

Financial statements of

**Tropicana Community
Services Organization**

March 31, 2015

Tropicana Community Services Organization

March 31, 2015

Table of contents

Independent Auditor's Report	1-2
Balance sheet	3
Statement of revenue, expenses and changes in fund balances.....	4-5
Statement of cash flows	6
Notes to the financial statements	7-13

Independent Auditor's Report

To the Members of
Tropicana Community Services Organization

We have audited the accompanying financial statements of Tropicana Community Services Organization (the "Organization"), which comprise the balance sheet as at March 31, 2015, the statements of revenues, expenses and changes in fund balances and of 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 in our audit 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 the Organization as at March 31, 2015 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.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 9, 2015

Tropicana Community Services Organization

Balance sheet

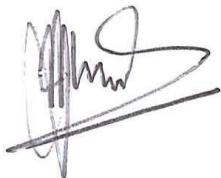
as at March 31, 2015

	2015	2014
	\$	\$
Assets		
Current assets		
Cash and term deposits	298,915	460,205
Accounts receivable	318,752	423,225
Deposits and prepaid expenses	97,845	89,917
	715,512	973,347
Capital assets (Note 3)	6,135,347	4,628,709
	6,850,859	5,602,056
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	1,152,324	1,256,476
Current portion of long-term debt (Note 4)	74,071	34,927
Amount due to funders (Note 5)	74,929	129,975
Deferred revenue (Note 6)	444,470	465,663
	1,745,794	1,887,041
Long-term debt (Note 4)	1,759,154	836,323
Deferred capital grants (Note 7)	2,270,631	1,849,585
	4,029,785	2,685,908
	5,775,579	4,572,949
Fund balances		
Unrestricted (Note 8)	778,197	671,480
Restricted	(80,371)	2,010
Capital building fund (Note 9)	377,454	355,617
	1,075,280	1,029,107
	6,850,859	5,602,056

On behalf of the Board



Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Tropicana Community Services Organization

Statement of revenue, expenses and changes in fund balances year ended March 31, 2015

