

Financial statements of

**Tropicana Community
Services Organization**

March 31, 2017

Tropicana Community Services Organization

March 31, 2017

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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, 2017, 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 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, 2017 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

Licensed Public Accountants

June 14, 2017

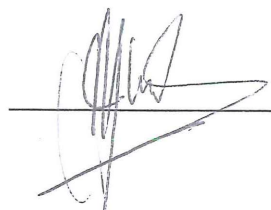
Tropicana Community Services Organization

Balance sheet
as at March 31, 2017

| | 2017 | 2016 |
|--|------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash and term deposits | 783,818 | 1,163,388 |
| Accounts receivable | 276,522 | 93,653 |
| Deposits and prepaid expenses | 87,179 | 87,330 |
| | 1,147,520 | 1,344,371 |
| Capital assets (Note 3) | 5,902,574 | 6,076,960 |
| | 7,050,094 | 7,421,331 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 15) | 1,176,251 | 1,110,078 |
| Current portion of long-term debt (Note 4) | 72,283 | 76,476 |
| Amount due to funders (Note 5) | 795,385 | 644,677 |
| Deferred revenue (Note 6) | 203,135 | 457,661 |
| | 2,247,054 | 2,288,892 |
| Long-term debt (Note 4) | 1,610,395 | 1,682,678 |
| Deferred capital grants (Note 7) | 2,277,292 | 2,334,515 |
| | 3,887,687 | 4,017,193 |
| | 6,134,741 | 6,306,085 |
| Fund balances | | |
| Unrestricted (Note 8) | 684,217 | 797,855 |
| Restricted | (198,560) | (73,155) |
| Capital building fund (Note 9) | 429,696 | 390,546 |
| | 915,353 | 1,115,247 |
| | 7,050,094 | 7,421,332 |

