

Financial Statements of

**JEWISH VOCATIONAL SERVICE
OF METROPOLITAN TORONTO**

Year ended March 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Directors of
Jewish Vocational Service of Metropolitan Toronto

We have audited the accompanying financial statements of Jewish Vocational Service of Metropolitan Toronto, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jewish Vocational Service of Metropolitan Toronto as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

June 23, 2015
Toronto, Canada

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Statement of Financial Position

March 31, 2015, with comparative information for 2014

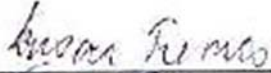

						2015	2014
	Operating fund	Restricted fund	Reserve fund	Capital asset fund	Building fund	Total	Total (Restated - note 2)
Assets							
Current assets:							
Cash and cash equivalents	\$ (223,382)	\$ 304,585	\$ 10,202	\$ -	\$ 638	\$ 92,043	\$ 514,452
Accounts receivable (note 3)	316,919	-	-	-	-	316,919	216,785
Grants receivable	259,392	-	-	-	-	259,392	305,392
Harmonized sales tax receivable	48,070	-	-	-	-	48,070	81,989
Prepaid expenses	34,568	-	-	-	-	34,568	43,842
Due to/from other funds	(73,653)	4,996	(10,202)	13,050	65,809	-	-
	361,914	309,581	-	13,050	66,447	750,992	1,162,460
Cash surrender value of life insurance policy	-	165,517	-	-	-	165,517	154,120
Accrued benefit asset (note 4)	374,600	-	-	-	-	374,600	55,300
Property and equipment (note 5)	-	-	-	1,524,306	-	1,524,306	1,790,160
	\$ 736,514	\$ 475,098	\$ -	\$ 1,537,356	\$ 66,447	\$ 2,815,415	\$ 3,162,040

Liabilities and Fund Balances

Current liabilities:							
Accounts payable and accrued liabilities	\$ 1,011,694	\$ -	\$ -	\$ -	\$ -	\$ 1,011,694	\$ 1,454,490
Deferred contributions (note 6(a) and (b))	409,626	129,060	-	-	-	538,686	528,341
	1,421,320	129,060	-	-	-	1,550,380	1,982,831
Deferred contributions (note 6(b) and (c))	-	262,148	-	457,741	-	719,889	939,257
Fund balances	(684,806)	83,890	-	1,079,615	66,447	545,146	239,952
Commitments and contingencies (note 11)							
	\$ 736,514	\$ 475,098	\$ -	\$ 1,537,356	\$ 66,447	\$ 2,815,415	\$ 3,162,040

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director

 _____ Director

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

						2015	2014
	Operating fund	Restricted fund	Reserve fund	Capital asset fund	Building fund	Total	Total (Restated - note 2)
Revenue:							
Grants (note 7)	\$ 13,709,834	\$ 4,680	\$ -	\$ -	\$ -	\$ 13,714,514	\$ 13,329,830
Fees for service	1,414,465	-	-	-	-	1,414,465	1,430,306
Workshop sales	45,672	-	-	-	-	45,672	28,025
Other income	35,554	-	-	-	-	35,554	41,417
Recognition of deferred contributions (note 6(b))	90,968	210,557	-	249,467	-	550,992	640,389
	15,296,493	215,237	-	249,467	-	15,761,197	15,469,967
Expenses:							
Salaries	8,417,875	65,112	-	-	-	8,482,987	8,747,939
Employee benefits	1,687,951	13,075	-	-	-	1,701,026	1,808,233
Client	2,736,837	2,618	-	-	-	2,739,455	2,059,703
Rent and occupancy	814,253	7,756	-	-	-	822,009	848,379
Purchased services	345,218	8,986	-	-	-	354,204	448,895
Miscellaneous	202,924	82,516	-	-	-	285,440	355,944
Office	353,129	7,475	-	-	-	360,604	434,032
Delivery partners	322,503	-	-	-	-	322,503	504,012
Amortization of property and equipment	-	-	-	288,190	-	288,190	399,220
Computer maintenance	286,006	2,647	-	-	-	288,653	324,852
	15,166,696	190,185	-	288,190	-	15,645,071	15,931,209
Excess (deficiency) of revenue over expenses	\$ 129,797	\$ 25,052	\$ -	\$ (38,723)	\$ -	\$ 116,126	\$ (461,242)