	Unrestricted		Daycare	A.Y.C.E.	Y.R.C.	Jobs For Youth	Microsoft ProTech	Trusteed Projects	Restricted	Capital Building Fund	2015 Total	2014 Total
	General	CAC-NSP							Total restricted			
	\$	\$							\$			
Revenue												
City of Toronto fees	-	-	691,757	-	-	-	-	-	691,757	-	691,757	709,128
City of Toronto grants	77,235	-	158,218	58,296	-	-	16,355	-	232,869	-	310,104	306,551
Provincial grants	204,822	3,391	-	3,490,388	-	6,200,022	16,000	-	9,706,410	-	9,914,623	9,109,956
Less: unspent provincial grants	-	-	-	(19,526)	-	-	-	-	(19,526)	-	(19,526)	(32,762)
Federal grants	8,919	-	3,851	-	132,757	-	2,452	-	139,060	-	147,979	363,682
United Way	403,105	-	-	-	53,766	-	-	106,655	160,421	12,220	575,746	1,432,550
Foundations and Others	-	-	-	-	-	-	-	-	-	-	-	4,126
Membership and donations	38,204	-	-	13,674	5,121	-	7,500	-	26,295	15,015	79,514	87,116
Parents fees/Fee for Service	19,240	-	45,695	-	390	-	-	-	46,085	-	65,325	78,622
Fund raising - general and others	-	-	-	-	556	-	-	-	556	-	556	839
Fund raising - spring dance	60,020	-	-	-	-	-	-	-	-	-	60,020	65,030
Other income and expense recoveries	199,091	-	-	14,261	1,500	-	350	-	16,111	-	215,202	290,148
Interest income	3,016	-	-	-	-	-	-	-	-	-	3,016	4,608
Rental income	13,325	-	-	-	3,294	-	-	763	4,057	-	17,382	3,650
Amortization of deferred capital grants	47,109	-	-	-	-	-	-	-	-	-	47,109	28,166
	1,074,086	3,391	899,521	3,557,093	197,384	6,200,022	42,657	107,418	11,004,095	27,235	12,108,807	12,451,410
Expenses												
Advertising and promotion	28,739	-	-	55,433	-	10,365	-	656	66,454	-	95,193	75,563
Capital expenditure - Trusteed Projects	-	-	-	-	-	-	-	-	-	-	-	676,405
Fund raising expenses - general and others	-	-	-	-	-	-	-	-	-	-	-	750
Fund raising expenses - spring dance	39,174	-	-	-	-	-	-	-	-	-	39,174	37,380
Amortization	125,919	-	3,599	41,356	3,169	36,462	5,283	-	89,869	4,265	220,053	139,971
Equipment lease	21,579	-	3,181	15,141	4,791	8,077	-	-	31,190	-	52,769	50,758
Food	9,784	-	52,894	2,495	1,516	11,185	-	4,094	72,184	-	81,968	74,827
Insurance	10,170	-	3,809	13,238	842	1,997	-	3,803	23,689	-	33,859	31,666
Employment service reimbursement	-	-	-	1,147,108	-	-	-	-	1,147,108	-	1,147,108	785,482
HRSDC participants' reimbursement	-	-	-	-	56,726	-	-	-	56,726	-	56,726	200,497
Non-recoverable portion of H.S.T.	10,934	-	4,563	13,583	778	10,882	1,155	585	31,546	43	42,523	70,109
OSJS reimbursement	-	-	-	307,307	-	-	-	-	307,307	-	307,307	294,596
Professional fees	62,054	-	8,344	56,522	8,206	19,824	20,205	53,507	166,608	-	228,662	182,633
Program supplies	7,056	-	14,390	6,831	-	55,278	-	2,751	79,250	-	86,306	113,427
Rent, utilities and cleaning	130,246	-	18,969	136,766	-	64,075	-	111	219,921	-	350,167	453,174
Salaries and benefits	1,140,271	-	717,250	1,428,595	163,091	4,603,175	4,227	32,962	6,949,300	-	8,089,571	8,105,260
Special projects	6,500	-	2,448	150,028	-	37,015	-	708	190,199	-	196,699	159,325
Stationery, office supplies and bank charges	118,046	3,391	5,948	29,767	6,916	806,375	1,523	4,516	855,045	1,090	977,572	909,910
Telephone	6,867	-	4,496	8,393	2,881	7,176	402	2,356	25,704	-	32,571	35,520
Travel	4,092	-	123	3,145	981	14,696	-	1,369	20,314	-	24,406	26,516
	1,721,431	3,391	840,014	3,415,708	249,897	5,686,582	32,795	107,418	10,332,414	5,398	12,062,634	12,423,769
Allocation - administration expenses	(754,062)	-	48,000	151,112	22,270	532,680	-	-	754,062	-	-	-
Adjusted total expenses	967,369	3,391	888,014	3,566,820	272,167	6,219,262	32,795	107,418	11,086,476	5,398	12,062,634	12,423,769
Excess (deficiency) of revenue over expenses	106,717	-	11,507	(9,727)	(74,783)	(19,240)	9,862	-	(82,381)	21,837	46,173	27,641
Fund balance, beginning of year	671,480	-	308,975	(244,000)	(161,106)	166,342	(50,963)	(17,238)	2,010	355,617	1,029,107	1,001,466
Fund balances, end of year	778,197	-	320,482	(253,727)	(235,889)	147,102	(41,101)	(17,238)	(80,371)	377,454	1,075,280	1,029,107

The accompanying notes to the financial statements are an integral part of this financial statement.

Tropicana Community Services Organization

Statement of revenue, expenses and changes in fund balances year ended March 31, 2014

