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# Financial statements of Family Service Toronto

March 31, 2026

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## Independent Auditor's Report

To the Board of Directors 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, 2026, 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, 2026, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within FST as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our qualified audit opinion.

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.

The logo for Deloitte LLP, featuring the word "Deloitte" in a stylized script font followed by "LLP" in a plain sans-serif font.

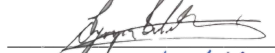
Chartered Professional Accountants  
Licensed Public Accountants  
June 29, 2026

**Family Service Toronto**  
**Statement of financial position**  
As at March 31, 2026

|                                          |           | General Fund      | Capital and Learning Fund | Endowment Funds  | 2026 Total        | General Fund      | Capital and Learning Fund | Endowment Funds  | 2025 Total        |
|------------------------------------------|-----------|-------------------|---------------------------|------------------|-------------------|-------------------|---------------------------|------------------|-------------------|
|                                          |           | \$                | \$                        | \$               | \$                | \$                | \$                        | \$               | \$                |
| <b>Assets</b>                            |           |                   |                           |                  |                   |                   |                           |                  |                   |
| <b>Current assets</b>                    |           |                   |                           |                  |                   |                   |                           |                  |                   |
| Cash                                     | 7         | 28,223,634        | 633,762                   | —                | 28,857,396        | 18,292,709        | 668,699                   | —                | 18,961,408        |
| Grants and accounts receivable           | 5 and 7   | 42,634,390        | 1,075                     | —                | 42,635,465        | 53,463,154        | 1,473                     | —                | 53,464,627        |
| Prepaid expenses                         | 7         | 3,915,689         | —                         | —                | 3,915,689         | 3,264,851         | —                         | —                | 3,264,851         |
|                                          |           | <b>74,773,713</b> | <b>634,837</b>            | <b>—</b>         | <b>75,408,550</b> | <b>75,020,714</b> | <b>670,172</b>            | <b>—</b>         | <b>75,690,886</b> |
| Investments                              | 3         | —                 | —                         | 1,728,269        | 1,728,269         | —                 | —                         | 1,554,153        | 1,554,153         |
| Promissory note receivable               | 4         | —                 | —                         | —                | —                 | —                 | 60,000                    | —                | 60,000            |
| Net investment in joint venture          | 4         | —                 | 1,192,201                 | —                | 1,192,201         | —                 | 1,581,589                 | —                | 1,581,589         |
| Capital assets                           | 6         | —                 | 11,714,244                | —                | 11,714,244        | —                 | 12,225,514                | —                | 12,225,514        |
|                                          |           | <b>74,773,713</b> | <b>13,541,282</b>         | <b>1,728,269</b> | <b>90,043,264</b> | <b>75,020,714</b> | <b>14,537,275</b>         | <b>1,554,153</b> | <b>91,112,142</b> |
| <b>Liabilities</b>                       |           |                   |                           |                  |                   |                   |                           |                  |                   |
| <b>Current liabilities</b>               |           |                   |                           |                  |                   |                   |                           |                  |                   |
| Accounts payable and accrued liabilities | 7         | 71,354,635        | —                         | —                | 71,354,635        | 73,680,020        | —                         | —                | 73,680,020        |
| Deferred lease inducements               | 13        | —                 | —                         | —                | —                 | 33,984            | 27,288                    | —                | 61,272            |
| Inter-fund balances                      |           | 1,726,870         | (1,806,250)               | 79,380           | —                 | (111,233)         | 55,177                    | 56,056           | —                 |
| Deferred contributions                   | 8a        | 335,220           | —                         | 754,595          | 1,089,815         | 225,116           | —                         | 619,646          | 844,762           |
|                                          |           | <b>73,416,725</b> | <b>(1,806,250)</b>        | <b>833,975</b>   | <b>72,444,450</b> | <b>73,827,887</b> | <b>82,465</b>             | <b>675,702</b>   | <b>74,586,054</b> |
| <b>Long-term</b>                         |           |                   |                           |                  |                   |                   |                           |                  |                   |
| Deferred lease inducements               | 13        | 118,375           | —                         | —                | 118,375           | —                 | —                         | —                | —                 |
| Deferred capital contributions           | 8b        | —                 | 2,863,946                 | —                | 2,863,946         | —                 | 1,599,915                 | —                | 1,599,915         |
|                                          |           | <b>73,535,100</b> | <b>1,057,696</b>          | <b>833,975</b>   | <b>75,426,771</b> | <b>73,827,887</b> | <b>1,682,380</b>          | <b>675,702</b>   | <b>76,185,969</b> |
| Commitments and contingencies            | 19 and 21 |                   |                           |                  |                   |                   |                           |                  |                   |
| <b>Fund balances</b>                     |           |                   |                           |                  |                   |                   |                           |                  |                   |
| Invested in capital assets               | 10b       | —                 | 8,850,298                 | —                | 8,850,298         | —                 | 10,598,311                | —                | 10,598,311        |
| Externally restricted                    | 9         | —                 | —                         | 894,294          | 894,294           | —                 | —                         | 878,451          | 878,451           |
| Internally restricted                    | 10a       | —                 | 3,633,288                 | —                | 3,633,288         | —                 | 2,256,584                 | —                | 2,256,584         |
| Unrestricted                             |           | 1,238,613         | —                         | —                | 1,238,613         | 1,192,827         | —                         | —                | 1,192,827         |
|                                          |           | <b>1,238,613</b>  | <b>12,483,586</b>         | <b>894,294</b>   | <b>14,616,493</b> | <b>1,192,827</b>  | <b>12,854,895</b>         | <b>878,451</b>   | <b>14,926,173</b> |
|                                          |           | <b>74,773,713</b> | <b>13,541,282</b>         | <b>1,728,269</b> | <b>90,043,264</b> | <b>75,020,714</b> | <b>14,537,275</b>         | <b>1,554,153</b> | <b>91,112,142</b> |

