

360kids Support Services

Financial Statements

March 31, 2020

September 21, 2020

Independent Auditor's Report

To the Members of
360kids Support Services

Report on the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of 360kids Support Services (the Organization), which comprise the statement of financial position as at March 31, 2020, the statements of operations and changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of 360kids Support Services 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 Qualified Opinion

In common with many charitable organizations, 360kids Support Services derives revenue from fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenues from fundraising and donations, excess of revenue over expenditures, and cash flows from operations for the years ended March 31, 2020 and March 31, 2019, current assets as at March 31, 2020 and March 31, 2019, and fund balances as at April 1, 2018 and April 1, 2019 years, and March 31, 2019 and March 31, 2020.

Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effect of this limitation in scope.

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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 qualified opinion.

Independent Auditor's Report (*continued*)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 360kids Support Services 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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (*continued*)

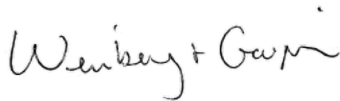
Auditor's Responsibilities for the Audit of the Financial Statements (*continued*)

- 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 Organization'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 Organization 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.

Report on Other Legal and Regulatory Requirements

As required by the Ontario Corporations Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with the prior year.



CPA LLP
Licensed Public Accountants

Toronto, Ontario, Canada
September 21, 2020

360kids Support Services

Statement of Financial Position As at March 31

	Unrestricted Fund		Restricted Fund		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets						
Cash and cash equivalents	\$ 905,873	\$ 917,108	\$ 83,773	\$ 70,999	\$ 989,646	\$ 988,107
Accounts receivable and sundry	64,640	102,356	505,375	526,927	570,015	629,283
Investments (Note 2)	879,310	922,620	-	-	879,310	922,620
Due (to) from funds (Note 3)	<u>(557,773)</u>	<u>(583,951)</u>	<u>557,773</u>	<u>583,951</u>	<u>-</u>	<u>-</u>
	1,292,050	1,358,133	1,146,921	1,181,877	2,438,971	2,540,010
Capital assets (Note 4)	<u>31,893</u>	<u>39,457</u>	<u>524,173</u>	<u>560,127</u>	<u>556,066</u>	<u>599,584</u>
	<u>\$ 1,323,943</u>	<u>\$ 1,397,590</u>	<u>\$ 1,671,094</u>	<u>\$ 1,742,004</u>	<u>\$ 2,995,037</u>	<u>\$ 3,139,594</u>
Liabilities and Fund Balances						
Current liabilities						
Accounts payable and accrued liabilities (Note 5)	\$ 275,279	\$ 307,442	\$ 45,361	\$ 51,132	\$ 320,640	\$ 358,574
Current portion of mortgage payable (Note 6)	<u>-</u>	<u>-</u>	<u>31,759</u>	<u>149,292</u>	<u>31,759</u>	<u>149,292</u>
	275,279	307,442	77,120	200,424	352,399	507,866
Mortgage payable (Note 6)	<u>-</u>	<u>-</u>	<u>86,467</u>	<u>-</u>	<u>86,467</u>	<u>-</u>
	275,279	307,442	163,587	200,424	438,866	507,866
Fund balances (Note 7)	<u>1,048,664</u>	<u>1,090,148</u>	<u>1,507,507</u>	<u>1,541,580</u>	<u>2,556,171</u>	<u>2,631,728</u>
	<u>\$ 1,323,943</u>	<u>\$ 1,397,590</u>	<u>\$ 1,671,094</u>	<u>\$ 1,742,004</u>	<u>\$ 2,995,037</u>	<u>\$ 3,139,594</u>

Commitments (Note 11)

