Financial Statements of

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Year ended March 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of 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, 2017, the statements of operations, changes in net assets 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, 2017, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2017
Vaughan, Canada

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 1,821,938	$ 1,216,443
Accounts receivable (note 2)	321,089	317,369
Grants receivable	416,423	373,939
Harmonized sales tax receivable	81,249	57,433
Prepaid expenses	87,583	42,169
	2,728,282	2,007,353
Amounts on deposit in trust accounts (note 3)	229,002	–
Accrued benefit asset (note 4)	482,400	113,300
Property and equipment (note 5)	1,543,152	1,463,805
	$ 4,982,836	$ 3,584,458
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,835,942	$ 1,171,822
Deferred contributions (note 6(a))	604,030	955,372
	2,439,972	2,127,194
Deferred contributions (note 6(b))	1,017,129	689,635
Net assets:		
Invested in property and equipment (note 7)	1,017,540	1,041,700
Internally restricted (note 8)	749,497	379,497
Endowments	83,526	79,944
Unrestricted	362,002	248,918
Pension remeasurements and other items	(686,830)	(982,430)
	1,525,735	767,629
Commitments and contingencies (note 12)		
	$ 4,982,836	$ 3,584,458

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, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Grants (note 9)	$ 15,045,277	$ 13,143,599
Fees for service	1,497,944	1,408,729
Workshop sales	47,362	47,793
Other income	31,164	57,474
Recognition of deferred contributions (note 6)	197,432	395,188
	16,819,179	15,052,783
Expenses:		
Salaries	7,939,466	7,486,144
Employee benefits	1,618,341	1,493,768
Client	3,660,846	2,496,076
Rent and occupancy	1,005,729	894,700
Purchased services	653,739	496,676
Miscellaneous	322,801	308,903
Office	416,237	456,664
Delivery partners	302,168	347,785
Amortization of property and equipment	111,435	163,197
Computer maintenance	329,493	326,093
	16,360,255	14,470,006
Excess of revenue over expenses	$ 458,924	$ 582,777

See accompanying notes to financial statements.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

2017	Unrestricted	Pension remeasurements and other items	Endowments	Invested in property and equipment (note 7)	Internally restricted (note 8)	Total
Net assets, beginning of year	$ 248,918	$ (982,430)	$ 79,944	$ 1,041,700	$ 379,497	$ 767,629
Excess (deficiency) of revenue over expenses	483,084	–	–	(24,160)	–	458,924
Endowment contributions	–	–	3,582	–	–	3,582
Pension remeasurements and other items (note 4)	–	295,600	–	–	–	295,600
Interfund transfer	(370,000)	–	–	–	370,000	–
Net assets, end of year	$ 362,002	$ (686,830)	$ 83,526	$ 1,017,540	$ 749,497	$ 1,525,735

2016	Unrestricted	Pension remeasurements and other items	Endowments	Invested in property and equipment (note 7)	Internally restricted (note 8)	Total
Net assets, beginning of year	$ (58,724)	$ (621,030)	$ 78,838	$ 1,066,565	$ 79,497	$ 545,146
Excess (deficiency) of revenue over expenses	607,642	–	–	(24,865)	–	582,777
Endowment contributions	–	–	1,106	–	–	1,106
Pension remeasurements and other items (note 4)	–	(361,400)	–	–	–	(361,400)
Interfund transfer	(300,000)	–	–	–	300,000	–
Net assets, end of year	$ 248,918	$ (982,430)	$ 79,944	$ 1,041,700	$ 379,497	$ 767,629