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

Approved by the Board of Directors

 \_\_\_\_\_, Director  
 \_\_\_\_\_, Director

**Family Service Toronto**  
**Statement of operations**  
Year ended March 31, 2026

|                                                     | Notes    | 2025               |                                             |                           |                    | 2026               |                                             |                           |                    |
|-----------------------------------------------------|----------|--------------------|---------------------------------------------|---------------------------|--------------------|--------------------|---------------------------------------------|---------------------------|--------------------|
|                                                     |          | Community programs | General Fund Client purchase of service (1) | Capital and Learning Fund | 2025 Total         | Community programs | General Fund Client purchase of service (1) | Capital and Learning Fund | 2026 Total         |
|                                                     |          | \$                 | \$                                          | \$                        | \$                 | \$                 | \$                                          | \$                        | \$                 |
| <b>Revenue</b>                                      |          |                    |                                             |                           |                    |                    |                                             |                           |                    |
| Government                                          | 11       | 17,531,799         | 575,574,002                                 | —                         | 593,105,801        | 17,275,290         | 539,877,091                                 | —                         | 557,152,381        |
| United Way                                          |          |                    |                                             |                           |                    |                    |                                             |                           |                    |
| Base allocation                                     |          | 2,500,416          | —                                           | —                         | 2,500,416          | 2,700,416          | —                                           | —                         | 2,700,416          |
| Other                                               |          | 2,001              | —                                           | —                         | 2,001              | —                  | —                                           | —                         | —                  |
| Foundations and other agencies                      |          | 684,140            | 288,276                                     | —                         | 972,416            | 458,729            | 266,551                                     | —                         | 725,280            |
| Fees                                                |          | 195,706            | —                                           | —                         | 195,706            | 154,858            | —                                           | —                         | 154,858            |
| Membership, donations and bequests                  |          | 33,748             | —                                           | —                         | 33,748             | 41,333             | —                                           | —                         | 41,333             |
| Investment income                                   | 4        | 403,464            | —                                           | 15,644                    | 419,108            | 523,409            | —                                           | 27,834                    | 551,243            |
| Amortization of deferred capital contributions      | 8b       | —                  | —                                           | 607,147                   | 607,147            | —                  | —                                           | 751,636                   | 751,636            |
| Amortization of deferred lease inducements          | 13       | —                  | —                                           | 27,288                    | 27,288             | —                  | —                                           | 46,780                    | 46,780             |
| Share of gain of joint venture                      | 4        | —                  | —                                           | 34,312                    | 34,312             | —                  | —                                           | 24,191                    | 24,191             |
| Other                                               |          | 382,639            | —                                           | 118,575                   | 501,214            | 497,508            | —                                           | —                         | 497,508            |
|                                                     |          | <b>21,733,913</b>  | <b>575,862,278</b>                          | <b>802,966</b>            | <b>598,399,157</b> | <b>21,651,543</b>  | <b>540,143,642</b>                          | <b>850,441</b>            | <b>562,645,626</b> |
| <b>Expenses</b>                                     |          |                    |                                             |                           |                    |                    |                                             |                           |                    |
| Salaries                                            |          | 12,520,910         | —                                           | —                         | 12,520,910         | 12,294,918         | —                                           | —                         | 12,294,918         |
| Employee benefits                                   | 12       | 2,836,439          | —                                           | —                         | 2,836,439          | 2,657,429          | —                                           | —                         | 2,657,429          |
| Client purchase of service                          |          | —                  | 575,862,278                                 | —                         | 575,862,278        | —                  | 540,143,642                                 | —                         | 540,143,642        |
| Contracted services                                 |          | 4,145,427          | —                                           | 877                       | 4,146,304          | 4,336,877          | —                                           | —                         | 4,336,877          |
| Building occupancy                                  | 4 and 13 | 1,039,670          | —                                           | —                         | 1,039,670          | 1,115,927          | —                                           | —                         | 1,115,927          |
| Office and supplies                                 |          | 866,933            | —                                           | —                         | 866,933            | 835,108            | —                                           | —                         | 835,108            |
| Transportation                                      |          | 49,209             | —                                           | —                         | 49,209             | 56,395             | —                                           | —                         | 56,395             |
| Promotion                                           |          | 37,383             | —                                           | —                         | 37,383             | 20,716             | —                                           | —                         | 20,716             |
| Education and conferences                           |          | 95,206             | —                                           | —                         | 95,206             | 112,154            | —                                           | —                         | 112,154            |
| Amortization                                        |          | —                  | —                                           | 967,198                   | 967,198            | —                  | —                                           | 1,155,927                 | 1,155,927          |
| Loss on disposal of capital assets                  | 6        | —                  | —                                           | —                         | —                  | —                  | —                                           | 14,856                    | 14,856             |
| Other                                               |          | 96,950             | —                                           | 206,200                   | 303,150            | 213,351            | —                                           | —                         | 213,351            |
|                                                     |          | <b>21,688,127</b>  | <b>575,862,278</b>                          | <b>1,174,275</b>          | <b>598,724,680</b> | <b>21,642,875</b>  | <b>540,143,642</b>                          | <b>1,170,783</b>          | <b>562,957,300</b> |
| <b>Excess (deficiency) of revenue over expenses</b> |          | <b>45,786</b>      | <b>—</b>                                    | <b>(371,309)</b>          | <b>(325,523)</b>   | <b>8,668</b>       | <b>—</b>                                    | <b>(320,342)</b>          | <b>(311,674)</b>   |