See accompanying notes to financial statements.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Statement of Changes in Fund Balances

Year ended March 31, 2015, with comparative information for 2014

2015	Operating Fund		Restricted fund	Reserve fund	Capital asset fund	Building fund	Total
	Operating fund	Pension remeasurements and other items					
Fund balances, beginning of year	\$ (213,573)	\$ (808,100)	\$ 76,840	\$ -	\$ 1,118,338	\$ 66,447	\$ 239,952
Excess (deficiency) of revenue over expenses	129,797	-	25,052	-	(38,723)	-	116,126
Endowment contributions (note 8(a))	-	-	1,998	-	-	-	1,998
Pension remeasurements and other items (note 4)	-	187,070	-	-	-	-	187,070
Interfund transfers (note 8(b))	20,000	-	(20,000)	-	-	-	-
Fund balances, end of year	\$ (63,776)	\$ (621,030)	\$ 83,890	\$ -	\$ 1,079,615	\$ 66,447	\$ 545,146

2014	Operating Fund		Restricted fund	Reserve fund	Capital asset fund	Building fund	Total
	Operating fund	Pension remeasurements and other items					
	(Restated - note 2)						
Fund balances, beginning of year	\$ -	\$ (1,130,300)	\$ 74,721	\$ 205,537	\$ 1,043,637	\$ 183,280	\$ 376,875
Excess (deficiency) of revenue over expenses	(343,568)	-	(69,383)	(2)	(50,676)	2,387	(461,242)
Endowment contributions (note 8(a))	-	-	2,119	-	-	-	2,119
Pension remeasurements and other items (note 4)	-	322,200	-	-	-	-	322,200
Interfund transfers (note 8(b))	129,995	-	69,383	(205,535)	125,377	(119,220)	-
Fund balances, end of year	\$ (213,573)	\$ (808,100)	\$ 76,840	\$ -	\$ 1,118,338	\$ 66,447	\$ 239,952

See accompanying notes to financial statements.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
		(Restated - note 2)
Cash flows from (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 116,126	\$ (461,242)
Items not involving cash:		
Amortization of property and equipment	288,190	399,220
Amortization of deferred contributions - capital	(249,467)	(348,544)
Deferred contributions - recognition	(12,914,875)	(12,925,298)
Pension expense	112,370	132,300
Deferred contributions received	12,921,586	12,672,845
Employer defined benefit pension contributions	(244,600)	(240,900)
Change in non-cash operating working capital (note 9)	(453,737)	459,226
	(424,407)	(312,393)
Financing activities:		
Increase in deferred contributions - capital	22,336	123,647
Endowment contributions	1,998	2,119
	24,334	125,766
Investing activities:		
Additions to property and equipment	(22,336)	(257,023)
Decrease in cash and cash equivalents	(422,409)	(443,650)
Cash and cash equivalents, beginning of year	514,452	958,102
Cash and cash equivalents, end of year	\$ 92,043	\$ 514,452
Supplemental non-cash information:		
Cash surrender value of life insurance policy recorded in deferred contributions	\$ 11,397	\$ 11,473

See accompanying notes to financial statements.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements

Year ended March 31, 2015

Jewish Vocational Service of Metropolitan Toronto (the "Agency") is an Ontario organization providing educational, counseling, assessment and employment services to individuals in the Greater Toronto Area. For Canadian income tax purposes, the Agency qualifies as a not-for-profit organization and a registered charity (registration number 107535015RR0001), which is exempt from income tax under the Income Tax Act (Canada).

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Fund accounting:

Revenue and expenses related to program delivery and administrative activities are reported in the operating fund.

The restricted fund reports all contributions received related to fundraising and expenses related to fundraising campaigns. The funds are restricted to providing individuals with access to the Agency's programs. In addition, it reports the endowments of the Agency.

The reserve fund was established by the Agency to reserve for future liabilities not in the normal course of operations. The maximum balance of the fund has been determined by a resolution of the Board of Directors. Use of the fund will also be determined by the Board of Directors.