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, 2017

| | Restricted | | | | | | | | | Capital Building Fund | 2017 Total |
|---|----------------|--------------|----------------|------------------|------------------|-------------------|-----------------|----------------------|---------------------|-----------------------------|----------------|
| | Unrestricted | | Daycare | TEC | LYVE | Jobs For Youth | The Lab | Trusteed Projects | Total restricted | | |
| | General | CAC-NSP | | | | | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Revenue | | | | | | | | | | | |
| City of Toronto fees | - | - | 678,382 | - | - | - | 17,065 | - | 695,447 | - | 695,447 |
| City of Toronto grants | 76,141 | - | 104,585 | 27,740 | 5,400 | - | - | - | 137,725 | - | 213,866 |
| Provincial grants | 209,847 | 3,391 | - | 5,196,535 | - | - | - | - | 5,196,535 | - | 5,409,773 |
| Federal grants | 24,259 | - | 7,119 | 15,255 | 259,146 | - | - | - | 281,520 | - | 305,779 |
| United Way | 318,725 | - | - | 416,771 | 53,767 | - | - | - | 470,538 | 19,220 | 808,483 |
| Membership and donations | 27,219 | - | 100 | 13,515 | 41,395 | - | 4,361 | 65,260 | 124,631 | 22,659 | 174,509 |
| Parents fees/Fee for Service | 23,641 | - | 49,151 | 425 | 75 | - | - | - | 49,651 | - | 73,292 |
| Fund raising - general and others | 3,121 | 25 | - | - | - | - | - | - | - | - | 3,146 |
| Fund raising - spring dance/uplifting spirits | 25,594 | - | - | - | - | - | - | - | - | - | 25,594 |
| Other income and expense recoveries | 270,437 | - | - | 4,009 | - | - | - | - | 4,009 | - | 274,446 |
| Interest income | 721 | - | - | - | - | - | - | - | - | - | 721 |
| Rental income | 50,824 | - | - | - | - | - | - | - | - | - | 50,824 |
| Amortization of deferred capital grants | 57,223 | - | - | - | - | - | - | - | - | - | 57,223 |
| | 1,087,752 | 3,416 | 839,337 | 5,674,250 | 359,783 | - | 21,426 | 65,260 | 6,960,056 | 41,879 | 8,093,103 |
| Expenses | | | | | | | | | | | |
| Advertising and promotion | 20,531 | - | 273 | 47,577 | - | - | - | 841 | 48,691 | - | 69,222 |
| Fund raising - general and others | 1,132 | - | - | - | - | - | - | - | - | - | 1,132 |
| Fund raising - spring dance/uplifting spirits | 15,576 | - | - | - | - | - | - | - | - | - | 15,576 |
| Amortization | 148,865 | - | 1,062 | 23,519 | 362 | - | 4,339 | - | 29,282 | 2,729 | 180,876 |
| Equipment lease | 19,927 | - | 4,292 | 21,941 | 3,584 | - | - | - | 29,817 | - | 49,744 |
| Food | 8,666 | - | 53,253 | 3,148 | 2,087 | - | - | 1,404 | 59,892 | - | 68,558 |
| Insurance | 13,139 | - | 3,557 | 15,476 | 1,267 | - | - | 252 | 20,552 | - | 33,691 |
| Employment service reimbursement | - | - | - | 2,245,607 | - | - | - | - | 2,245,607 | - | 2,245,607 |
| HRSDC participants' reimbursement | - | - | - | - | 151,916 | - | - | - | 151,916 | - | 151,916 |
| Non-recoverable portion of Harmonized Sales Tax | 9,206 | - | 5,857 | 17,834 | 698 | - | - | - | 24,389 | - | 33,595 |
| OSJS reimbursement | - | - | - | - | - | - | - | - | - | - | - |
| Professional fees | 33,225 | - | 9,048 | 70,506 | 4,858 | - | 270 | - | 84,682 | - | 117,907 |
| Program supplies | 9,193 | - | 17,589 | 14,313 | 4,569 | - | - | 3,730 | 40,201 | - | 49,394 |
| Rent, utilities, renovations and cleaning | 96,115 | - | 14,713 | 240,041 | 16,764 | - | - | 7,190 | 278,708 | - | 374,823 |
| Salaries and benefits | 1,201,768 | - | 695,759 | 1,970,318 | 161,296 | - | - | 45,871 | 2,873,244 | - | 4,075,012 |
| Special projects | - | - | 1,429 | 230,041 | - | - | - | - | 231,470 | - | 231,470 |
| Stipend | - | - | - | 331,457 | - | - | - | - | 331,457 | - | 331,457 |
| Stationery, office supplies and bank charges | 120,004 | - | 54,978 | 47,262 | 6,437 | - | - | 1,833 | 110,510 | - | 230,514 |
| Telephone | 9,443 | - | 2,210 | 6,035 | 918 | - | - | - | 9,163 | - | 18,606 |
| Travel | 2,904 | - | 283 | 9,396 | 64 | - | - | 1,250 | 10,993 | - | 13,897 |
| | 1,709,694 | - | 864,303 | 5,294,470 | 354,820 | - | 4,609 | 62,371 | 6,580,573 | 2,729 | 8,292,996 |
| Allocation - administration expenses | (504,888) | - | 48,000 | 400,175 | 43,068 | - | 6,420 | 7,225 | 504,888 | - | - |
| Adjusted total expenses | 1,204,806 | - | 912,303 | 5,694,645 | 397,888 | - | 11,029 | 69,596 | 7,085,461 | 2,729 | 8,292,996 |
| Excess (deficiency) of revenue over expenses | (117,054) | 3,416 | (72,966) | (20,395) | (38,105) | - | 10,397 | (4,336) | (125,405) | 39,150 | (199,893) |
| Fund balance, beginning of year | 794,464 | 3,391 | 275,725 | (220,431) | (267,101) | 190,128 | (37,833) | (13,643) | (73,155) | 390,546 | 1,115,246 |
| Fund balances, end of year | 677,410 | 6,807 | 202,759 | (240,826) | (305,206) | 190,128 | (27,436) | (17,979) | (198,560) | 429,696 | 915,353 |