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

(1) 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, 2026

|                                                   | General Fund     |                                       |                                     |                                     |                       | Capital and Learning Fund |              |                                       |                                     |                                     | Endowment Funds       |            |
|---------------------------------------------------|------------------|---------------------------------------|-------------------------------------|-------------------------------------|-----------------------|---------------------------|--------------|---------------------------------------|-------------------------------------|-------------------------------------|-----------------------|------------|
|                                                   | Unrestricted     | Invested in capital assets (Note 10b) | Internally restricted (Note 10a(i)) | Capital Reserve Fund (Note 10a(ii)) | Externally restricted | 2026 Total                | Unrestricted | Invested in capital assets (Note 10b) | Internally restricted (Note 10a(i)) | Capital Reserve Fund (Note 10a(ii)) | Externally restricted | 2025 Total |
|                                                   | \$               | \$                                    | \$                                  | \$                                  | \$                    | \$                        | \$           | \$                                    | \$                                  | \$                                  | \$                    | \$         |
| <b>Fund balances, beginning of year</b>           | <b>1,192,827</b> | <b>10,598,311</b>                     | <b>1,634,207</b>                    | <b>622,377</b>                      | <b>878,451</b>        | <b>14,926,173</b>         | 1,184,159    | 10,920,941                            | 1,609,030                           | 645,266                             | 829,203               | 15,188,599 |
| Excess (deficiency) of revenue over expenses      | 45,786           | (332,763)                             | (171,522)                           | 132,976                             | —                     | (325,523)                 | 8,668        | (372,367)                             | 25,177                              | 26,848                              | —                     | (311,674)  |
| Purchase of capital assets                        | (371,178)        | 455,928                               | (84,750)                            | —                                   | —                     | —                         | (310,508)    | 360,245                               | —                                   | (49,737)                            | —                     | —          |
| Deferred capital contributions received           | 371,178          | (1,871,178)                           | 1,500,000                           | —                                   | —                     | —                         | 310,508      | (310,508)                             | —                                   | —                                   | —                     | —          |
| Change in unrealized gains in the endowment funds | —                | —                                     | —                                   | —                                   | 15,843                | 15,843                    | —            | —                                     | —                                   | —                                   | 49,248                | 49,248     |
| <b>Fund balances, end of year</b>                 | <b>1,238,613</b> | <b>8,850,298</b>                      | <b>2,877,935</b>                    | <b>755,353</b>                      | <b>894,294</b>        | <b>14,616,493</b>         | 1,192,827    | 10,598,311                            | 1,634,207                           | 622,377                             | 878,451               | 14,926,173 |

