

FINANCIAL STATEMENTS
For
JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO
For year ended
MARCH 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

Opinion

We have audited the financial statements of Jewish Vocational Service of Metropolitan Toronto (the "Agency"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Agency in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 24, 2020.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents (note 3)	\$ 2,390,277	\$ 1,578,582
Accounts receivable (note 16)	194,218	334,893
Grants receivable	346,200	1,171,886
HST receivable	158,737	138,538
Prepaid expenses	<u>39,068</u>	<u>45,131</u>
	<u>3,128,500</u>	<u>3,269,030</u>
AMOUNTS ON DEPOSIT IN TRUST ACCOUNTS (note 4)	213,755	223,011
EMPLOYEE FUTURE BENEFIT ASSET (note 5)	-	540,800
CAPITAL ASSETS (note 6)	<u>2,232,194</u>	<u>2,417,756</u>
	<u>2,445,949</u>	<u>3,181,567</u>
	<u>\$ 5,574,449</u>	<u>\$ 6,450,597</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,465,296	\$ 1,777,435
Deferred contributions (note 7)	<u>679,067</u>	<u>715,536</u>
	<u>2,144,363</u>	<u>2,492,971</u>
DEFERRED CONTRIBUTIONS (note 7)	178,261	212,109
DEFERRED CAPITAL CONTRIBUTIONS (note 8)	1,286,232	1,432,434
EMPLOYEE FUTURE BENEFIT LIABILITY (note 5)	<u>787,100</u>	<u>-</u>
	<u>2,251,593</u>	<u>1,644,543</u>
NET ASSETS		
Unrestricted	862,439	826,317
Pension remeasurements and other items	(2,164,673)	(836,673)
Endowments	85,268	88,620
Invested in capital assets (note 9)	945,962	985,322
Internally restricted (note 10)	<u>1,449,497</u>	<u>1,249,497</u>
	<u>1,178,493</u>	<u>2,313,083</u>
	<u>\$ 5,574,449</u>	<u>\$ 6,450,597</u>

Approved on behalf of the Board:



..... Director



..... Director

(See accompanying notes)

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
Revenue		
Grants (notes 7 and 11)	\$ 15,238,610	\$ 15,713,873
Fees for service	893,502	1,023,234
Other income	30,719	49,472
Recognition of deferred contributions (note 7)	161,353	154,043
Amortization of deferred capital contributions (note 8)	<u>261,597</u>	<u>189,979</u>
	<u>16,585,781</u>	<u>17,130,601</u>
Expenses		
Salaries	8,538,296	8,221,640
Employee benefits	1,685,852	1,623,170
Client	2,505,594	3,071,374
Rent and occupancy	1,079,091	1,118,744
Purchased services	613,521	776,001
Miscellaneous	473,516	589,227
Delivery partners	427,179	401,053
Office	419,173	473,766
Computer maintenance	344,820	297,081
Amortization of capital assets	<u>301,977</u>	<u>229,389</u>
	<u>16,389,019</u>	<u>16,801,445</u>
Excess of revenue over expenses	<u>\$ 196,762</u>	<u>\$ 329,156</u>

(See accompanying notes)

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2020

	2020					
	<u>Unrestricted</u>	<u>Pension remeasurements and other items</u>	<u>Endowments</u>	<u>Invested in capital assets</u>	<u>Internally restricted</u>	<u>Total</u>
Net assets (deficit), beginning of year	\$ 826,317	\$ (836,673)	\$ 88,620	\$ 985,322	\$ 1,249,497	\$ 2,313,083
Excess of revenues over expenses (expenses over revenue)	236,122	-	-	(39,360)	-	196,762
Endowment contributions and changes in investment value	-	-	(3,352)	-	-	(3,352)
Pension remeasurements and other items (note 5)	-	(1,328,000)	-	-	-	(1,328,000)
Interfund transfer (note 10)	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Net assets (deficit), end of year	<u>\$ 862,439</u>	<u>\$ (2,164,673)</u>	<u>\$ 85,268</u>	<u>\$ 945,962</u>	<u>\$ 1,449,497</u>	<u>\$ 1,178,493</u>
	2019					
	<u>Unrestricted</u>	<u>Pension remeasurements and other items</u>	<u>Endowments</u>	<u>Invested in capital assets</u>	<u>Internally restricted</u>	<u>Total</u>
Net assets (deficit), beginning of year	\$ 616,432	\$ (766,640)	\$ 85,580	\$ 1,016,051	\$ 1,099,497	\$ 2,050,920
Excess of revenues over expenses (expenses over revenue)	359,885	-	-	(30,729)	-	329,156
Endowment contributions and changes in investment value	-	-	3,040	-	-	3,040
Pension remeasurements and other items (note 5)	-	(70,033)	-	-	-	(70,033)
Interfund transfer (note 10)	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Net assets (deficit), end of year	<u>\$ 826,317</u>	<u>\$ (836,673)</u>	<u>\$ 88,620</u>	<u>\$ 985,322</u>	<u>\$ 1,249,497</u>	<u>\$ 2,313,083</u>