The capital asset fund reports revenue and expenses related to the Agency's property and equipment.

The building fund was established by the Agency to finance the replacement of major building components at 74 Tycos Drive, Toronto, Ontario, when they reach the end of their normal service lives. Use of the fund is determined by the Board of Directors.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Agency follows the deferral method of accounting for contributions. These contributions generally consist of grants and donations.

Operating grants are recorded in the operating fund as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Restricted donations are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

Contributions restricted for the purchase of property and equipment are deferred and amortized into revenue in the capital asset fund on a straight-line basis, at a rate corresponding with the amortization rate for the related property and equipment.

Endowment contributions are recognized as direct increases in the restricted fund balance.

Fees for services and workshop sales are recorded when services have been rendered and payments are assured.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and cashable term deposits.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Agency has not elected to carry any such financial instruments at fair value.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Agency determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Agency expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement not exceeding the initial carrying value.

(e) Cash surrender value of life insurance policy:

The Agency records its cash surrender value of life insurance policy at fair market value.

(f) Property and equipment:

Purchased property and equipment are recorded in the capital asset fund at cost. Contributed property and equipment are recorded in the capital asset fund at fair value on the date of contribution. When a capital asset no longer contributes to the Agency's ability to provide services, its carrying amount is written down to its residual value. Annual amortization rates adopted by the Agency are applied on a straight-line basis as follows:

Building	40 years
Building improvements	20 years
Furniture and equipment	5 years
Computers	3 years
Leasehold improvements	Over the term of lease

Amortization expense is reported in the capital asset fund.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(g) Employee future benefits:

The Agency maintains a pension plan that consists of a defined benefit component and a defined contribution component. The defined benefit pension plan was closed for new entries as of November 1, 2002. All new employees after November 1, 2002 join the defined contribution component of the plan. Employees have the option to make contributions, which are matched at a specific rate by the Agency. The defined benefit component of the pension provides pension benefits based upon the best three consecutive years' earnings and years of service.

The cost of pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages. The Agency accrues its obligations under the defined benefit plan as the employees render the services necessary to earn the pensions. The actuarial determination of the accrued benefit obligation for the defined benefit plan is based on the December 31, 2013 funding valuation, extrapolated to March 31, 2015. The measurement date of the plan assets and accrued benefit obligation coincides with the Agency's fiscal year. The next required valuation will be as at December 31, 2016.

The actuarial gains (losses) on plan assets arising from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period are immediately recognized in the statement of changes in fund balances. Actuarial gains (losses) on the accrued benefit obligation arising from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation are immediately recognized in the statement of changes in fund balances. Past service costs arising from plan amendments are immediately recognized in the statement of changes in fund balances.

The cost of the defined contribution component is based on a percentage of the employee's pensionable earnings.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(h) Donated materials and services:

Donated materials and services that are normally purchased are recorded at fair market value where such can reasonably be determined. Donated goods of \$575 (2014 - \$2,434) are included in revenue of the restricted fund and also recorded as miscellaneous expenses in the restricted fund.

(i) Volunteers:

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(j) Use of estimates:

The preparation of financial statements requires the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant areas requiring the use of estimates include the measurement of assets and obligations related to employee future benefits and useful lives of property and equipment. Actual results could differ from those estimates.

2. Change in accounting policy:

Effective April 1, 2014, the Agency adopted the new Chartered Professional Accountants of Canada Handbook - Accounting Part III Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations, which incorporates Section 3462, Employee Future Benefits, in Part II.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Change in accounting policy (continued):

Under the new standard, the actuarial gains and losses and past service costs are no longer deferred and amortized over future periods. The assets, net of full actuarial liability, are recorded in the statement of financial position, the annual benefit cost is recorded in the statement of operations and the change in unamortized gains and losses is recognized as pension remeasurements and other items in the statement of changes in fund balances. In addition, interest cost and expected rate of return on plan assets are replaced with a net interest amount that is calculated by applying the discount rate used to calculate the net defined benefit obligation.

For defined benefit plans for which an actuarial valuation for funding purposes exists, an accounting policy choice between using the funding valuation or an accounting valuation is available. The Agency has elected to use the valuation prepared for funding purposes.