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

**Family Service Toronto**  
**Statement of cash flows**  
Year ended March 31, 2026

|                                                     | 2026<br>\$        | 2025<br>\$        |
|-----------------------------------------------------|-------------------|-------------------|
| <b>Operating activities</b>                         |                   |                   |
| Deficiency of revenue over expenses                 | (325,523)         | (311,674)         |
| Items not affecting cash                            |                   |                   |
| Amortization of deferred lease inducements          |                   |                   |
| Capital and Learning Fund                           | (27,288)          | (46,780)          |
| General fund                                        | (33,984)          | (58,257)          |
| Amortization of capital assets                      | 967,198           | 1,155,927         |
| Loss on disposal of capital assets                  | —                 | 14,856            |
| Amortization of deferred capital contributions      | (607,147)         | (751,636)         |
| Share of gain of joint venture                      | (34,312)          | (24,191)          |
|                                                     | (61,056)          | (21,755)          |
| Changes in operating working capital items          |                   |                   |
| Grants and accounts receivable                      |                   |                   |
| General fund                                        | 10,828,764        | 2,488,746         |
| Capital and Learning Fund                           | 398               | (217)             |
| Prepaid expenses                                    | (650,838)         | (489,469)         |
| Accounts payable and accrued liabilities            |                   |                   |
| General fund                                        | (2,325,385)       | 1,496,632         |
| Increase in deferred contributions                  |                   |                   |
| General Fund                                        | 110,104           | (120,677)         |
| Endowment Fund                                      | 134,949           | 69,063            |
| Increase in deferred lease inducements              |                   |                   |
| General Fund                                        | 118,375           | —                 |
|                                                     | 8,155,311         | 3,422,323         |
| <b>Financing activity</b>                           |                   |                   |
| Deferred capital contributions received             | 1,871,178         | 310,508           |
| <b>Investing activities</b>                         |                   |                   |
| Purchase of capital assets                          | (455,928)         | (360,245)         |
| Collection (issuance) of promissory note receivable | 60,000            | (60,000)          |
| Distributions from joint venture                    | 217,500           | —                 |
| Lease inducements provided by Vendor                | 206,200           | —                 |
| Net purchase of investments                         | (158,273)         | (92,573)          |
|                                                     | (130,501)         | (512,818)         |
| Increase in cash                                    | 9,895,988         | 3,220,013         |
| Cash, beginning of year                             | 18,961,408        | 15,741,395        |
| <b>Cash, end of year</b>                            | <b>28,857,396</b> | <b>18,961,408</b> |

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



## **1. Purpose of the Organization**

For more than 100 years, Family Service Toronto ("FST") has been welcoming residents into a caring community that supports families and individuals to overcome adversity and to thrive. Today, FST is one of Canada's largest social service agencies that works with and for the City of Toronto's residents. FST staff provide services to people with mental health needs, persons impacted by family violence and people with developmental disabilities. FST's mission is shaped by its understanding of poverty and the pernicious effects of marginalization and discrimination. FST was incorporated under the *Ontario Corporations Act* as a not-for-profit organization and transitioned to the *Ontario Not-for-Profit Corporations Act* on September 26, 2024. FST is a registered charity under the *Income Tax Act (Canada)*.

Since May 2018, FST administers invoice processing and reimbursements for provincial clients of the Passport program on behalf of the Government of Ontario and Partner Agencies through PassportONE. Clients are mostly individuals with a developmental disability, or their families, and they use the funds to purchase services to live independently and improve their quality of life. Clients also include seniors living in supportive housing and who experience a range of mental health and physical challenges.

## **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.

Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost. When the instrument has repayment terms, cost is determined using its undiscounted cash flows, excluding interest payments, less any impairment losses. Otherwise, the cost is determined using the consideration transferred or received by FST.

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 are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired. If a significant adverse change in cash flows from the instrument has occurred, an impairment charge is recognized for the excess of the carrying amount over the present value of the cash flows expected from the asset, or the amounts that could be realized by sale or exercise of rights to collateral, if either of these amounts is higher. A previously recognized impairment charge may be reversed in future periods.

### *Fund accounting*

#### *General Fund*

Assets, liabilities, revenues and expenses related to program delivery and administrative activities are reported in the General Fund.

## **2. Significant accounting policies (continued)**

### *Fund accounting (continued)*

#### *Capital and Learning 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 Funds*

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

#### *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 and reported as deferred contributions in the Endowment Funds.

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.

#### *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, for computer software is four years, and for asset for implementation of software services is the period of access to the software service. Amortization commences 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.

FST's cloud computing arrangements do not meet the definition of intangible assets and the recognition criteria in accordance with Section 3064 – *Goodwill and Intangible assets*, and consequentially FST recognizes as software service expense its subscription fees it pays to access software service under cloud computing arrangements, as incurred. As permitted in Accounting Guideline 20 – *Customer's accounting for cloud computing arrangements*, FST capitalizes directly attributable expenditures on implementation activities related to software service which are subject to the impairment testing described in the above Financial instruments policy.

## **2. Significant accounting policies (continued)**

### *Contributed services*

During the year, volunteers contributed 1,136 (911 in 2025) 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.

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 valuation of investments, accrued liabilities, deferred contributions, deferred capital contributions and amortization of capital assets.

### 3. Investments

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

|               | <b>Cost</b>      | <b>2026<br/>Fair value</b> | <b>Cost</b> | <b>2025<br/>Fair value</b> |
|---------------|------------------|----------------------------|-------------|----------------------------|
|               | <b>\$</b>        | <b>\$</b>                  | <b>\$</b>   | <b>\$</b>                  |
| Mutual Funds  |                  |                            |             |                            |
| Cash          | <b>2,699</b>     | <b>2,699</b>               | 2,239       | 2,239                      |
| Bond Fund     | <b>645,242</b>   | <b>622,249</b>             | 664,925     | 646,836                    |
| Equity Fund   | <b>701,459</b>   | <b>961,100</b>             | 529,217     | 767,483                    |
| Pension Trust | <b>143,580</b>   | <b>142,221</b>             | 138,326     | 137,595                    |
|               | <b>1,492,980</b> | <b>1,728,269</b>           | 1,334,707   | 1,554,153                  |

Total investment income earned on endowment funds, net of the investment management fees, for the year was \$30,490 (\$30,946 in 2025) which was recognized as a deferred contribution in the Endowment Fund (Note 8a).