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, 2016

| | Unrestricted | | Restricted | | | | | | | Capital Building Fund | 2016 Total |
|---|------------------|--------------|----------------|------------------|------------------|-------------------|-----------------|----------------------|---------------------|-----------------------------|-------------------|
| | General | CAC-NSP | Daycare | TEC | LYVE | Jobs For Youth | The Lab | Trusteed Projects | Total restricted | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | |
| Revenue | | | | | | | | | | | |
| City of Toronto fees | - | - | 705,744 | - | - | - | 16,700 | - | 722,444 | - | 722,444 |
| City of Toronto grants | 78,765 | - | 120,660 | 42,085 | - | - | - | - | 162,745 | - | 241,510 |
| Provincial grants | 224,747 | 3,391 | - | 3,977,746 | - | 4,872,130 | - | - | 8,849,876 | - | 9,078,014 |
| Less: unspent provincial grants | - | - | - | - | - | - | - | - | - | - | - |
| Federal grants | 9,154 | - | - | - | 273,098 | - | - | - | 273,098 | - | 282,252 |
| United Way | 402,105 | - | - | 30,886 | 53,767 | 19,679 | - | 22,110 | 126,442 | 10,154 | 538,701 |
| Membership and donations | 49,336 | - | - | 22,015 | 14,213 | - | 300 | - | 36,528 | 6,350 | 92,214 |
| Parents fees/Fee for Service | 25,655 | - | 51,443 | - | 525 | - | 135 | - | 52,103 | - | 77,758 |
| Fund raising - general and others | - | - | 133 | - | - | - | - | - | 133 | - | 133 |
| Fund raising - spring dance | 16,243 | - | - | - | - | - | - | - | - | - | 16,243 |
| Other income and expense recoveries | 208,279 | - | - | - | - | - | - | 46,944 | 46,944 | - | 255,223 |
| Interest income | 1,150 | - | - | - | - | - | - | - | - | - | 1,150 |
| Rental income | 40,209 | - | - | - | - | - | - | - | - | - | 40,209 |
| Amortization of deferred capital grants | 49,471 | - | - | - | - | - | - | - | - | - | 49,471 |
| | 1,105,114 | 3,391 | 877,980 | 4,072,732 | 341,603 | 4,891,809 | 17,135 | 69,054 | 10,270,313 | 16,504 | 11,395,322 |
| Expenses | | | | | | | | | | | |
| Advertising and promotion | 26,836 | - | 232 | 45,928 | 116 | 3,628 | - | 100 | 50,004 | - | 76,840 |
| Fund raising - general and others | 14,358 | - | - | - | - | - | - | - | - | - | 14,358 |
| Fund raising - spring dance | - | - | - | - | - | - | - | - | - | - | - |
| Amortization | 126,158 | - | 824 | 15,054 | 543 | 34,921 | 6,769 | - | 58,111 | 3,412 | 187,681 |
| Equipment lease | 23,167 | - | 3,427 | 10,050 | 4,365 | 6,346 | - | - | 24,188 | - | 47,355 |
| Food | 3,196 | - | 52,259 | 2,797 | 1,030 | 19,591 | - | 942 | 76,618 | - | 79,814 |
| Insurance | 11,631 | - | 3,555 | 13,843 | 853 | 3,035 | - | 4,529 | 25,815 | - | 37,446 |
| Employment service reimbursement | - | - | - | 1,285,700 | - | - | - | - | 1,285,700 | - | 1,285,700 |
| HRSDC participants' reimbursement | - | - | - | - | 180,562 | - | - | - | 180,562 | - | 180,562 |
| Non-recoverable portion of Harmonized Sales Tax | 17,089 | - | 4,777 | 13,484 | 677 | 11,045 | 246 | 156 | 30,384 | - | 47,473 |
| OSJS reimbursement | - | - | - | 345,637 | - | - | - | - | 345,637 | - | 345,637 |
| Professional fees | 65,596 | - | 9,045 | 63,842 | 6,493 | 42,655 | 6,737 | 14,273 | 143,045 | - | 208,641 |
| Program supplies | 12,743 | - | 16,401 | 7,216 | 395 | 82,359 | - | 3,052 | 109,423 | - | 122,165 |
| Rent, utilities, renovations and cleaning | 237,891 | - | 19,380 | 157,227 | 7,740 | 47,049 | - | 5,602 | 236,998 | - | 474,889 |
| Salaries and benefits | 1,203,229 | - | 724,039 | 1,647,610 | 134,939 | 3,654,408 | - | 27,792 | 6,188,788 | - | 7,392,017 |
| Special projects | 4,443 | - | 2,535 | 158,333 | - | 67,547 | - | - | 228,415 | - | 232,858 |
| Stipend | - | - | - | - | - | 131,765 | - | - | 131,765 | - | 131,765 |
| Stationery, office supplies and bank charges | 108,289 | - | 32,344 | 48,721 | 6,883 | 246,007 | 116 | 2,046 | 336,117 | - | 444,406 |
| Telephone | 10,046 | - | 5,564 | 3,361 | 719 | 5,392 | - | 1,720 | 16,756 | - | 26,802 |
| Travel | 2,642 | - | 354 | 5,566 | 672 | 8,799 | - | 912 | 16,303 | - | 18,945 |
| | 1,867,315 | - | 874,737 | 3,824,367 | 345,988 | 4,364,545 | 13,867 | 61,124 | 9,484,629 | 3,412 | 11,355,356 |
| Allocation - administration expenses | (778,467) | - | 48,000 | 215,069 | 26,826 | 484,237 | - | 4,335 | 778,467 | - | - |
| Adjusted total expenses | 1,088,847 | - | 922,737 | 4,039,436 | 372,815 | 4,848,783 | 13,867 | 65,459 | 10,263,097 | 3,412 | 11,355,356 |
| Excess (deficiency) of revenue over expenses | 16,267 | 3,391 | (44,757) | 33,296 | (31,212) | 43,026 | 3,268 | 3,595 | 7,216 | 13,092 | 39,966 |
| Fund balance, beginning of year | 778,197 | - | 320,482 | (253,727) | (235,889) | 147,102 | (41,101) | (17,238) | (80,371) | 377,454 | 1,075,280 |
| Fund balances, end of year | 794,464 | 3,391 | 275,725 | (220,431) | (267,101) | 190,128 | (37,833) | (13,643) | (73,155) | 390,546 | 1,115,246 |

