

Financial Statements of

**JEWISH VOCATIONAL SERVICE
OF METROPOLITAN TORONTO**

Year ended March 31, 2016



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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, 2016, 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.



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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, 2016, 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, 2016
Toronto, Canada

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Statement of Financial Position

March 31, 2016, with comparative information for 2015

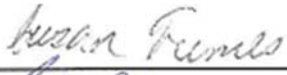

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,216,443	\$ 92,043
Accounts receivable (note 2)	317,369	316,919
Grants receivable	373,939	259,392
Harmonized sales tax receivable	57,433	48,070
Prepaid expenses	42,169	34,568
	<u>2,007,353</u>	<u>750,992</u>
Cash surrender value of life insurance policy	–	165,517
Accrued benefit asset (note 3)	113,300	374,600
Property and equipment (note 4)	1,463,805	1,524,306
	<u>\$ 3,584,458</u>	<u>\$ 2,815,415</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,171,822	\$ 1,011,694
Deferred contributions (note 5(a))	897,752	538,686
	<u>2,069,574</u>	<u>1,550,380</u>
Deferred contributions (note 5(b))	747,255	719,889
Net assets:		
Invested in capital assets (note 6)	1,041,700	1,066,565
Internally restricted (note 7)	379,497	79,497
Endowments	79,944	78,838
Unrestricted	248,918	(58,724)
Pension remeasurements and other items	(982,430)	(621,030)
	<u>767,629</u>	<u>545,146</u>
Commitments and contingencies (note 11)		
	<u>\$ 3,584,458</u>	<u>\$ 2,815,415</u>

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, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Grants (note 8)	\$ 13,143,599	\$ 13,714,514
Fees for service	1,408,729	1,414,465
Workshop sales	47,793	45,672
Other income	57,474	35,554
Recognition of deferred contributions (note 5)	395,188	550,992
	<u>15,052,783</u>	<u>15,761,197</u>
Expenses:		
Salaries	7,486,144	8,482,987
Employee benefits	1,493,768	1,701,026
Client	2,496,076	2,739,455
Rent and occupancy	894,700	822,009
Purchased services	496,676	354,204
Miscellaneous	308,903	285,440
Office	456,664	360,604
Delivery partners	347,785	322,503
Amortization of property and equipment	163,197	288,190
Computer maintenance	326,093	288,653
	<u>14,470,006</u>	<u>15,645,071</u>
Excess of revenue over expenses	<u>\$ 582,777</u>	<u>\$ 116,126</u>

See accompanying notes to financial statements.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

2016	Unrestricted	Pension remeasurements and other items	Endowments	Invested in capital assets (note 6)	Internally restricted (note 7)	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 3)	–	(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

2015	Unrestricted	Pension remeasurements and other items	Endowments	Invested in capital assets (note 6)	Internally restricted (note 7)	Total
Net assets, beginning of year	\$ (213,573)	\$ (808,100)	\$ 76,840	\$ 1,105,288	\$ 79,497	\$ 239,952
Excess (deficiency) of revenue over expenses	154,849	–	–	(38,723)	–	116,126
Endowment contributions	–	–	1,998	–	–	1,998
Pension remeasurements and other items (note 3)	–	187,070	–	–	–	187,070
Net assets, end of year	\$ (58,724)	\$ (621,030)	\$ 78,838	\$ 1,066,565	\$ 79,497	\$ 545,146

See accompanying notes to financial statements.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash flows from (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 582,777	\$ 116,126
Items not involving cash:		
Amortization of property and equipment	163,197	288,190
Amortization of deferred capital contributions	(138,332)	(249,467)
Deferred contributions recognized	(12,624,908)	(12,914,875)
Pension expense	59,300	112,370
Deferred contributions received	13,212,493	12,921,586
Employer defined benefit pension contributions	(159,400)	(244,600)
Change in non-cash operating working capital (note 9)	28,167	(453,737)
	1,123,294	(424,407)
Financing activities:		
Increase in deferred capital contributions	102,696	22,336
Endowment contributions	1,106	1,998
	103,802	24,334
Investing activities:		
Additions to property and equipment	(102,696)	(22,336)
Increase (decrease) in cash and cash equivalents	1,124,400	(422,409)
Cash and cash equivalents, beginning of year	92,043	514,452
Cash and cash equivalents, end of year	\$ 1,216,443	\$ 92,043
Supplemental non-cash information:		
Cash surrender value of life insurance policy recorded in deferred contributions	\$ (165,517)	\$ 11,397

See accompanying notes to financial statements.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements

Year ended March 31, 2016

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) Change in accounting presentation:

In previous years, the Agency applied fund accounting and had established funds to track its activities. During the year, the Agency discontinued its use of fund accounting to provide more relevant information on its financial position and financial performance.