	Unrestricted					Restricted					Capital Building Fund	Total
	General	CAC-NSP	Daycare	A.Y.C.E.	Y.R.C.	MCYS Capital Project	Jobs For Youth	Microsoft ProTech	Trusteed Projects	Total restricted		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Revenue												
City of Toronto fees	-	-	709,128	-	-	-	-	-	-	709,128	-	709,128
City of Toronto grants	75,665	-	161,911	34,475	18,500	-	-	16,000	-	230,886	-	306,551
Provincial grants	201,143	3,391	-	3,083,529	-	-	5,795,378	-	-	8,878,907	26,515	9,109,956
Less: unspent provincial grants	-	-	-	(32,762)	-	-	-	-	-	(32,762)	-	(32,762)
Federal grants	9,710	-	4,045	13,043	336,884	-	-	-	-	353,972	-	363,682
United Way	416,305	-	-	-	53,767	-	-	-	939,817	993,584	22,661	1,432,550
Foundations and Others	-	-	-	-	-	-	-	-	4,126	4,126	-	4,126
Membership and donations	35,762	-	115	-	23,397	-	-	20,000	-	43,512	7,842	87,116
Parents fees/Fee for Service	29,835	-	46,065	-	797	-	-	1,925	-	48,787	-	78,622
Fund raising - general and others	-	-	-	-	839	-	-	-	-	839	-	839
Fund raising - spring dance	65,030	-	-	-	-	-	-	-	-	-	-	65,030
Other income and expense recoveries	268,032	-	-	12,056	10,060	-	-	-	-	22,116	-	290,148
Interest income	4,608	-	-	-	-	-	-	-	-	-	-	4,608
Rental income	3,050	-	-	-	600	-	-	-	-	600	-	3,650
Amortization of deferred capital grants	28,166	-	-	-	-	-	-	-	-	-	-	28,166
	1,137,306	3,391	921,264	3,110,341	444,844	-	5,795,378	37,925	943,943	11,253,695	57,018	12,451,410
Expenses												
Advertising and promotion	21,489	-	-	49,779	-	-	3,405	-	890	54,074	-	75,563
Capital expenditure - Trusteed Projects	-	-	-	-	-	-	3,148	-	673,427	676,575	-	676,405
Fund raising expenses - general and others	650	-	-	-	100	-	-	-	-	100	-	750
Fund raising expenses - spring dance	37,380	-	-	-	-	-	-	-	-	-	-	37,380
Amortization	68,430	-	2,074	28,075	1,764	-	35,495	1,595	-	69,003	2,368	139,971
Equipment lease	28,280	-	3,767	13,085	4,961	-	665	-	-	22,478	-	50,758
Food	6,687	-	52,881	2,875	2,200	-	8,950	50	1,184	68,140	-	74,827
Insurance	6,353	-	5,155	15,049	1,265	-	-	-	3,844	25,313	-	31,666
Employment service reimbursement	-	-	-	785,482	-	-	-	-	-	785,482	-	785,482
HRSDC participants' reimbursement	-	-	-	-	200,497	-	-	-	-	200,497	-	200,497
Non-recoverable portion of H.S.T.	13,088	-	4,327	14,448	847	-	8,013	1,172	27,280	56,087	934	70,109
QSJS reimbursement	-	-	-	294,596	-	-	-	-	-	294,596	-	294,596
Professional fees	53,753	-	12,418	57,947	8,997	-	29,580	13,509	6,429	128,880	-	182,633
Program supplies	7,118	-	16,009	7,319	-	-	77,728	1,184	4,069	106,309	-	113,427
Rent, utilities and cleaning	179,031	-	17,882	158,697	-	-	96,638	-	926	274,143	-	453,174
Salaries and benefits	1,190,195	-	744,605	1,329,969	213,138	-	4,437,378	25,366	164,609	6,915,065	-	8,105,260
Special projects	120	-	1,927	157,278	-	-	-	-	-	159,205	-	159,325
Stationery, office supplies and bank charges	110,502	3,391	3,873	48,280	9,362	-	673,506	1,988	59,008	796,017	-	909,910
Telephone	9,774	-	5,052	8,537	3,011	-	7,365	533	1,248	25,746	-	35,520
Travel	5,329	-	318	3,786	1,480	-	14,574	-	1,029	21,187	-	26,516
	1,738,179	3,391	870,288	2,975,202	447,622	-	5,396,445	45,397	943,943	10,678,897	3,302	12,423,769
Allocation - administration expenses	(654,457)	-	48,000	154,612	30,637	-	421,208	-	-	654,457	-	-
Adjusted total expenses	1,083,722	3,391	918,288	3,129,814	478,259	-	5,817,653	45,397	943,943	11,333,354	3,302	12,423,769
Excess (deficiency) of revenue over expenses	53,584	-	2,976	(19,473)	(33,415)	-	(22,275)	(7,472)	-	(79,659)	53,716	27,641
Fund balance, beginning of year	617,330	-	305,999	(224,527)	(127,691)	566	188,617	(43,491)	(17,238)	82,235	301,901	1,001,466
Inter-fund transfer	566	-	-	-	-	(566)	-	-	-	(566)	-	-
Fund balances, end of year	671,480	-	308,975	(244,000)	(161,106)	-	166,342	(50,963)	(17,238)	2,010	355,617	1,029,107

The accompanying notes to the financial statements are an integral part of this financial statement.