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, 2017

| | 2017 | 2016 |
|--|----------------|------------------|
| | \$ | \$ |
| Operating activities | | |
| (Deficiency) Excess of revenue over expenses | (199,893) | 39,966 |
| Items not affecting cash | | |
| Amortization of deferred capital grant | (57,223) | (49,471) |
| Amortization of capital assets | 180,876 | 187,681 |
| | (76,240) | 178,176 |
| Changes in non cash working capital items | | |
| Accounts receivable | (182,870) | 225,099 |
| Deposits and prepaid expenses | 151 | 10,515 |
| Accounts payable and accrued liabilities | 66,173 | (42,246) |
| Amount due to funders | 150,708 | 569,748 |
| Deferred revenue | (254,526) | 13,191 |
| | (296,603) | 954,483 |
| Investing activities | | |
| Deferred capital grants received | (0) | 113,355 |
| Purchase of capital assets | (6,490) | (129,294) |
| | (6,490) | (15,939) |
| Financing activity | | |
| Long-term debt | (76,476) | (74,071) |
| (Decrease) Increase in cash and term deposits | (379,570) | 864,473 |
| Cash and term deposits, beginning of year | 1,163,388 | 298,915 |
| Cash and term deposits, end of year | 783,818 | 1,163,388 |
| Cash and term deposits comprise the following | | |
| Cash | 678,778 | 1,058,348 |
| Term deposits | 105,040 | 105,040 |
| | 783,818 | 1,163,388 |
| Supplementary cash flow information | | |
| Interest paid | 66,701 | 57,583 |

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, 2017

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 of 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 the 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.

Tropicana Community Services Organization

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

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.

3. Capital assets

| | | | 2017 | 2016 |
|-------------------------|------------------|--------------------------|------------------|------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Land | 700,000 | - | 700,000 | 700,000 |
| Building | 5,329,423 | 376,722 | 4,952,701 | 5,059,970 |
| Furniture and equipment | 677,106 | 520,044 | 157,061 | 191,800 |
| Computer equipment | 777,192 | 707,213 | 69,979 | 96,648 |
| Leasehold improvements | 358,741 | 335,907 | 22,834 | 28,542 |
| | 7,842,462 | 1,939,888 | 5,902,574 | 6,076,960 |

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 was \$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 the Royal Bank of Canada. The original principal amount was \$940,000 and bore an annual interest rate of 3.70%. The loan was 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 a 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:

| | 2017 | 2016 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Principal amount outstanding | 1,682,678 | 1,759,154 |
| Less: current portion | 72,283 | 76,476 |
| Long-term portion | 1,610,395 | 1,682,678 |

Interest paid for the year ended March 31, 2017 totaled \$66,701 (2016 - \$57,583).

