F I N A N C I A L S T A T E M E N T S

For

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

For year ended

MARCH 31, 2018

INDEPENDENT AUDITOR'S 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, 2018, the statements of operations. changes in net assets and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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, 2018 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.

Other Matter

The financial statements of Jewish Vocational Service of Metropolitan Toronto for the year ended March 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on June 22, 2017.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 20, 2018.

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JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2018

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 3)	$ 1,580,001	$ 1,821,938
Accounts receivable (note 16)	253,477	321,089
Grants receivable	1,653,101	416,423
HST receivable	120,329	81,249
Prepaid expenses	49,114	87,583
	3,656,022	2,728,282
AMOUNTS ON DEPOSIT IN TRUST ACCOUNTS (note 4)	244,854	229,002
EMPLOYEE FUTURE BENEFIT ASSET (note 5)	521,800	482,400
CAPITAL ASSETS (note 6)	2,144,234	1,543,152
	2,910,888	2,254,554
	$ 6,566,910	$ 4,982,836
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 2,147,915	$ 1,835,942
Deferred contributions (note 7)	1,014,085	604,030
	3,162,000	2,439,972
DEFERRED CONTRIBUTIONS (note 7)	225,807	247,164
DEFERRED CAPITAL CONTRIBUTIONS (note 8)	1,128,183	769,965
	1,353,990	1,017,129
NET ASSETS		
Unrestricted	616,432	362,002
Pension remeasurements and other items	(766,640)	(686,830)
Endowments	85,580	83,526
Invested in capital assets (note 9)	1,016,051	1,017,540
Internally restricted (note 10)	1,099,497	749,497
	2,050,920	1,525,735
	$ 6,566,910	$ 4,982,836

Approved on behalf of the Board:

.... Director

.... Director

(See accompanying notes)

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2018

	2018	2017
Revenue		
Grants (note 11)	$ 15,198,943	$ 15,045,277
Fees for service	1,427,257	1,497,944
Workshop sales	2,612	47,362
Other income	43,659	31,164
Recognition of deferred contributions	215,811	197,432
	16,888,282	16,819,179
Expenses		
Salaries	8,105,521	7,939,466
Employee benefits	1,633,595	1,618,341
Client	3,317,228	3,660,846
Rent and occupancy	994,424	1,005,729
Purchased services	524,656	653,739
Miscellaneous	389,340	322,801
Office	522,405	416,237
Delivery partners	349,212	302,168
Amortization of capital assets	138,703	111,435
Computer maintenance	310,257	329,493
	16,285,341	16,360,255
Excess of revenue over expenses	$ 602,941	$ 458,924

(See accompanying notes)

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2018

	2018					
	Unrestricted	Pension remeasurements and other items	Endowments	Invested in capital assets	Internally restricted	Total
Net assets, beginning of year	$ 362,002	$ (686,830)	$ 83,526	$ 1,017,540	$ 749,497	$ 1,525,735
Excess of revenues over expenses (expenses over revenue)	604,430	-	-	(1,489)	-	602,941
Endowment contributions	-	-	2,054	-	-	2,054
Pension remeasurements and other items (note 5)	-	(79,810)	-	-	-	(79,810)
Interfund transfer (note 10)	(350,000)	-	-	-	350,000	-
Net assets, end of year	$ 616,432	$ (766,640)	$ 85,580	$ 1,016,051	$ 1,099,497	$ 2,050,920

	2017					
	Unrestricted	Pension remeasurements and other items	Endowments	Invested in capital assets	Internally restricted	Total
Net assets, beginning of year	$ 248,918	$ (982,430)	$ 79,944	$ 1,041,700	$ 379,497	$ 767,629
Excess of revenues over expenses (expenses over revenue)	483,084	-	-	(24,160)	-	458,924
Endowment contributions	-	-	3,582	-	-	3,582
Pension remeasurements and other items (note 5)	-	295,600	-	-	-	295,600
Interfund transfer (note 10)	(370,000)	-	-	-	370,000	-
Net assets, end of year	$ 362,002	$ (686,830)	$ 83,526	$ 1,017,540	$ 749,497	$ 1,525,735

(See accompanying notes)