See accompanying notes to financial statements.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash flows from (used in):		
Operating activities:		
Excess of revenue over expenses	$ 458,924	$ 582,777
Items not involving cash:		
Amortization of property and equipment	111,435	163,197
Amortization of deferred capital contributions	(87,275)	(138,332)
Deferred contributions recognized	(14,553,702)	(12,624,908)
Pension expense	76,900	59,300
Deferred contributions received	14,172,583	13,212,493
Employer defined benefit pension contributions	(150,400)	(159,400)
Change in non-cash operating working capital (note 10)	548,686	28,167
	577,151	1,123,294
Financing activities:		
Deferred capital contributions received	435,135	102,696
Endowment contributions	1,274	1,106
	436,409	103,802
Investing activities:		
Additions to property and equipment	(190,782)	(102,696)
Amounts on deposit in trust accounts	(217,283)	–
	(408,065)	(102,696)
Increase in cash and cash equivalents	605,495	1,124,400
Cash and cash equivalents, beginning of year	1,216,443	92,043
Cash and cash equivalents, end of year	$ 1,821,938	$ 1,216,443
Supplemental non-cash information:		
Cash surrender value of life insurance policy recorded in deferred contributions	$ –	$ (165,517)
Earnings on deposits in trust accounts reported in deferred contributions	(11,719)	–

See accompanying notes to financial statements.

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) Revenue recognition:

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of property and equipment are deferred and amortized into revenue 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 endowment net assets.

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

(b) Cash and cash equivalents:

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

1. Significant accounting policies (continued):

(c) 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.

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.

(d) Cash surrender value of life insurance policy:

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

1. Significant accounting policies (continued):

(e) Property and equipment:

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded 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	Term of lease

(f) 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 at 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, 2015 funding valuation, extrapolated to March 31, 2017. 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, 2018.

1. Significant accounting policies (continued):

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 net assets. 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 net assets. Past service costs arising from plan amendments are immediately recognized in the statement of changes in net assets.

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

(g) Donated materials and services:

Donated materials and services are recorded at fair value when fair value can reasonably be determined.

The operation of the Agency is dependent on services provided by volunteers. Since these services are not normally purchased by the Agency and due to the difficulty of determining their fair market value, donated services are not recorded in the accounts.

(h) 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.

(i) 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. Accounts receivable:

The provision for accounts receivable for March 31, 2017 is $18,624 (2016 - $22,196).

3. Amounts on deposit in trust accounts:

The Agency has an agreement with United Jewish Welfare Fund of Toronto ("UJWF") whereby UJWF maintains certain of the Agency's endowment funds in designated funds (the "Funds") as well as provides accounting with respect to the receipts, earnings and disbursements of the Funds. UJWF invests endowed and similar funds over which it has full investment discretion, in a pooled portfolio. The returns of these co-mingled accounts are averaged for purposes of allocations to the individual funds. The Agency has the right to appoint any registered charity, including the Agency itself, as successor to UJWF and accordingly, maintains control of the assets.

While the Fund is under the trusteeship of UJWF, UJWF is bound to apply the income and capital of the Funds exclusively in furtherance of the Agency's purposes as defined in the agreement and although the Agency may provide written advice to UJWF regarding distributions of income and capital from the Funds, such advice is not binding on UJWF.

At March 31, 2017, the Funds had sustained an unrealized gain of $6,272 and investment earnings of $5,447, which are recorded in deferred contributions.

4. Employee future benefits:

	2017	2016
Accrued benefit obligation	$ (4,015,800)	$ (4,139,800)
Fair value of plan asset	4,498,200	4,253,100
	$ 482,400	$ 113,300

4. Employee future benefits (continued):

Continuity of the accrued pension benefit is as follows:

	2017	2016
Balance, beginning of year	$ 113,300	$ 374,600
Benefit expense	(76,900)	(59,300)
Employer contributions	150,400	159,400
Pension remeasurements and other items	295,600	(361,400)
Balance, end of year	$ 482,400	$ 113,300

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

	2017	2016
Current service cost	$ 86,400	$ 80,800
Interest cost	(9,500)	(21,500)
Defined benefit pension expense	76,900	59,300
Defined contribution pension expense	219,900	234,500
	$ 296,800	$ 293,800