The Agency implemented the new standard retrospectively. The impact is as follows:

Statement of financial position:

March 31, 2014	As previously presented	Restatements	As restated
Accrued benefit asset	\$ 786,800	\$ (731,500)	\$ 55,300
Fund balances:			
Operating fund	(290,173)	76,600	(213,573)
Pension remeasurements and other items	–	(808,100)	(808,100)

Statement of operations:

March 31, 2014	As previously presented	Restatements	As restated
Employee benefits	\$ 1,884,833	\$ (76,600)	\$ 1,808,233

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Change in accounting policy (continued):

Statement of changes in fund balances:

March 31, 2014	As previously presented	Restatements	As restated
Fund balances, beginning of year	\$ 1,507,175	\$ (1,130,300)	\$ 376,875

3. Accounts receivable:

The provision for accounts receivable for March 31, 2015 is \$30,187 (2014 - \$34,119).

4. Employee future benefits:

	2015	2014 (Restated - note 2)
Accrued benefit obligation	\$ (4,077,500)	\$ (3,964,400)
Fair value of plan asset	4,452,100	4,019,700
	\$ 374,600	\$ 55,300

Continuity of the accrued pension benefit is as follows:

	2015	2014 (Restated - note 2)
Balance, beginning of year	\$ 55,300	\$ (375,500)
Benefit expense	(112,370)	(132,300)
Employer contributions	244,600	240,900
Pension remeasurements and other items	187,070	322,200
Balance, end of year	\$ 374,600	\$ 55,300

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

4. Employee future benefits (continued):

The Agency's net benefit plan expenses are as follows:

	2015	2014 (Restated - note 2)
Current service cost	\$ 97,400	\$ 112,100
Interest cost	14,970	21,100
Defined benefit pension expense	112,370	133,200
Defined contribution pension expense	252,300	262,800
	\$ 364,670	\$ 396,000

5. Property and equipment:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Land - 74 Tycos Drive	\$ 645,000	\$ -	\$ 645,000	\$ 645,000
Building - 74 Tycos Drive	717,001	508,515	208,486	221,163
Building improvements	719,032	183,639	535,393	571,345
Furniture and equipment	509,248	468,121	41,127	97,868
Computers	889,515	863,934	25,581	89,251
Leasehold improvements	1,477,524	1,408,805	68,719	165,533
	\$ 4,957,320	\$ 3,433,014	\$ 1,524,306	\$ 1,790,160

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

6. Deferred contributions:

(a) Operating deferred contributions:

Operating deferred contributions relate to unspent externally restricted operating funding received. Changes in the operating deferred contributions balance reported are as follows:

	2015		2014	
Balance, beginning of year	\$	350,702	\$	525,778
Grants received		12,672,274		12,461,704
Grant revenue recognized		(12,613,350)		(12,636,780)
Balance, end of year	\$	409,626	\$	350,702

(b) Restricted deferred contributions:

Restricted deferred contributions relate to unspent externally restricted funding received. Changes in the restricted deferred contributions reported are as follows:

			2015		2014			
	Current	Long-term	Total	Total	Total	Total		
Balance, beginning of year	\$	177,639	\$	254,385	\$	432,024	\$	497,928
Contributions received		247,946		1,366		249,312		211,141
Amounts re-allocated to the operating fund, expensed in the year		(85,968)		(5,000)		(90,968)		(137,217)
Recognition of restricted deferred contributions		(210,557)		–		(210,557)		(151,301)
Change in cash surrender value of life insurance policy		–		11,397		11,397		11,473
Balance, end of year	\$	129,060	\$	262,148	\$	391,208	\$	432,024

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

6. Deferred contributions (continued):

(c) Deferred capital contributions:

Deferred capital contributions include the unamortized portions of restricted contributions with which property and equipment were originally purchased, as well as unexpended restricted contributions for the purchase of property and equipment. Changes in the deferred capital contributions balance are as follows:

	2015	2014
Balance, beginning of year	\$ 684,872	\$ 909,769
Property and equipment grants and donations	22,336	123,647
Recognition of deferred capital contributions	(249,467)	(348,544)
Balance, end of year	\$ 457,741	\$ 684,872

7. Grant revenue:

	2015	2014
Federal, provincial, municipal and other grants	\$ 12,378,460	\$ 11,980,439
UJA Federation of Greater Toronto and Jewish Day School system	786,587	784,546
United Way of Greater Toronto	549,467	564,845
	\$ 13,714,514	\$ 13,329,830

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

8. Interfund transfers:

(a) Endowment contributions:

Included in restricted funds are \$78,838 of endowment contributions as at March 31, 2015 (2014 - \$76,840). During the year, \$1,998 of endowment contributions were received (2014 - \$2,119).