### 4. Net investment in joint venture

In 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:

|                                                 | <b>2026<br/>\$</b> | <b>2025<br/>\$</b> |
|-------------------------------------------------|--------------------|--------------------|
| Balance, beginning of the year                  | <b>1,581,589</b>   | 1,557,398          |
| Less                                            |                    |                    |
| Distributions from joint venture                | <b>(217,500)</b>   | —                  |
| Lease inducements provided by Vendor            | <b>(206,200)</b>   | —                  |
| Add                                             |                    |                    |
| Share of gain of the joint venture for the year | <b>34,312</b>      | 24,191             |
| Balance, end of year                            | <b>1,192,201</b>   | 1,581,589          |

As at March 31, 2025, the Net investment in joint venture of \$1,581,589 includes \$206,200 related to lease inducements provided by the Vendor. The resulting net amount of \$1,375,389 represents the balance of FST's Co-owner's equity as at that date. During the year, the lease inducements were recognized in the Statement of operations as the related lease agreement expired. The resulting net amount of \$1,192,201 represents the balance of FST's Co-owner's equity as at March 31, 2026.

#### **4. Net investment in joint venture (continued)**

Summarized financial information of the joint venture related to the 15% ownership of FST is set out below:

##### *Financial position*

|                   | <b>2026</b>      | 2025      |
|-------------------|------------------|-----------|
|                   | <b>\$</b>        | \$        |
| Total assets      | <b>2,719,548</b> | 2,728,314 |
| Total liabilities | <b>1,527,347</b> | 1,352,925 |
| Co-owners' equity | <b>1,192,201</b> | 1,375,389 |
|                   | <b>2,719,548</b> | 2,728,314 |

##### *Results of operations*

|                         | <b>2026</b>    | 2025    |
|-------------------------|----------------|---------|
|                         | <b>\$</b>      | \$      |
| Total revenue           | <b>242,517</b> | 210,464 |
| Total expenses          | <b>208,205</b> | 186,273 |
| Net income for the year | <b>34,312</b>  | 24,191  |

##### *Cash flows*

|                                              | <b>2026</b>      | 2025      |
|----------------------------------------------|------------------|-----------|
|                                              | <b>\$</b>        | \$        |
| Cash provided by operating activities        | <b>174,381</b>   | 128,418   |
| Cash provided (used) by financing activities | <b>225,875</b>   | (52,050)  |
| Cash used in investing activities            | <b>(288,945)</b> | (118,308) |
| Increase (decrease) in cash                  | <b>111,311</b>   | (41,940)  |

##### *Related party transactions*

Related party transactions during the year include rent in the amount of \$465,313, (\$745,533 in 2025) paid by FST to the joint venture and the collection of a promissory note, including interest, from the joint venture as described below.

##### *Promissory note receivable*

On January 15, 2025, FST issued a promissory note to the joint venture for \$60,000 bearing interest of 8% per annum and repayable in full upon the earlier of the date of completion of the sale of the property located as 128 Sterling Road, Toronto, Ontario, and November 30, 2026. Interest received during the year of \$1,243 (\$986 in 2025) is included in Investment income of the Capital and Learning Fund in the Statement of operations.

During the year, the promissory note was fully repaid by the joint venture as follows:

- On May 30, 2025, the first principal installment payment was received in the amount of \$30,000, and
- The second and final principal installment payment was received on August 6, 2025, in the amount of \$30,000.

## 5. Grants and accounts receivable

|                                                                                              | <b>2026</b>       | 2025       |
|----------------------------------------------------------------------------------------------|-------------------|------------|
|                                                                                              | <b>\$</b>         | <b>\$</b>  |
| Ministry of Children, Community and Social Services (PassportONE unclaimed amounts) (Note 7) | <b>42,275,812</b> | 53,125,959 |
| Newcomer Womens Services                                                                     | <b>67,120</b>     | 5,308      |
| Canada Revenue Agency (Harmonized Sales Tax receivable)                                      | <b>58,587</b>     | 71,150     |
| Lumenus Community Services                                                                   | <b>53,088</b>     | 53,264     |
| Government of Canada (Public Health Agency of Canada)                                        | <b>52,020</b>     | —          |
| Government of Canada (Immigration, Refugee and Citizenship Canada)                           | <b>50,748</b>     | 74,656     |
| Gerstein Crisis Center                                                                       | <b>34,487</b>     | 37,227     |
| Family Services of Peel                                                                      | <b>13,400</b>     | 10,261     |
| Other                                                                                        | <b>18,173</b>     | 22,223     |
| Community Living Toronto                                                                     | <b>7,100</b>      | —          |
| Ministry of the Attorney General                                                             | <b>4,805</b>      | 5,785      |
| Workplace Safety and Insurance Board Ontario                                                 | <b>—</b>          | 48,794     |
| City of Toronto                                                                              | <b>125</b>        | —          |
| York University                                                                              | <b>—</b>          | 10,000     |
|                                                                                              | <b>42,635,465</b> | 53,464,627 |

