- PDP	DS Passport ONE	Sub-total	Total	2019
	9134	9134	9131	8773	8786	9131	9134			
	39330	10000840	39330	112876	112876	112876	112876			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
MCCSS contract	1,728,738	351,122,713	116,000	737,611	2,100	56,016	7,200,000	360,963,178	365,637,399	142,869,456
Miscellaneous revenue	-	-	-	6,534	-	-	272,196	278,730	279,230	80,648
Revenue	1,728,738	351,122,713	116,000	744,145	2,100	56,016	7,472,196	361,241,908	365,916,629	142,950,104
Expenses										
Salaries	651,201	-	10,596	486,897	-	49,958	1,399,129	2,597,781	3,880,483	2,949,493
Employee benefits	131,811	-	1,765	94,778	-	6,863	212,085	447,302	689,538	556,974
Travel and communication	29,598	-	101	11,764	-	3,026	5,617	50,106	113,016	107,016
Services	303,914	-	89,452	35,272	1,220	125	3,706,834	4,136,817	4,250,170	3,466,831
Supplies and equipment	17,957	-	39	11,046	880	19	125,878	155,819	171,438	282,241
Client purchase of Services	-	344,504,651	-	-	-	-	-	344,504,651	346,689,087	133,615,342
Capital purchase	-	-	-	-	-	-	-	-	-	393,177
MCCSS admin allocation	162,970	-	11,600	69,072	-	-	544,954	788,596	1,009,834	671,904
	1,297,451	344,504,651	113,553	708,829	2,100	59,991	5,994,497	352,681,072	356,803,566	142,042,978
Surplus (deficit)	431,287	6,618,062	2,447	35,316	-	(3,975)	1,477,699	8,560,836	9,113,063	907,126

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 funding and expenses related to the PAR program contract are as follows:

	2020	2019
	\$	\$
Funding*		
MAG allocation	368,761	463,925
MAG funding carried forward	47,054	53,531
Client fees	47,516	63,840
Other Revenues	33,568	500
	496,899	581,796
Expenses		
Salaries	354,960	436,587
Benefits	68,123	80,164
Rent	2,796	4,520
Office supplies	4,846	2,838
Telecommunications	7,770	9,196
Office equipment (to include equipment maintenance)	—	—
Community workshops/meetings/events	—	145
Staff expenses (recruitment, travel, development)	620	344
Audit	948	948
	440,063	534,742
Excess of revenue over expenses	56,836	47,054
Less:		
Revenue deferred to 2019/2020 to complete "groups in process" - approved by MAG	—	(47,054)
Revenue deferred to 2020/2021 to complete "groups in process" - approved by MAG	(56,836)	—
Excess of revenue over expenses	—	—

*\$35,506 (\$25,255 in 2019) 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 are as follows:

	2020	2019
	\$	\$
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 - AIDS Bureau

The HIV/AIDS Community Counseling program of David Kelley Services is funded by the Ministry of Health - 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 funding and expenses related to the program contract are as follows:

	2020	2019
	\$	\$
Funding		
Ministry of Health - AIDS Bureau Funding Program	145,520	145,520
	145,520	145,520
Expenses		
Salaries	111,474	111,474
Benefits	20,956	21,181
Rent and utilities	6,720	6,720
Supplies and other expenses	3,645	3,645
Protected allocations	1,500	2,500
	144,295	145,520
Excess of revenue over expenses	1,225	—

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 2027. The minimum annual payments are as follows:

	\$
2021	835,716
2022	867,939
2023	891,564
2024	757,857
2025	611,747
Thereafter	389,861
	<u>4,354,684</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, 2020. 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. Significant event

On March 11, 2020 the World Health Organization characterized the outbreak of a strain of the novel corona virus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of these developments will have on the financial results and condition of FST in future periods.

25. Comparative figures

Certain figures for 2019 have been reclassified to conform to the presentation adopted in 2020, including the presentation of the Statement of changes in fund balances.