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2018

	2018	2017
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 602,941	$ 458,924
Items not involving cash:		
Amortization of capital assets	138,703	111,435
Amortization of deferred capital contributions	(104,780)	(87,275)
Pension expense	61,700	76,900
Employer defined benefit pension contributions	(180,910)	(150,400)
	517,654	409,584
Changes in non-cash working capital components:		
Accounts receivable	67,612	(3,720)
Grants receivable	(1,236,678)	(42,484)
HST receivable	(39,080)	(23,816)
Prepaid expenses	38,469	(45,414)
Accounts payable and accrued liabilities	311,973	664,120
Deferred contributions	388,698	(381,119)
	48,648	577,151
INVESTING ACTIVITIES		
Additions to capital assets	(739,785)	(190,782)
Increase in deposit in trust accounts, net of transfers	(15,852)	(217,283)
	(755,637)	(408,065)
FINANCING ACTIVITIES		
Deferred capital contributions received	462,998	435,135
Endowment contributions	2,054	1,274
	465,052	436,409
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(241,937)	605,495
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,821,938	1,216,443
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,580,001	$ 1,821,938

Supplemental non-cash information:

Earnings on deposits in trust accounts reported in deferred contributions	$ (15,852)	$ (11,719)

(See accompanying notes)

1. NATURE OF OPERATIONS

Jewish Vocational Service of Metropolitan Toronto (the "Agency") is an Ontario organization providing educational, counselling, 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).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

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 capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, and cashable guaranteed investment certificates.

Financial instruments

Financial instruments are recorded at fair value on initial recognition and subsequently measured at cost or amortized cost.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets 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

2. **SIGNIFICANT ACCOUNTING POLICIES** - Cont'd.

Employee future benefits

The Agency has adopted the following policies with respect to employee benefit plans:

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 cost of the defined contribution component is based on a percentage of the employee's pensionable earnings. An expense is recorded in the period in which the contributions are made.

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 Agency recognizes an accrued benefit asset on the statement of financial position, which is the net of the amount of the accrued benefit obligations and the fair value of the plan assets.

Donated materials

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

Contributed services

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.

Use of estimates

The preparation of the Agency's financial statements in accordance 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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accounts where significant estimates are used involve the valuation of assets and obligations related to employee future benefits, allowance for doubtful accounts, and useful lives of capital assets. Actual results could differ from the estimates.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	2018	2017
Cash	$ 1,330,001	$ 1,621,938
Cashable guaranteed investment certificate bearing interest at 0.80% (2017 - 0.65%) per annum	250,000	200,000
	$ 1,580,001	$ 1,821,938

4. 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, 2018, the Funds had sustained an unrealized gain of $1,214 (2017 - $6,272) and investment earnings, net of fees, of $15,633 (2017 - $5,447), which are recorded in deferred contributions.

5. EMPLOYEE FUTURE BENEFIT ASSET

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 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, 2018. 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. Assumptions used to project the accrued benefit obligation were as follows:

- consumer price index increase - 2.50%
- discount rate - 5.50%
- salary increase - 3.50%
- yearly maximum pensionable earnings increase - 3.00%
- maximum pension increase - 3.00%

5. **EMPLOYEE FUTURE BENEFIT ASSET** - Cont'd.

Accrued benefit asset is as follows:

	2018	2017
Accrued benefit obligation	$ (4,113,600)	$ (4,015,800)
Fair value of plan assets	4,635,400	4,498,200
Accrued benefit asset	$ 521,800	$ 482,400

Continuity of the accrued benefit asset is as follows:

	2018	2017
Balance, beginning of year	$ 482,400	$ 113,300
Benefit expense	(61,700)	(76,900)
Employer contributions	180,910	150,400
Pension remeasurements and other items	(79,810)	295,600
Balance, end of year	$ 521,800	$ 482,400

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

	2018	2017
Current service cost	$ 88,400	$ 86,400
Interest cost	(26,700)	(9,500)
Defined benefit pension expense	61,700	76,900
Defined contribution pension expense	216,100	219,900
	$ 277,800	$ 296,800

6. **CAPITAL ASSETS**

Capital assets consist of the following:

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land - 74 Tycos Drive	$ 645,000	$ -	$ 645,000	$ -
Building - 74 Tycos Drive	717,001	546,545	717,001	533,868
Building improvements	1,208,100	303,720	719,031	255,542
Furniture and equipment	683,917	529,432	517,700	507,924
Computers	692,314	681,834	679,738	676,015
Leasehold improvements	245,764	124,414	1,583,514	1,524,520
Construction in progress	138,083	-	179,037	-
	4,330,179	$ 2,185,945	5,041,021	$ 3,497,869
Less: accumulated amortization	(2,185,945)		(3,497,869)	
	$ 2,144,234		$ 1,543,152	

7. DEFERRED CONTRIBUTIONS

Operating deferred contributions relate to unspent externally restricted operating funding received. Deferred contributions consist of the following:

	Grants	Other	2018 Total	2017 Total
Balance, beginning of year	$ 497,481	$ 353,713	$ 851,194	$ 1,222,902
Contributions received	15,345,895	163,558	15,509,453	14,181,994
Contribution revenue recognized	(15,010,006)	(110,749)	(15,120,755)	(14,553,702)
Balance, end of year	833,370	406,522	1,239,892	851,194
Less: Short-term	(833,370)	(180,715)	(1,014,085)	(604,030)
	$ -	$ 225,807	$ 225,807	$ 247,164