(b) Interfund transfers:

The following transfers are approved by the Board of Directors:

2015	Operating fund	Restricted fund	Reserve fund	Capital asset fund	Building fund
Transfer from the restricted fund to the operating fund	\$ 20,000	\$ (20,000)	\$ -	\$ -	\$ -
2014	Operating fund	Restricted fund	Reserve fund	Capital asset fund	Building fund
Transfer from the reserve fund to the operating fund	\$ 136,152	\$ -	\$ (136,152)	\$ -	\$ -
Transfer from the building fund and operating fund to the capital asset fund	(4,232)	-	-	125,377	(121,145)
Transfer from the operating fund to the building fund	(1,925)	-	-	-	1,925
Transfer from reserve fund to restricted fund	-	69,383	(69,383)	-	-
	\$ 129,995	\$ 69,383	\$ (205,535)	\$ 125,377	\$ (119,220)

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

9. Change in non-cash operating working capital:

	2015	2014
Accounts receivable	\$ (100,134)	\$ 140,095
Grants receivable	46,000	467,383
Harmonized sales tax receivable	33,919	(1,228)
Prepaid expenses	9,274	(5,903)
Accounts payable and accrued liabilities	(442,796)	(141,121)
	<u>\$ (453,737)</u>	<u>\$ 459,226</u>

10. Credit facility:

The Agency has credit facilities available in the amount of \$600,000. A revolving demand facility in the amount of \$550,000 bears interest at the Royal Bank of Canada's prime rate plus 0.75%. VISA business card is available to a limit of \$50,000 at prevailing VISA account rates. The credit facilities are secured by a general security agreement constituting a first interest in all personal property of the Agency. As at March 31, 2015, no amounts have been drawn on the revolving demand facility.

Subsequent to year end, the Agency updated its credit facilities and entered into a new agreement increasing the facility to \$850,000. This includes a revolving demand facility in the amount of \$800,000 and VISA business card with a \$50,000 limit with the same terms and conditions, except the assignment of the fire insurance on the property at 74 Tycos Drive, Toronto, Ontario and collateral mortgage for \$250,000 constituting first fixed charge on lands and improvements of 74 Tycos Drive, Toronto, Ontario.

11. Commitments and contingencies:

(a) The Agency has undertaken to indemnify its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Agency. The nature of the indemnity prevents the Agency from reasonably estimating the maximum exposure. The Agency has purchased directors' and officers' liability insurance with respect to this indemnification.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

11. Commitments and contingencies (continued):

- (b) The minimum annual rental payments payable under the leases for the Agency's premises for the next five years and future annual lease payments required under operating leases for equipment are approximately as follows:

2016	\$	617,000
2017		544,000
2018		524,000
2019		501,000
2020		456,000
Thereafter		829,000

12. Financial instruments:

The significant financial risks to which the Agency is exposed are credit risk, interest rate risk, liquidity risk and concentration of risk outlined below. There has been no change to the risk exposures from the prior year.

- (a) Credit risk:

The Agency is exposed to credit risk with respect to accounts receivable from funders. The Agency believes there is minimal risk associated with these amounts which primarily consist of grants receivable from the federal and provincial governments.

- (b) Interest rate risk:

The Agency's credit facility bears interest at floating rates based on the bank prime rate, and, as such, is subject to interest rate risk resulting from market fluctuations in interest rates, whenever the facility is used.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2015

12. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Agency will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Agency manages its liquidity risk by monitoring its operating requirements. The Agency prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations.

(d) Concentration of risk:

The Agency operates as a not-for-profit organization and is affected by general economic trends. A decline in economic conditions and government funding could lead to reduced revenue and services provided.