Tropicana Community Services Organization

Statement of cash flows year ended March 31, 2015

	2015	2014
	\$	\$
Operating activities		
Excess of revenue over expenses	46,173	27,641
Items not affecting cash		
Amortization of deferred capital grant	(47,109)	(28,166)
Amortization of capital assets	220,053	139,971
	219,117	139,446
Changes in non cash working capital items		
Accounts receivable	104,473	52,599
Deposits and prepaid expenses	(7,928)	28,928
Accounts payable and accrued liabilities	(104,152)	(1,344)
Amount due to funders	(55,046)	82,806
Deferred revenue	(21,193)	(317,873)
	135,271	(15,438)
Investing activities		
Deferred capital grants received	468,155	427,751
Purchase of capital assets	(1,726,691)	(959,759)
	(1,258,536)	(532,008)
Financing activity		
Long-term debt	961,975	(33,661)
Increase (decrease) in cash and term deposits	(161,290)	(581,107)
Cash and term deposits, beginning of year	460,205	1,041,312
Cash and term deposits, end of year	298,915	460,205
Cash and term deposits comprise the following		
Cash	(85,761)	78,393
Term deposits	384,676	381,812
	298,915	460,205
Supplementary cash flow information		
Interest paid	48,871	32,915

The accompanying notes to the financial statements are an integral part of this financial statement.

Tropicana Community Services Organization

Notes to the financial statements

March 31, 2015

1. Purpose of Organization

Tropicana Community Services Organization (the "Organization") is a charitable organization providing culturally appropriate social services in east Toronto, focusing on the needs of youth and the Caribbean and Black communities.

Through the cooperative efforts of staff, volunteers and community partners, the Organization provides counseling and other support programs to have an enduring positive impact in building a healthier community, by enhancing self-reliance and self-worth.

The Organization is a charitable organization under the Income Tax Act and therefore, is not subject to either Federal or Provincial income taxes.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for Not-for-Profit organizations, using the restricted method for recognizing restricted contributions, and reflect the following policies:

Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful lives at the following annual rates:

Building	Straight-basis over 50 years
Furniture and equipment	20% declining-balance
Computer equipment	33.33% declining-balance

Leasehold improvements are amortized on the straight-line basis over the term of the leases.

Revenue recognition

Restricted donations and grants are recognized as revenue of the appropriate restricted funds. All other restricted donations and grants for which no restricted funds have been established are deferred and recognized as revenue of the General Fund in the years in which the related expense are incurred. Unrestricted donations or grants are recognized as revenue of the General Fund.

Allocation of expenses

The Organization does not allocate administration expenses to functions; instead, it records such expenses in a separate account and then re-allocates the total to the various programs based on amounts allowed in the budget by the funders.

Fund balance

Upon completion of each program and subsequent final settlement with the primary funding agency, any remaining fund balance is transferred into the General Fund balance, or as contracted with the Funder, included in the appropriate Restricted Fund.

Donated services

The work of the Organization is dependent on the voluntary services of many members. Due to the difficulty of determining the fair value of these services, they are not recognized in these financial statements and no official receipts are therefore issued.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for term deposits. The Organization has elected to use the fair value option to measure term deposits, with any subsequent changes in fair value recorded in the Statement of revenue, expenses and changes in fund balances.

Deferred capital grants

Amounts received for the purchase of capital assets are recorded as deferred capital grants and are amortized at the same rate as the related capital assets.

Tropicana Community Services Organization

Notes to the financial statements

March 31, 2015

3. Capital assets

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	700,000	-	700,000	700,000
Building	5,329,423	162,184	5,167,239	3,606,024
Furniture and equipment	598,431	442,663	155,768	203,612
Computer equipment	712,328	635,666	76,662	70,655
Leasehold improvements	358,741	323,063	35,678	48,418
	7,698,923	1,563,576	6,135,347	4,628,709

The Organization purchased its own building on February 17, 2012. Amortization of the building commenced upon occupancy on July 1, 2013.