## 6. Capital assets

|                                                   | <b>Cost</b>       | <b>Accumulated amortization</b> | <b>2026 Net book value</b> | 2025 Net book value |
|---------------------------------------------------|-------------------|---------------------------------|----------------------------|---------------------|
|                                                   | <b>\$</b>         | <b>\$</b>                       | <b>\$</b>                  | <b>\$</b>           |
| Building                                          | <b>12,874,848</b> | <b>2,349,737</b>                | <b>10,525,111</b>          | 10,838,935          |
| Computers                                         | <b>736,823</b>    | <b>595,684</b>                  | <b>141,139</b>             | 254,869             |
| Furniture and equipment                           | <b>981,850</b>    | <b>961,636</b>                  | <b>20,214</b>              | 47,207              |
| Leasehold improvements                            | <b>1,185,164</b>  | <b>1,170,588</b>                | <b>14,576</b>              | 57,955              |
| Computer software                                 | <b>5,687,055</b>  | <b>4,778,799</b>                | <b>908,256</b>             | 928,132             |
| Work in progress                                  | <b>84,750</b>     | <b>—</b>                        | <b>84,750</b>              | —                   |
| Asset for the implementation of software services | <b>415,609</b>    | <b>395,411</b>                  | <b>20,198</b>              | 98,416              |
|                                                   | <b>21,966,099</b> | <b>10,251,855</b>               | <b>11,714,244</b>          | 12,225,514          |

During the year, capital assets with a cost of \$943,924 (\$69,019 in 2025) and accumulated amortization of \$943,924 (\$54,163 in 2025) were written-off. The resulting loss on disposal of nil (\$14,856 in 2025) is included as an expense of the Capital and Learning Fund in the Statement of operations.

During the year, software service expenses of \$80,909 (\$79,293 in 2025) are included in Office and supplies expenses in the Statement of operations.

Work-in-progress of \$84,750 relates to renovation costs of the 4<sup>th</sup> floor of FST's building. Upon completion of the renovation, the accumulated work-in-progress balance will be capitalized as part of the renovation asset, with depreciation commencing at that time.

## **7. Accounts payable and accrued liabilities**

### *PassportONE*

Accounts payable and accrued liabilities include \$56,697 (\$55,511 in 2025) of unpaid claims for the PassportONE program that have been submitted by clients. In addition, \$69,878,196 (\$71,942,348 in 2025) has been accrued as at the year-end for unclaimed amounts. Of the total claimed and unclaimed amount accrual, \$42,275,812 (\$53,125,959 in 2025) is included in accounts receivable, \$24,071,421 (\$15,828,581 in 2025) in cash, and \$3,587,660 (\$3,043,319 in 2025) in prepaid expenses.

### *Government remittances*

Accounts payable and accrued liabilities also include an amount outstanding with respect to government remittances as at March 31, 2026 of \$69,163 (\$65,340 in 2025).

## **8. 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 will be recognized once eligible expenses are incurred. 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:

|                                | <b>2026</b>    | 2025      |
|--------------------------------|----------------|-----------|
|                                | <b>\$</b>      | <b>\$</b> |
| Foundations and Other agencies | <b>212,520</b> | 163,438   |
| City of Toronto                | <b>55,075</b>  | —         |
| Province of Ontario            | <b>42,625</b>  | 36,678    |
| Government of Canada           | <b>25,000</b>  | 25,000    |
|                                | <b>335,220</b> | 225,116   |

#### *Endowment Funds*

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

|                                                     | <b>2026</b>     | 2025      |
|-----------------------------------------------------|-----------------|-----------|
|                                                     | <b>\$</b>       | <b>\$</b> |
| Balance, beginning of year                          | <b>619,646</b>  | 550,583   |
| Investment income earned for the year, net (Note 3) | <b>30,490</b>   | 30,946    |
| Realized gains on sale of investments               | <b>129,459</b>  | 63,117    |
| Interest recognized                                 | <b>(25,000)</b> | (25,000)  |
| Balance, end of year                                | <b>754,595</b>  | 619,646   |

## **8. Deferred contributions and deferred capital contributions (continued)**

### *(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:

|                                 | <b>2026</b>      | 2025      |
|---------------------------------|------------------|-----------|
|                                 | <b>\$</b>        | \$        |
| Balance, beginning of year      | <b>1,599,915</b> | 2,041,043 |
| Grants received during the year | <b>1,871,178</b> | 310,508   |
| Amounts recognized as revenue   | <b>(607,147)</b> | (751,636) |
| Balance, end of year            | <b>2,863,946</b> | 1,599,915 |

## **9. Externally restricted fund balances**

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

|                                         | <b>2026</b>    | 2025    |
|-----------------------------------------|----------------|---------|
|                                         | <b>\$</b>      | \$      |
| Hindmarsh Endowment Fund                | <b>500,100</b> | 500,100 |
| Other endowment funds                   | <b>158,905</b> | 158,905 |
| Accumulated unrealized investment gains | <b>235,289</b> | 219,446 |
|                                         | <b>894,294</b> | 878,451 |

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, is externally restricted to being used towards FST's Social Action program 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 as at the year-end is reported as deferred contributions in the Endowment Funds (Note 8a).