Tropicana Community Services Organization

Notes to the financial statements

March 31, 2017

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

| | 2017 | 2016 |
|--------------------------------|----------------|----------------|
| | \$ | \$ |
| Trusted projects | 9,859 | 21,654 |
| Daycare wage subsidy (Note 11) | (46,045) | (17,716) |
| Other programs | 239,321 | 453,723 |
| | 203,135 | 457,661 |

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

| | 2017 | 2016 |
|---|------------------|------------------|
| | \$ | \$ |
| Ministry of Children and Youth Services | 1,300,000 | 1,300,000 |
| Federal Economic Development Agency | 612,709 | 612,709 |
| Ontario Trillium Foundation | 546,552 | 546,552 |
| | 2,459,261 | 2,459,261 |
| Accumulated amortization | (181,969) | (124,746) |
| | 2,277,292 | 2,334,515 |

8. Unrestricted fund

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

| | 2017 | 2016 |
|----------------------------------|------------------|------------------|
| | \$ | \$ |
| Net book value of capital assets | 5,902,574 | 6,076,960 |
| Long-term debt | (1,682,678) | (1,759,154) |
| Deferred capital grant (Note 7) | (2,277,292) | (2,334,515) |
| | 1,942,604 | 1,983,291 |

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.

Tropicana Community Services Organization

Notes to the financial statements

March 31, 2017

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, 2017:

| | | | | | 2017 | 2016 |
|-------------------------------|---------------------------------|--------------------------------------|----------------------------------|-------------------------------------|----------|-----------|
| | V.A.W. (Counsel. Service) | V.A.W. (Perf. Mngt. Framework) | V.A.W. (Capacity Building) | C.A.C. (Transitional Support) | Total | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue per TPAR | 130,499 | 2,100 | 5,400 | 71,848 | 209,847 | 2,105,878 |
| Expenses per TPAR | 139,298 | 2,553 | 4,495 | 83,427 | 229,773 | 2,131,963 |
| (Deficit) surplus per TPAR | (8,799) | (453) | 905 | (11,579) | (19,926) | (26,085) |

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.

| | | | | | | 2017 | 2016 |
|---|-----------------|------------------|---------------|--------------------------------|--------|----------|----------|
| | Wage subsidy | P.E. Prior 98 | P.E. 99-05 | Wage improvement funding | PWE | Total | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Deferred from prior years (1) | (17,715) | - | - | - | - | (17,715) | (24,952) |
| Grants received | | | | | | | |
| Infant/Toddler | | | | | 27,336 | 27,336 | 69,095 |
| Pre-school/School Age | 68,161 | - | 7,848 | 6,194 | 27,556 | 109,759 | 61,064 |
| | (2) 68,161 | - | 7,848 | 6,194 | 54,892 | 137,095 | 130,159 |
| Expense | | | | | | | |
| Infant/Toddler | 38,596 | - | - | - | 26,392 | 64,988 | 65,182 |
| Pre-school/School Age | 57,894 | - | 7,848 | 6,194 | 24,899 | 96,835 | 54,855 |
| | (3) 96,490 | - | 7,848 | 6,194 | 51,291 | 161,823 | 120,037 |
| Wage subsidies returned to Children's Services this fiscal year (4) | - | - | - | - | - | - | 2,885 |
| Wage subsidies deferred to future years (1) + (2) - (3) - (4) | (46,044) | - | - | - | 3,601 | (42,443) | (17,715) |

Tropicana Community Services Organization

Notes to the financial statements

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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.
- (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:

| | |
|------|---------------------|
| | \$ |
| 2018 | 84,191 |
| 2019 | 84,702 |
| 2020 | 38,667 |
| | <hr/> <hr/> 207,560 |

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.

Tropicana Community Services Organization

Notes to the financial statements

March 31, 2017

13. Financial instruments (continued)

Fair value (continued)

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.

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:

Unrestricted

Administration

Program/Project

Capital Campaign
Community Relations
Resource Development
Finance
Human Resources
Food & Toy Drive

Culturally Appropriate Counselling

Individual & Family Counselling
Newcomer Settlement Program (Pay Equity)
Violence Against Women Counselling
Transition & Housing Support
START for Life
Women Empowering Women Support Group

Youth

YouthSTART
ManUP
Sister 2 Sister
Defy Your Label
YMCA Exchanges

Education

Tutoring
Camp Tropicana – Summer & March Break
Clubs - Chess, Steelpan, STEM

Digital Media

The Lab

Restricted

Children of Tomorrow Day Care

Program/Project

Infant, Toddler, Preschool
Full Day Kindergarten, School-Age

Tropicana Employment Centre (TEC)

Employment Service
Youth Job Connection
Youth Job Connection Summer
Canada Ontario Job Grant
Career Navigator - Retail netWORKS
Pre-Apprenticeship - Autobody & Collision Repair
Tropicana LYVE

Trusted Projects

Children & Youth Dance Theatre (OTF)
Scarborough Basketball Association

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15. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$1,002 (2016 - \$1,002) of income taxes, CPP and EI owing to the government.