The Ministry of Children and Youth Services (the "Ministry") agreed to assist the Organization by providing funds for the acquisition and renovation of the premises for use to operate the program approved by and/or funded by the Ministry. The amount contributed is \$2,000,000, of which \$700,000 was for the purchase of the land and was received and recorded in the Statement of changes in fund balances during the 2012 fiscal year. The remaining \$1,300,000 is included in deferred capital grant (Note 7).

4. Long-term debt

On February 14, 2012, the Organization entered into a fixed rate loan agreement with Royal Bank of Canada. The original principal amount was \$940,000 and bears an annual interest rate of 3.70%. The loan is repayable by consecutive monthly blended payments of \$5,548, including interest, based on a 240-month amortization. On February 17, 2015, this loan agreement was renewed for a 36-month term with principal amount of \$842,462 and bears an annual interest rate of 3.20%. The loan is repayable by consecutive monthly blended payments of \$5,322, including interest, based on a 205-month amortization. All outstanding principal and interest is payable in full at the end of the term.

Additionally, on February 17, 2015, the Organization entered into a fixed rate loan agreement with Royal Bank of Canada. The principal amount of \$1,000,000 bears an annual interest of 3.20% for a 36-month term. The loan is repayable by consecutive monthly blended payments of \$5,648, including interest, based on a 240-month amortization.

As security, the bank has a first ranking interest in all personal property of the Organization and also has a first fixed charge on the land and building (Note 3).

Long-term debt consists of the following:

	2015	2014
	\$	\$
Principal amount outstanding	1,833,225	871,250
Less: current portion	74,071	34,927
Long-term portion	1,759,154	836,323

Tropicana Community Services Organization

Notes to the financial statements

March 31, 2015

4. Long-term debt (continued)

Principal repayments to the maturity date are as follows:

Fiscal year	\$
2016	74,071
2017	76,477
2018	1,682,677
	<u>1,833,225</u>

Interest paid for the year ended March 31, 2015 totaled \$48,871 (2014 - \$32,915).

5. Amount due to funders

The amount represents unspent funding that will be recovered by the funders in the next fiscal year.

6. Deferred revenue

	2015	2014
	\$	\$
Trusted projects	29,314	132,538
Daycare wage subsidy (Note 11)	(24,952)	24,363
Other programs	440,108	308,761
	<u>444,470</u>	<u>465,663</u>

The Organization administers certain projects under the terms of trustee agreements. Revenue is recognized for these projects to the extent of expenses incurred, with the unspent amounts included in deferred revenue.

7. Deferred capital grants

	2015	2014
	\$	\$
Ministry of Children and Youth Services	1,300,000	1,300,000
Federal Economic Development Agency	545,906	277,751
Ontario Trillium Foundation	500,000	300,000
	<u>2,345,906</u>	<u>1,877,751</u>
Amortization	(75,275)	(28,166)
	<u>2,270,631</u>	<u>1,849,585</u>

Tropicana Community Services Organization

Notes to the financial statements

March 31, 2015

8. Unrestricted fund

The Unrestricted fund includes the invested in capital assets fund, which consists of:

	2015	2014
	\$	\$
Net book value of capital assets	6,135,347	4,628,709
Long-term debt	(1,833,225)	(871,250)
Deferred capital grant (Note 7)	(2,270,631)	(1,849,585)
	2,031,491	1,907,874

9. Capital building fund

The Capital building fund is an internally restricted account that was established by the Board with the aim to appropriate contributions, and record funds expended, towards the future development of the Organization's own building.

10. Transfer Payment Annual Reconciliation ("TPAR")

The Organization has five Service Contracts/CFSA (Child and Family Services Act) Approvals with the Ministry of Community and Social Services and the Ministry of Children and Youth Services. The contracts require the completion of an annual program reconciliation report that summarizes by service, all revenues and expenses and identifies any resulting surplus or deficit.

These reports show the following services to be in surplus (deficit) position for the year ended March 31, 2015:

						2015	2014
	V.A.W. (Counsel. Service)	V.A.W. (Perf. Mngt. Framework)	V.A.W. (Capacity Building)	Summer Jobs For Youth	C.A.C. (Transitional Support)	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue per TPAR	127,368	2,100	5,100	6,200,022	70,970	6,405,560	5,415,957
Expenses per TPAR	126,415	2,235	4,384	6,200,022	79,869	6,412,925	5,440,783
Surplus (deficit) per TPAR	953	(135)	716	-	(8,899)	(7,365)	(24,826)

Tropicana Community Services Organization

Notes to the financial statements

March 31, 2015

11. Toronto Children's Services wage grants

The following amounts are included in the Daycare column amounts on the Statement of revenue, expenses and changes in fund balances.