**10. Internally restricted and invested in capital assets fund balances**

(a) The Internally restricted fund consists of the following:

- (i) The Board of Directors has internally restricted \$2,877,935 (\$1,634,207 in 2025) to be used for capital and learning requirements.
- (ii) In fiscal year 2021, the Board of Directors approved the creation of a Capital reserve fund for the maintenance of the 355 Church Street property. The Capital reserve fund consists of the following:

|                            | <b>2026</b>    | 2025      |
|----------------------------|----------------|-----------|
|                            | <b>\$</b>      | <b>\$</b> |
| Balance, beginning of year | <b>622,377</b> | 645,266   |
| Interest earned            | <b>14,401</b>  | 26,848    |
| Addition during the year   | <b>118,575</b> | —         |
| Purchases during the year  | <b>—</b>       | (49,737)  |
| Balance, end of year       | <b>755,353</b> | 622,377   |

(b) The Invested in capital assets fund consist of the following:

|                                           | <b>2026</b>        | 2025        |
|-------------------------------------------|--------------------|-------------|
|                                           | <b>\$</b>          | <b>\$</b>   |
| Net book value of capital assets (Note 6) | <b>11,714,244</b>  | 12,225,514  |
| Less                                      |                    |             |
| Deferred capital contributions (Note 8b)  | <b>(2,863,946)</b> | (1,599,915) |
| Deferred lease inducements (Note 13)      | <b>—</b>           | (27,288)    |
|                                           | <b>8,850,298</b>   | 10,598,311  |

## 11. Revenue – government

### *General Fund*

|                                                           | 2026<br>\$         | 2025<br>\$         |
|-----------------------------------------------------------|--------------------|--------------------|
| Federal                                                   |                    |                    |
| Immigration, Refugees and Citizenship Canada              | 402,714            | 375,926            |
| Employment and Social Development Canada                  | 49,859             | 21,610             |
| Public Health Agency of Canada                            | 110,546            | 110,546            |
| Social Sciences and Humanities Research Council of Canada | —                  | 338                |
| Provincial                                                |                    |                    |
| Ministry of Children, Community and Social Services       | 590,810,236        | 554,927,341        |
| Ontario Health                                            | 764,207            | 748,301            |
| Ministry of Attorney General                              | 483,547            | 499,265            |
| Ministry of Health - AIDS Bureau                          | 159,020            | 152,820            |
| Ministry for Seniors and Accessibility                    | 117,806            | 102,008            |
| Office of Women's Social and Economic Opportunity         | 73,534             | 73,534             |
| Municipal                                                 |                    |                    |
| City of Toronto - Community Service Partnership           | 134,332            | 129,789            |
| City of Toronto - Investing in Neighbourhoods             | —                  | 10,903             |
|                                                           | <b>593,105,801</b> | <b>557,152,381</b> |

## 12. Pension plan

The employer pension expense for the defined contributions plan amounted to \$276,221 (\$283,316 in 2025). These contributions are included in employee benefits expenses on the statement of operations.

## 13. Deferred lease inducements

### *General Fund*

Total rent payable is calculated over the term of the lease and straight-lined, resulting in a liability. The total liability of \$118,375 (33,984 in 2025) includes free rent.

|                                | 2026<br>\$     | 2025<br>\$    |
|--------------------------------|----------------|---------------|
| Balance, beginning of the year | 33,984         | 92,241        |
| Additions during the year      | 118,375        | —             |
| Amortization                   | (33,984)       | (58,257)      |
| Balance, end of year           | <b>118,375</b> | <b>33,984</b> |
| Current portion                | —              | 33,984        |
| Long-term portion              | <b>118,375</b> | —             |
|                                | <b>118,375</b> | <b>33,984</b> |

### 13. Deferred lease inducements (continued)

*Capital and Learning Fund*

FST was reimbursed by the landlord of the 128 Sterling Road property for leasehold improvements made to the leased space and are being amortized to March 31, 2026. The changes in deferred lease inducements are as follows:

|                                | <b>2026</b>     | 2025      |
|--------------------------------|-----------------|-----------|
|                                | <b>\$</b>       | <b>\$</b> |
| Balance, beginning of the year | <b>27,288</b>   | 74,068    |
| Amortization                   | <b>(27,288)</b> | (46,780)  |
| Balance, end of year           | <b>—</b>        | 27,288    |
| Current portion                | <b>—</b>        | 27,288    |
| Long-term portion              | <b>—</b>        | —         |
|                                | <b>—</b>        | 27,288    |

### 14. 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, 2026 and 2025. Interest is payable at the bank's prime rate plus 2.45%.