(See accompanying notes)

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 196,762	\$ 329,156
Items not involving cash:		
Amortization of capital assets	301,977	229,389
Amortization of deferred capital contributions	(261,597)	(189,979)
Defined benefit pension expense	<u>110,100</u>	<u>49,600</u>
	347,242	418,166
Changes in non-cash working capital components:		
Accounts receivable	140,675	(81,416)
Grants receivable	825,686	481,215
HST receivable	(20,199)	(18,209)
Prepaid expenses	6,063	3,983
Accounts payable and accrued liabilities	(312,139)	(370,480)
Deferred contributions	<u>(70,317)</u>	<u>(312,247)</u>
	<u>917,011</u>	<u>121,012</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of capital assets	(116,415)	(502,911)
Decrease (increase) in deposit in trust accounts, net of transfers	<u>9,256</u>	<u>21,843</u>
	<u>(107,159)</u>	<u>(481,068)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred capital contributions received	115,395	494,230
Endowment contributions	(3,352)	3,040
Employer defined benefit pension contributions	<u>(110,200)</u>	<u>(138,633)</u>
	<u>1,843</u>	<u>358,637</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	811,695	(1,419)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,578,582</u>	<u>1,580,001</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,390,277</u>	<u>\$ 1,578,582</u>

(See accompanying notes)

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

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

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2020

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 under the Defined Benefit Plan (the "Plan") 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 as employees render the services necessary to earn the pensions.

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.

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.

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.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2020

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,191,059	\$ 379,582
Cashable guaranteed investment certificate bearing interest at 1.80% to 2.00% (2019 - 0.80% to 1.80%) per annum, maturity dates ranging from August to November 2020	<u>1,199,218</u>	<u>1,199,000</u>
	<u>\$ 2,390,277</u>	<u>\$ 1,578,582</u>

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 Funds are 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. 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, 2020, the Funds had sustained an unrealized loss of \$12,893 (2019 - unrealized gain of \$2,736) and investment earnings, net of fees, of \$3,638 (2019 - \$7,420), which are recorded in deferred contributions.

5. EMPLOYEE FUTURE BENEFIT ASSET (LIABILITY)

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 value of actuarial liability as at March 31, 2020 has been extrapolated based on the results of the December 31, 2018 actuarial valuation for funding purposes, as well as the actual benefit disbursements made in the period from January 1, 2019 to March 31, 2020. The measurement date of the plan assets and accrued benefit obligation coincides with the Agency's fiscal year. Assumptions used to project the accrued benefit obligation were as follows:

- consumer price index increase - 2.00%
- discount rate - 4.50%
- salary increase - 3.00%
- yearly maximum pensionable earnings increase - 3.00%
- maximum pension increase - 3.00%

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2020

5. EMPLOYEE FUTURE BENEFIT ASSET (LIABILITY) - Cont'd.

Accrued benefit asset is as follows:

	<u>2020</u>	<u>2019</u>
Accrued benefit obligation	\$ (4,938,300)	\$ (3,821,500)
Fair value of plan assets	<u>4,151,200</u>	<u>4,362,300</u>
Accrued future benefit asset (liability)	\$ <u>(787,100)</u>	\$ <u>540,800</u>

Continuity of the accrued benefit asset is as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 540,800	\$ 521,800
Benefit expense	(110,100)	(49,600)
Employer contributions	110,200	138,633
Pension remeasurements and other items	<u>(1,328,000)</u>	<u>(70,033)</u>
Balance, end of year	\$ <u>(787,100)</u>	\$ <u>540,800</u>

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

	<u>2020</u>	<u>2019</u>
Current service cost	\$ 87,300	\$ 77,800
Interest cost	<u>22,800</u>	<u>(28,200)</u>
Defined benefit pension expense	110,100	49,600
Defined contribution pension expense	<u>244,000</u>	<u>233,100</u>
	\$ <u>354,100</u>	\$ <u>282,700</u>

6. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Land - 74 Tycos Drive	\$ 645,000	\$ -	\$ 645,000	\$ -
Building - 74 Tycos Drive	717,001	571,898	717,001	559,222
Building improvements	1,223,686	425,699	1,223,687	364,515
Furniture and equipment	906,388	649,646	821,086	578,747
Computers	198,985	111,447	167,871	62,394
Leasehold improvements	<u>588,078</u>	<u>288,254</u>	<u>588,078</u>	<u>180,089</u>
	4,279,138	<u>\$ 2,046,944</u>	4,162,723	<u>\$ 1,744,967</u>
Less: accumulated amortization	<u>(2,046,944)</u>		<u>(1,744,967)</u>	
	<u>\$ 2,232,194</u>		<u>\$ 2,417,756</u>	

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2020

7. REVENUE AND DEFERRED CONTRIBUTIONS

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

	<u>Grants</u>	<u>Other</u>	<u>2020 Total</u>	<u>2019 Total</u>
Balance, beginning of year	\$ 548,030	\$ 379,615	\$ 927,645	\$ 1,239,892
Contributions received	15,185,966	143,680	15,329,646	15,555,669
Contribution revenue recognized	<u>(15,238,610)</u>	<u>(161,353)</u>	<u>(15,399,963)</u>	<u>(15,867,916)</u>
Balance, end of year	495,386	361,942	857,328	927,645
Less: Short-term	<u>(495,386)</u>	<u>(183,681)</u>	<u>(679,067)</u>	<u>(715,536)</u>
	<u>\$ -</u>	<u>\$ 178,261</u>	<u>\$ 178,261</u>	<u>\$ 212,109</u>

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:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,432,434	\$ 1,128,183
Contributions received	115,395	494,230
Amortization of deferred capital contributions	<u>(261,597)</u>	<u>(189,979)</u>
Balance, end of year	<u>\$ 1,286,232</u>	<u>\$ 1,432,434</u>

9. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	<u>2020</u>	<u>2019</u>
Capital assets	\$ 2,232,194	\$ 2,417,756
Amounts financed by deferred capital contributions	<u>(1,286,232)</u>	<u>(1,432,434)</u>
	<u>\$ 945,962</u>	<u>\$ 985,322</u>

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

	<u>2020</u>	<u>2019</u>
Excess of expenditures over revenue:		
Amortization of capital assets	\$ (301,977)	\$ (229,389)
Amortization of deferred capital contributions.	<u>261,597</u>	<u>189,979</u>
	<u>(40,380)</u>	<u>(39,410)</u>
Net change in investment in capital assets:		
Additions to capital assets	116,415	502,911
Amounts financed by deferred capital contributions	<u>(115,395)</u>	<u>(494,230)</u>
	<u>1,020</u>	<u>8,681</u>
	<u>\$ (39,360)</u>	<u>\$ (30,729)</u>

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2020

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 \$200,000 (2019 - \$150,000) from unrestricted net assets to internally restricted net assets.

11. GRANT REVENUE

Grant revenue consists of the following:

	<u>2020</u>	<u>2019</u>
Federal, provincial, municipal and other	\$ 14,272,767	\$ 14,900,163
UJA Federation of Greater Toronto	345,952	242,594
United Way Greater Toronto	<u>619,891</u>	<u>571,116</u>
	<u>\$ 15,238,610</u>	<u>\$ 15,713,873</u>

12. CREDIT FACILITY

The Agency has credit facilities available in the amount of \$850,000 (2019 - \$900,000). A revolving demand facility in the amount of \$800,000 (2019 - \$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 (2019 - \$100,000) at prevailing VISA account rates. No amounts have been drawn on the revolving demand facility in 2019 or 2020.

13. 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:

2021	\$ 348,536
2022	319,268
2023	300,871
2024	234,387
2025	213,093
Thereafter	<u>8,661</u>
	<u>\$ 1,424,816</u>

14. 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.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2020

15. 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 (2019 - \$16,440), 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 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.

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.

JEWISH VOCATIONAL SERVICE OF METROPOLITAN TORONTO

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2020

16. COVID-19

In mid-March 2020, the province of Ontario declared a state of emergency in response to the public health concerns originating from the spread of COVID-19. On March 19, 2020, the Agency closed its offices while operations continued remotely.

While still evolving, the COVID-19 pandemic has caused significant global economic and financial market disruption, which have had negative impact on the Agency's accrued benefit obligation and fair value of the plan assets for the defined benefit component of the pension plan.

A high degree of uncertainty persists surrounding the full economic impact of the situation. At the time of issuance of these financial statements, the future effect that the abrupt decline in economic activity will have on the Agency's operations, assets, liabilities, revenues and expenses is not yet known.

17. COMPARATIVE FIGURES

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