5. Property and equipment:

			2017	2016
	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	533,868	183,133	195,809
Building improvements	719,031	255,542	463,489	499,441
Furniture and equipment	517,700	507,924	9,776	18,478
Computers	679,738	676,015	3,723	13,491
Leasehold improvements	1,583,514	1,524,520	58,994	91,586
Construction in progress	179,037	–	179,037	–
	$ 5,041,021	$ 3,497,869	$ 1,543,152	$ 1,463,805

6. Deferred contributions:

(a) Current deferred contributions:

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

	Grants	Other	2017 Total	2016 Total
Balance, beginning of year	$ 840,211	$ 115,161	$ 955,372	$ 538,686
Contributions and grants received	14,101,039	71,321	14,172,360	12,961,473
Contributions and grant revenue recognized	(14,443,769)	(79,933)	(14,523,702)	(12,544,787)
Balance, end of year	$ 497,481	$ 106,549	$ 604,030	$ 955,372

(b) Long-term deferred contributions:

Deferred contributions relate to unspent externally restricted funding received. Deferred capital contributions include the unamortized portions of restricted contributions with which property and equipment were originally purchased. Changes in the long-term deferred contributions balance reported are as follows:

	Capital	Other	2017 Total	2016 Total
Balance, beginning of year	$ 422,105	$ 267,530	$ 689,635	$ 719,889
Contributions received	435,135	9,634	444,769	353,716
Recognition of deferred capital contributions and other	(87,275)	(30,000)	(117,275)	(218,453)
Change in cash surrender value of life insurance policy	–	–	–	(165,517)
Balance, end of year	$ 769,965	$ 247,164	$ 1,017,129	$ 689,635

Included in deferred capital contributions is $244,353 of unspent contributions.

7. Invested in capital assets:

(a) Invested in property and equipment is calculated as follows:

	2017	2016
Property and equipment	$ 1,543,152	$ 1,463,805
Amounts financed by deferred capital contributions	(525,612)	(422,105)
	$ 1,017,540	$ 1,041,700

(b) Net change in net assets invested in property and equipment is calculated as follows:

	2017	2016
Excess of expenditures over revenue:		
Amortization of property and equipment	$ (111,435)	$ (163,197)
Amortization of deferred capital contributions	87,275	138,332
	(24,160)	(24,865)
Net change in investment in property and equipment:		
Additions to property and equipment	190,782	102,696
Amounts financed deferred capital contributions	(190,782)	(102,696)
	–	–
	$ (24,160)	$ (24,865)

8. Internally restricted net assets:

The Board of Directors has internally restricted net assets for the future obligations of the Agency. These funds cannot be used for other purposes without the approval of the Board of Directors.

During the year, the Board of Directors approved the transfer of $370,000 (2016 - $300,000) from unrestricted net assets to internally restricted net assets.

9. Grant revenue:

	2017	2016
Federal, provincial, municipal and other grants	$ 14,270,366	$ 12,251,440
UJA Federation of Greater Toronto and Jewish Day School system	225,444	331,692
United Way Toronto and York Region	549,467	560,467
	$ 15,045,277	$ 13,143,599

10. Change in non-cash operating working capital:

	2017	2016
Accounts receivable	$ (3,720)	$ (450)
Grants receivable	(42,484)	(114,547)
Harmonized sales tax receivable	(23,816)	(9,363)
Prepaid expenses	(45,414)	(7,601)
Accounts payable and accrued liabilities	664,120	160,128
	$ 548,686	$ 28,167

11. Credit facility:

The Agency has credit facilities available in the amount of $850,000 (2016 - $850,000). A revolving demand facility in the amount of $800,000 (2016 - $800,000) 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 (2016 - $50,000) at prevailing VISA account rates. The credit facilities are secured by 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. As at March 31, 2017, no amounts have been drawn on the revolving demand facility (2016 - nil).

12. 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.

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

2018	$ 664,000
2019	599,000
2020	498,000
2021	213,000
2022	158,000
Thereafter	473,000
Total	$ 2,605,000

13. 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.

13. Financial instruments (continued):

(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.

(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.

14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.