On behalf of the Board

Director _____ Director _____

360kids Support Services

Statement of Operations and Changes in Fund Balances Year ended March 31

	Unrestricted Fund		Restricted Fund		Total	
	2020	2019	2020	2019	2020	2019
Revenue						
Grants and subsidies (Note 9)	\$ -	\$ -	\$ 7,094,411	\$ 6,423,554	\$ 7,094,411	\$ 6,423,554
Fundraising and donations (Note 13)	763,159	664,832	491,372	310,962	1,254,531	975,794
Investment and other income	<u>(52,647)</u>	<u>38,255</u>	<u>145,558</u>	<u>134,109</u>	<u>92,911</u>	<u>172,364</u>
	710,512	703,087	7,731,341	6,868,625	8,441,853	7,571,712
Expenditures						
Salaries and employee benefits	200,844	233,812	5,646,415	4,771,169	5,847,259	5,004,981
Other program costs	45,248	11,842	1,535,286	1,320,472	1,580,534	1,332,314
Building occupancy costs	140,549	73,656	396,472	350,729	537,021	424,385
General and administration	198,234	165,353	296,251	285,839	494,485	451,192
Amortization of capital assets	17,121	14,464	37,501	42,120	54,622	56,584
Mortgage interest	<u>-</u>	<u>-</u>	<u>3,489</u>	<u>4,289</u>	<u>3,489</u>	<u>4,289</u>
	<u>601,996</u>	<u>499,127</u>	<u>7,915,414</u>	<u>6,774,618</u>	<u>8,517,410</u>	<u>7,273,745</u>
(Deficiency) excess of revenue over expenditures for the year	108,516	203,960	(184,073)	94,007	(75,557)	297,967
Interfund transfers (Note 8)	(150,000)	-	150,000	-	-	-
Fund balances, beginning of year	<u>1,090,148</u>	<u>886,188</u>	<u>1,541,580</u>	<u>1,447,573</u>	<u>2,631,728</u>	<u>2,333,761</u>
Fund balances, end of year	<u>\$ 1,048,664</u>	<u>\$ 1,090,148</u>	<u>\$ 1,507,507</u>	<u>\$ 1,541,580</u>	<u>\$ 2,556,171</u>	<u>\$ 2,631,728</u>

360kids Support Services

Statement of Cash Flows Year ended March 31

	Unrestricted Fund		Restricted Fund		Total	
	2020	2019 (Note 15)	2020	2019	2020	2019 (Note 15)
Cash flows from operating activities						
(Deficiency) excess of revenue over expenditures for the year	\$ 108,516	\$ 203,960	\$ (184,073)	\$ 94,007	\$ (75,557)	\$ 297,967
Items not affecting cash:						
Unrealized loss (gain) on investments	76,984	(18,814)	-	-	76,984	(18,814)
Amortization of capital assets	<u>17,121</u>	<u>14,464</u>	<u>37,501</u>	<u>42,120</u>	<u>54,622</u>	<u>56,584</u>
	202,621	199,610	(146,572)	136,127	56,049	335,737
Changes in non-cash working capital						
Accounts receivable and sundry	37,716	(35,745)	21,552	(124,688)	59,268	(160,433)
Due (to) from funds	(26,178)	(85,326)	26,178	85,326	-	-
Accounts payable and accrued liabilities	<u>(32,163)</u>	<u>(2,397)</u>	<u>(5,771)</u>	<u>41,980</u>	<u>(37,934)</u>	<u>39,583</u>
Net cash from operating activities	<u>181,996</u>	<u>76,142</u>	<u>(104,613)</u>	<u>138,745</u>	<u>77,383</u>	<u>214,887</u>
Cash flows from investing activities						
Purchase investments	(33,674)	(91,251)	-	-	(33,674)	(91,251)
Purchase capital assets	<u>(9,557)</u>	<u>(19,436)</u>	<u>(1,547)</u>	<u>(94,757)</u>	<u>(11,104)</u>	<u>(114,193)</u>
Net cash from investing activities	<u>(43,231)</u>	<u>(110,687)</u>	<u>(1,547)</u>	<u>(94,757)</u>	<u>(44,778)</u>	<u>(205,444)</u>
Cash flows from financing activities						
Interfund transfers	(150,000)	-	150,000	-	-	-
Repayment of mortgage principal	<u>-</u>	<u>-</u>	<u>(31,066)</u>	<u>(30,444)</u>	<u>(31,066)</u>	<u>(30,444)</u>
Net cash from financing activities	<u>(150,000)</u>	<u>-</u>	<u>118,934</u>	<u>(30,444)</u>	<u>(31,066)</u>	<u>(30,444)</u>
Net increase (decrease) in cash and cash equivalents	(11,235)	(34,545)	12,774	13,544	1,539	(21,001)
Cash and cash equivalents, beginning of year	<u>917,108</u>	<u>951,653</u>	<u>70,999</u>	<u>57,455</u>	<u>988,107</u>	<u>1,009,108</u>
Cash and cash equivalents, end of year	<u>\$ 905,873</u>	<u>\$ 917,108</u>	<u>\$ 83,773</u>	<u>\$ 70,999</u>	<u>\$ 989,646</u>	<u>\$ 988,107</u>

360kids Support Services

Notes to Financial Statements

March 31, 2020

Organization

360kids Support Services (360kids) is a community-based organization that has been providing support services to at-risk and homeless youth in York Region for more than three decades. Our primary focus is providing aid and support to at-risk and homeless youth. 360kids is a one-stop agency where young people at-risk can access safe, supportive housing for the day, the night or as long as three years. We offer a full range of support services: clothing and food, personal support, outreach, counselling, life skills training, employment programs, education upgrading, and job searching, which are designed to help youth get back on their feet.