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions include the unamortized portions of restricted contributions with which capital assets were originally purchased. Deferred capital contributions consist of the following:

	2018	2017
Balance, beginning of year	$ 769,965	$ 422,105
Contributions received	462,998	435,135
Amortization of deferred capital contributions	(104,780)	(87,275)
Balance, end of year	$ 1,128,183	$ 769,965

Included in deferred capital contributions is $nil (2017 - $244,353) of unspent contributions.

9. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2018	2017
Capital assets	$ 2,144,234	$ 1,543,152
Amounts financed by deferred capital contributions	(1,128,183)	(525,612)
	$ 1,016,051	$ 1,017,540

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

	2018	2017
Excess of expenditures over revenue:		
Amortization of capital assets	$ (138,703)	$ (111,435)
Amortization of deferred capital contributions.	104,780	87,275
	(33,923)	(24,160)
Net change in investment in capital assets:		
Additions to capital assets	918,822	190,782
Amounts financed deferred capital contributions	(886,388)	(190,782)
	32,434	-
	$ (1,489)	$ (24,160)

10. 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 $350,000 (2017 - $370,000) from unrestricted net assets to internally restricted net assets.

11. GRANT REVENUE

Grant revenue consists of the following:

	2018	2017
Federal, provincial, municipal and other	$ 14,399,555	$ 14,270,366
UJA Federation of Greater Toronto	229,872	225,444
United Way Toronto and York Region	569,516	549,467
	$ 15,198,943	$ 15,045,277

12. CREDIT FACILITY

The Agency has credit facilities available in the amount of $850,000 (2017 - $850,000). A revolving demand facility in the amount of $800,000 (2017 - $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 (2017 - $50,000) at prevailing VISA account rates. No amounts have been drawn on the revolving demand facility in 2017 or 2018.

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.

13. CONTINGENT LIABILITIES

At March 31, 2018, there were several employment-related claims against the Agency that are in the process of mediation and arbitration processes. At this time, the outcome of these claims cannot be determined. While, the Agency does not anticipate the results of these claims will be material, a provision for losses has been reflected in the accounts of the Agency for these matters. Any difference with actual settlement will be charged to operations in the year of settlement.

14. COMMITMENTS

The Agency has leases for premises and equipment expiring up to May 2025. The future minimum lease payments, excluding variable costs, required under these leases are as follows:

2019	$ 397,631
2020	360,268
2021	168,008
2022	132,152
2023	108,848
Thereafter	113,471
	$ 1,280,378

15. INDEMNITIES

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.

16. FINANCIAL INSTRUMENTS

The Agency is exposed to and manages various risks resulting from its financial instruments. The following analysis provides a measure of the Agency's risk exposure and concentrations.

Credit risk

The Agency is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Agency's maximum exposure to credit risk represents the sum of the carrying value of its cash and cash equivalents, accounts receivable, grants receivable, and HST receivable. The Agency's cash and cash equivalents are deposited with Canadian chartered banks. As a result, management believes the risk of loss of cash and cash equivalents to be remote. The Agency manages its credit risk of accounts receivable by reviewing and following up on outstanding amounts, and providing for an allowance for doubtful accounts when necessary. Management believes that all accounts receivable, after providing for an allowance for doubtful accounts of $16,440 (2017 - $18,624), will be collected. Grants receivable and HST receivable consists of amounts due from the federal and provincial governments. As a result, Management believes there is minimal credit risk associated with these amounts.

Liquidity risk

Liquidity risk is the risk that the Agency cannot meet a demand for cash or fund its financial obligations as they become due. The Agency manages its liquidity risk by monitoring preparing budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. As a result, Management believes its exposure to liquidity risk is minimal.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Agency's financial instruments are all denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

16. **FINANCIAL INSTRUMENTS** - Cont'd.

Market risk - Cont'd.

ii) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Agency's exposure to interest rate risk arises from its line of credit which bears a floating interest rate based on the bank prime rate. The Agency also has cash equivalents of guaranteed investment certificates but interest rate risk is minimal as it bears a fixed rate of interest. As a result, Management does not believe it is exposed to significant interest rate risk.

iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument, its issuers, or factors affecting all similar instruments traded in the market. The Agency does not have investments in publicly traded securities, and therefore Management does not believe it is exposed to significant other price risk.

Changes in risk

There are no significant changes in the Agency's risk exposure from the prior year.

17. **COMPARATIVE FIGURES**

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.