(b) 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.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(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.

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.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(f) 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

(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 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, 2013 funding valuation, extrapolated to March 31, 2016. 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.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2016

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.

(h) 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.

(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.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Accounts receivable:

The provision for accounts receivable for March 31, 2016 is \$22,196 (2015 - \$30,187).

3. Employee future benefits:

	2016	2015
Accrued benefit obligation	\$ (4,139,800)	\$ (4,077,500)
Fair value of plan asset	4,253,100	4,452,100
	<u>\$ 113,300</u>	<u>\$ 374,600</u>

Continuity of the accrued pension benefit is as follows:

	2016	2015
Balance, beginning of year	\$ 374,600	\$ 55,300
Benefit expense	(59,300)	(112,370)
Employer contributions	159,400	244,600
Pension remeasurements and other items	(361,400)	187,070
Balance, end of year	<u>\$ 113,300</u>	<u>\$ 374,600</u>

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

	2016	2015
Current service cost	\$ 80,800	\$ 97,400
Interest cost	(21,500)	14,970
Defined benefit pension expense	59,300	112,370
Defined contribution pension expense	234,500	252,300
	<u>\$ 293,800</u>	<u>\$ 364,670</u>

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Property and equipment:

			2016	2015
	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	521,192	195,809	208,486
Building improvements	719,032	219,591	499,441	535,393
Furniture and equipment	517,700	499,222	18,478	41,127
Computers	889,515	876,024	13,491	25,581
Leasehold improvements	1,571,769	1,480,183	91,586	68,719
	\$ 5,060,017	\$ 3,596,212	\$ 1,463,805	\$ 1,524,306

5. 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:

			2016	2015
	Grants	Other	Total	Total
Balance, beginning of year	\$ 409,626	\$ 129,060	\$ 538,686	\$ 528,341
Contributions and grants received	12,798,637	162,836	12,961,473	12,920,220
Contributions and grant revenue recognized	(12,368,052)	(234,355)	(12,602,407)	(12,909,875)
Balance, end of year	\$ 840,211	\$ 57,541	\$ 897,752	\$ 538,686

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Deferred contributions (continued):

(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:

			2016	2015
	Capital	Other	Total	Total
Balance, beginning of year	\$ 457,741	\$ 262,148	\$ 719,889	\$ 939,257
Contributions received	102,696	251,020	353,716	23,702
Recognition of deferred capital contributions and other	(138,332)	(22,501)	(160,833)	(254,467)
Change in cash surrender value of life insurance policy	–	(165,517)	(165,517)	11,397
Balance, end of year	\$ 422,105	\$ 325,150	\$ 747,255	\$ 719,889

6. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2016	2015
Capital assets	\$ 1,463,805	\$ 1,524,306
Amounts financed by deferred capital contributions	(422,105)	(457,741)
	\$ 1,041,700	\$ 1,066,565

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Invested in capital assets (continued):

(b) Net change in net assets invested in capital assets is calculated as follows:

	2016	2015
Excess of expenditures over revenue:		
Amortization of capital assets	\$ (163,197)	\$ (288,190)
Amortization of deferred capital contributions	138,332	249,467
	(24,865)	(38,723)
Net change in investment in capital assets:		
Capital asset additions	102,696	22,336
Additions to deferred capital contributions	(102,696)	(22,336)
	-	-
	\$ (24,865)	\$ (38,723)

7. 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.

8. Grant revenue:

	2016	2015
Federal, provincial, municipal and other grants	\$ 12,251,440	\$ 12,378,460
UJA Federation of Greater Toronto and Jewish Day School system	331,692	786,587
United Way of Greater Toronto	560,467	549,467
	\$ 13,143,599	\$ 13,714,514

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2016

9. Change in non-cash operating working capital:

	2016	2015
Accounts receivable	\$ (450)	\$ (100,134)
Grants receivable	(114,547)	46,000
Harmonized sales tax receivable	(9,363)	33,919
Prepaid expenses	(7,601)	9,274
Accounts payable and accrued liabilities	160,128	(442,796)
	<u>\$ 28,167</u>	<u>\$ (453,737)</u>

10. Credit facility:

The Agency has credit facilities available in the amount of \$850,000 (2015 - \$600,000). A revolving demand facility in the amount of \$800,000 (2015 - \$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 (2015 - \$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, 2016, no amounts have been drawn on the revolving demand facility (2015 - nil).

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, 2016

11. Commitments and contingencies (continued):

- (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:

2017	\$	629,000
2018		598,000
2019		550,000
2020		456,000
2021		204,000
Thereafter		624,000
Total	\$	3,061,000

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, 2016

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.

13. Comparative information:

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