360kids is incorporated by letters patent under the Ontario Corporations Act as a corporation without share capital. 360kids is registered as a charitable organization under the Income Tax Act and as such is exempt from income taxes. 360kids must meet certain requirements under the Income Tax Act (Canada). In the opinion of management these requirements have been met.

1. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, accordingly, these financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditures during the reported period. Primary components of these financial statements which include estimates are: accounts receivable and sundry, with respect to collection; capital assets with respect to useful life and amortization; and accounts payable and accrued liabilities with respect to amount accrued. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial instruments

360kids initially recognizes financial instruments at fair value and subsequently measures them at each reporting date as follows:

<u>Asset/Liability</u>	<u>Measurement</u>
Cash and cash equivalents	Fair value
Accounts receivable and sundry	Amortized cost
Investments	Fair value
Accounts payable and accrued liabilities	Amortized cost
Mortgage payable	Amortized cost

360kids Support Services

Notes to Financial Statements

March 31, 2020

1. Summary of significant accounting policies (*continued*)

Financial instruments (*continued*)

Financial assets and liabilities measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists the asset shall be written down and the resulting impairment loss will be recognized in the statement of operations for the period.

360kids recognizes its transaction costs in net income in the period incurred.

Fund accounting

The Unrestricted fund accounts for 360kids' administrative activities. This fund reports unrestricted resources in excess of the operating requirements.

The Restricted fund reports the use of restricted resources as follows:

The Restricted Capital Assets fund reports the assets and liabilities, revenues and expenses related to the restricted program capital assets.

The Externally Restricted fund accounts for 360kids' program activities where the grantor or donor has specified restrictions as to the use of the funds. These programs include two residential homes for youth, seven transitional housing apartments, a youth drop-in center, after school programming with a focus on healthy/active lifestyle and several employment programs for youth. Other agency initiatives include youth outreach, family and individual counselling, developing a regional youth strategy and providing support to victims of human trafficking.

The Capital Reserve fund reports accumulated resources specifically designated by the grantor for the repair and replacement of certain capital assets.

Revenue recognition

360kids follows the restricted fund method of accounting for contributions.

Contributions, fundraising, donations and other income are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income, comprised of interest, dividends and change in market value, is recognized as revenue of the unrestricted fund. Interest and dividends included in investment income is accrued when earned. Realized gains (losses) included in change in market value is recognized when realized. Unrealized gains (losses) included in change in market value is recognized at each year end date based on the unrealized market value increase or decrease of investments during the year.

Unrestricted contributions are recognized as revenue in the Unrestricted fund.

360kids Support Services

Notes to Financial Statements March 31, 2020

1. Summary of significant accounting policies *(continued)*

Revenue recognition *(continued)*

Externally restricted contributions are recognized as revenue in the appropriate Restricted fund.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, bank balances and money market funds.

Comprised of:	2020	2019
Cash on hand and bank balances	\$ 959,757	\$ 967,700
Money market funds	<u>29,889</u>	<u>20,407</u>
	<u>\$ 989,646</u>	<u>\$ 988,107</u>

Capital assets

Capital assets are recorded at cost. Amortization is provided over their expected useful lives on a straight-line basis as follows:

Buildings	25 years
Office furniture and equipment	5 years
Residential furnishings and equipment	5 years
Computer equipment	4 years
Leasehold improvements	Term of lease

Donations in kind

Donated goods and services in kind are recorded as donations and expensed at fair value when an objective basis to measure their value is available.

Allocation of expenses

360kids segregates its Restricted fund into programs and allocates administrative expenses from the Unrestricted fund to the programs.

Administration costs are allocated to the restricted programs based on the contracts with the funders.

360kids Support Services

Notes to Financial Statements March 31, 2020

2. Investments

Investments are comprised of investments in mutual funds, pooled funds, and exchange traded funds.