						2015	2014
		Wage	P.E.	P.E.	Wage		
		subsidy	Prior 98	99-05	improvement	Total	Total
					funding	\$	\$
Deferred from prior years	(1)	24,363	-	-	-	24,363	(222)
Grants received							
Infant/Toddler		41,959	3,141	5,749	4,402	55,250	96,276
Pre-school/School Age		29,102	3,140	4,616	3,779	40,637	78,505
	(2)	71,061	6,281	10,365	8,181	95,887	174,781
Expense							
Infant/Toddler		63,539	4,756	8,706	6,665	83,666	82,751
Pre-school/School Age		44,069	4,755	6,990	5,723	61,537	67,445
	(3)	107,608	9,511	15,696	12,388	145,203	150,196
Wage subsidies returned to Children's Services this fiscal year	(4)	-	-	-	-	-	-
Wage subsidies deferred to future years (1) + (2) - (3) - (4)		(12,184)	(3,230)	(5,331)	(4,207)	(24,952)	24,363

12. Guarantees and commitments

(i) Guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees subject to the disclosure requirements of AcG-14 are as follows:

- a) The Organization has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements the Organization agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- b) Indemnity has been provided to all directors and or officers of the Organization for various items including, but not limited to, all costs to settle suits or actions due to association with the Organization, subject to certain restrictions. The Organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Organization. The maximum amount of any potential future payment cannot be reasonably estimated.

Tropicana Community Services Organization

Notes to the financial statements

March 31, 2015

12. Guarantees and commitments (continued)

(i) Guarantees (continued)

- c) In the normal course of business, the Organization has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Organization to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Organization from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Organization has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

(ii) Commitments

The Organization has the following minimum lease commitments under operating leases, the latest expiry date of which is March 23, 2020:

	\$
2016	81,377
2017	81,633
2018	84,191
2019	84,702
2020	38,667
	<hr/> <u>370,570</u>

13. Financial instruments

Fair value

The fair value of the Organization's accounts receivable, accounts payable and accrued liabilities and amount due to funders approximates their carrying value due to their short-term maturity.

The Organization manages the risks associated with financial instruments as follows:

- Credit risk is the possibility that other parties may default on their financial obligations. The Organization manages its credit risk by renewing the allowance for potential credit losses on a regular basis.
- Interest rate risk is the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. The Organization manages this risk on investments by investing in short term investments, which limits exposure to this risk. The Organization's mortgage is at a fixed rate which allows the Organization to manage future cash flows.

Tropicana Community Services Organization

Notes to the financial statements

March 31, 2015

14. Project classification

The Organization has several restricted and unrestricted projects to complete. The funds for restricted projects are to be used for those specific projects only. The following are programs carried out by the Organization during the year:

<u>Department</u>	<u>Program/Project</u>
General	
Administration/Capital Campaign/Fundraising	
C.A.C. - Culturally Appropriate Counselling	Family Counselling N.S.P. - Newcomer Settlement Program V.A.W. - Violence Against Women Transitional Support
Youth	Youth Development and Recreation Aggression Replacement Training Defy Your Label
Education	Tutoring Camp Tropicana March Break Camp Parent Support
Restricted	
Children of Tomorrow Day Care Organizations	Kindergarten, Pre-school/School Age, Infant/Toddler
A.Y.C.E. - Alternative Youth Centre for Employment	Employment Service/Subsidies Youth Employment Program Pre-apprenticeship Training Program Ontario Summer Jobs Service Canada-Ontario Job Grant Investing in Neighbourhood
Youth Resource Centre	Leading Youth to Viable Employment
Jobs for Youth	Summer/After School Programs
Trusted Projects	Dorset Park Youth Council Steeles/L'Amoreaux Youth Hub
Special Projects	MCYS ProTech Media Lab

15. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$12,349 (2014 - \$15,399) of income taxes, CPP and EI owing to the government.