## 15. Contracts with Ministry of the Attorney General

The Partner Assault Response ("PAR") program was funded by the Ministry of the Attorney General ("MAG"). Funding and expenses for this contract are combined with revenue 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:

|                                                                                 | <b>2026</b>     | 2025     |
|---------------------------------------------------------------------------------|-----------------|----------|
|                                                                                 | <b>\$</b>       | \$       |
| Funding*                                                                        |                 |          |
| MAG allocation                                                                  | <b>448,987</b>  | 449,154  |
| MAG funding carried forward                                                     | <b>36,678</b>   | 53,530   |
| Client fees                                                                     | <b>133,698</b>  | 92,580   |
|                                                                                 | <b>619,363</b>  | 595,264  |
| Expenses                                                                        |                 |          |
| Salaries                                                                        | <b>422,393</b>  | 459,535  |
| Benefits                                                                        | <b>85,012</b>   | 73,574   |
| Rent                                                                            | <b>16,084</b>   | 16,389   |
| Office supplies                                                                 | <b>3,561</b>    | 2,034    |
| Telecommunications                                                              | <b>4,525</b>    | 4,474    |
| Staff expenses (recruitment, travel, development)                               | <b>264</b>      | 1,080    |
| Audit                                                                           | <b>—</b>        | 1,500    |
| Administration costs                                                            | <b>44,899</b>   | —        |
|                                                                                 | <b>576,738</b>  | 558,586  |
| Excess of funding over expenses                                                 | <b>42,625</b>   | 36,678   |
| Less                                                                            |                 |          |
| Funding deferred to 2025/2026 to complete "groups in process" - approved by MAG | <b>(42,625)</b> | (36,678) |
| Less                                                                            |                 |          |
| Funding deferred to 2024/2025 to complete "groups in process" - approved by MAG | <b>—</b>        | —        |
| Excess of funding over expenses                                                 | <b>—</b>        | —        |

\* \$40,508 (\$33,259 in 2025) Language Interpreter Services expenses and reimbursements from MAG were excluded.

## 16. Contract with Public Health Agency of Canada

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

|                                        | <b>2026</b>    | 2025      |
|----------------------------------------|----------------|-----------|
|                                        | <b>\$</b>      | <b>\$</b> |
| Funding                                | <b>520,200</b> | 520,200   |
| Expenses                               |                |           |
| The 519 Church Street Community Centre | <b>58,522</b>  | 58,522    |
| Davenport-Perth Neighbourhood          |                |           |
| Community Health Centre                | <b>58,522</b>  | 58,522    |
| Dixon Hall                             | <b>58,522</b>  | 58,522    |
| Family Service Toronto (Note 11)       | <b>110,546</b> | 110,546   |
| Waterfront Community Centre            | <b>58,522</b>  | 58,522    |
| West Neighbourhood House               | <b>58,522</b>  | 58,522    |
| University Settlement                  | <b>58,522</b>  | 58,522    |
| WoodGreen Community Services           | <b>58,522</b>  | 58,522    |
|                                        | <b>520,200</b> | 520,200   |
| Excess of funding over expenses        | <b>—</b>       | <b>—</b>  |

## 17. 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. Funding and expenses for this contract are combined with revenue and expenses of all other programs of FST in the Statement of operations. In accordance with the agreement with the Ministry of Health, the funding and expenses related to the program contract are as follows:

|                                                  | <b>2026</b>    | 2025      |
|--------------------------------------------------|----------------|-----------|
|                                                  | <b>\$</b>      | <b>\$</b> |
| Funding                                          |                |           |
| Ministry of Health - AIDS Bureau Funding Program |                |           |
| Base funding                                     | <b>159,020</b> | 152,820   |
|                                                  | <b>159,020</b> | 152,820   |
| Expenses                                         |                |           |
| Salaries                                         | <b>122,364</b> | 117,609   |
| Benefits                                         | <b>23,586</b>  | 22,346    |
| Rent and utilities                               | <b>6,720</b>   | 6,720     |
| Supplies and other expenses                      | <b>6,350</b>   | 6,145     |
|                                                  | <b>159,020</b> | 152,820   |
| Excess of funding over expenses                  | <b>—</b>       | <b>—</b>  |

## **18. 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.

## **19. Commitments**

### *Leases*

FST has operating lease commitments for premises and equipment up to 2035. The remaining period of access by FST to software service under its current cloud computing arrangements is 1 year.

The minimum annual payments are as follows:

|            | \$                |
|------------|-------------------|
| 2027       | 4,021,492         |
| 2028       | 4,081,997         |
| 2029       | 4,049,547         |
| 2030       | 417,297           |
| 2031       | 379,693           |
| Thereafter | 1,879,336         |
|            | <u>14,829,362</u> |

## **20. 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.

### *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.

There has been no change to the risk exposures from the prior year.

## **21. 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 favor 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 statement of financial position with respect to these agreements.