Comprised of:

	2020	2019
Canadian fixed income	\$ 332,258	\$ 354,131
International fixed income	126,013	128,857
Canadian equities	185,182	220,280
US equities	125,164	127,549
International equities	<u>110,693</u>	<u>91,803</u>
	<u>\$ 879,310</u>	<u>\$ 922,620</u>

Investment income included in investment and other income in the unrestricted fund is comprised of:

	2020	2019
Interest	\$ 15,931	\$ 14,769
Dividends	16,537	15,786
Unrealized change in market value	<u>(76,984)</u>	<u>18,814</u>
	(44,516)	49,369
Investment management fees	<u>(13,161)</u>	<u>(12,389)</u>
	<u>\$ (57,677)</u>	<u>\$ 36,980</u>

3. Due (to) from funds

Due (to) from funds represents current advances between funds with no fixed terms of repayment and bearing no interest.

360kids Support Services

Notes to Financial Statements March 31, 2020

4. Capital assets

	Cost	Accumulated Amortization	2020 Net Book Value
Restricted capital assets:			
Land	\$ 336,030	\$ -	\$ 336,030
Buildings	381,667	319,416	62,251
Office furniture and equipment	39,061	30,949	8,112
Vehicle	39,853	32,547	7,306
Computer equipment	78,365	78,365	-
Leasehold improvements	<u>142,385</u>	<u>31,911</u>	<u>110,474</u>
	<u>\$ 1,017,361</u>	<u>\$ 493,188</u>	<u>\$ 524,173</u>
Unrestricted capital assets:			
Office furniture and equipment	\$ 66,353	\$ 36,937	\$ 29,416
Computer equipment	<u>36,052</u>	<u>33,575</u>	<u>2,477</u>
	<u>\$ 102,405</u>	<u>\$ 70,512</u>	<u>\$ 31,893</u>
			2019 Net Book Value
Restricted capital assets:			
Land	\$ 336,030	\$ -	\$ 336,030
Buildings	381,667	312,815	68,852
Office furniture and equipment	37,514	23,292	14,222
Vehicle	39,853	24,576	15,277
Computer equipment	78,365	78,365	-
Leasehold improvements	<u>142,385</u>	<u>16,639</u>	<u>125,746</u>
	<u>\$ 1,015,814</u>	<u>\$ 455,687</u>	<u>\$ 560,127</u>
Unrestricted capital assets:			
Office furniture and equipment	\$ 56,796	\$ 23,985	\$ 32,811
Computer equipment	<u>36,052</u>	<u>29,406</u>	<u>6,646</u>
	<u>\$ 92,848</u>	<u>\$ 53,391</u>	<u>\$ 39,457</u>

360kids Support Services

Notes to Financial Statements

March 31, 2020

5. Accounts payable and accrued liabilities

At March 31, 2020 accounts payable and accrued liabilities include outstanding government remittances with respect to payroll source deductions of \$53,360 (2019 – \$47,509).

6. Mortgage payable

The mortgage payable is held by the Royal Bank of Canada and is repayable in blended monthly payments of \$2,870. Interest is calculated at 2.89% per annum and the mortgage is due October 1, 2023. Mortgage payments are funded annually by a grant through The Ministry of Children, Community and Social Services (MCCSS). The loan is secured by properties owned by 360kids at 53 Hamilton Hall Drive, Markham and 65 Oak Lee Circle, Markham.

Mortgage interest for the year charged to building occupancy expense amounted to \$3,495 (2019 - \$4,289).

The following principal payments are required on the mortgage:

2021	\$ 31,759
2022	32,689
2023	33,647
2024	<u>20,131</u>
	118,226
Less: current portion	<u>(31,759)</u>
	<u>\$ 86,467</u>

360kids Support Services

Notes to Financial Statements March 31, 2020

7. Fund balances

The Restricted funds consist of the following:

	2020	2019
Restricted Capital Assets fund net of mortgage	\$ 405,947	\$ 410,835
Externally Restricted funds	1,036,346	1,068,109
Capital Reserve fund	<u>65,214</u>	<u>62,636</u>
	<u>\$ 1,507,507</u>	<u>\$ 1,541,580</u>

Restricted Capital Assets fund net of mortgage

Restricted Capital Assets fund net of mortgage represents restricted program capital assets net of accumulated amortization and mortgage. The change in the fund balance is represented by capital assets purchased of \$1,547 (2019 – \$94,757) plus repayment of mortgage principal of \$31,066 (2019 - \$30,444) less amortization of capital assets of \$37,501 (2019 - \$42,120).

Externally Restricted funds

Externally Restricted funds represent the accumulated excess of revenues and interfund transfers over expenditures that will be utilized at a future date.

The Externally Restricted funds consist of the following:

	2020	2019
Other agency initiatives	\$ 540,683	\$ 482,641
Youth initiatives	366,293	500,688
Emergency housing	97,321	74,595
Preventative programs	28,733	10,185
Residential programs	<u>3,316</u>	<u>-</u>
	<u>\$ 1,036,346</u>	<u>\$ 1,068,109</u>

Capital Reserve fund

The Capital Reserve fund represents the balance of funds received from MCCSS for the repair and replacement of certain capital assets. During the year \$2,578 (2019 - \$2,578) of funds were received.

8. Interfund transfers

During the year 360kids transferred \$150,000 (2019 - \$NIL) from the unrestricted funds to the restricted fund as approved by the board of directors.

360kids Support Services

Notes to Financial Statements March 31, 2020

9. Grants and subsidies

Grants and subsidies recorded in the statement of operations include amounts from the following sources:

	2020	2019
Residential program		
MCCSS	\$ 1,280,143	\$ 1,210,401
Durham and York Region Children's Aid Society	215,147	28,400
United Way York Region	87,960	87,960
Municipality of York Region	<u>27,973</u>	<u>10,830</u>
	<u>1,611,223</u>	<u>1,337,591</u>
Youth initiatives		
Human Resources Development Canada	1,322,869	1,330,467
MCCSS	459,550	459,620
Ministry of Advanced Education and Skills Development	422,200	396,351
Municipality of York Region	100,347	98,553
United Way	59,591	58,512
City of Markham	6,475	-
Other	<u>-</u>	<u>2,177</u>
	<u>2,371,032</u>	<u>2,345,680</u>
Preventative programs		
Municipality of York Region	419,373	329,347
Ministry of Recreation, Culture & Sport	<u>247,300</u>	<u>267,000</u>
	<u>666,673</u>	<u>596,347</u>
Emergency housing		
Municipality of York Region	1,801,706	1,755,308
Trillium	279,800	-
United Way	<u>99,678</u>	<u>170,138</u>
	<u>2,181,184</u>	<u>1,925,446</u>
Other agency initiatives		
United Way	220,002	119,290
Trillium	35,400	99,200
Province of Ontario	4,471	-
Human Resources Development Canada	<u>4,426</u>	<u>-</u>
	<u>264,299</u>	<u>218,490</u>
	<u>\$ 7,094,411</u>	<u>\$ 6,423,554</u>

360kids relies on several significant grants to fund its programs as noted above. Many of these grants will be renewed for the year ended March 31, 2021.

360kids Support Services

Notes to Financial Statements March 31, 2020

10. Guarantees

In the normal course of business, 360kids enters into agreements that meet the definition of a guarantee. Indemnity has been provided to all directors and officers of 360kids for various items including, but not limited to, all costs to settle suits or actions due to involvement with 360kids, subject to certain restrictions. Directors' and officers' liability insurance has been purchased 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 360kids. There are no lawsuits or potential lawsuits or actions pending with respect to guarantees, therefore the maximum amount of any potential future payment cannot be reasonably determined.

11. Commitments

360kids has entered into agreements to lease premises and office equipment for various periods until June 2027. 360kids is committed to the following future minimum annual lease payments excluding HST.

Fiscal Year	
2021	\$ 222,726
2022	176,037
2023	175,523
2024	175,325
2025	174,540
2026 and beyond	<u>396,906</u>
	<u>\$ 1,321,057</u>

360kids has entered into a contribution agreement (the "Agreement") with the Regional Municipality of York (the "Region") dated March 1, 2016. 360kids is to provide enhancements to programming at the youth hub located at 10415 Yonge Street in Richmond Hill, Ontario.

The Agreement requires 360kids to contribute goods and services in the amount of \$1,000,000 over the term of the contract. 360kids has fulfilled \$442,598 (2019 - \$442,598) of its commitment that has been confirmed by the Region to date. The difference will be made up during the term of the contract or by a date agreed upon by the Region and 360kids.

360kids Support Services

Notes to Financial Statements March 31, 2020

12. Financial instruments

360kids' financial instruments are exposed to a variety of financial risks: credit risk; liquidity risk and market risk. 360kids' finance committee seeks to reduce these risks by establishing investment policies and procedures which include guidelines on allowable investment classes, asset allocation, asset diversification, credit quality, return benchmarks and risk tolerance. 360kids' investment committee delegates investment management by employing experienced investment managers, whose investment policies are in line with 360kids' own investment policy criteria. The investment managers are required to comply with these investment policies in order to reduce the above noted risks to 360kids' investments.

The finance committee meets at least annually to review and assess the investment manager's compliance with the investment policies, review investment performance and investment strategies employed.

Credit risk

Credit risk is the risk that the issuer of a security will fail to discharge an obligation and cause the other party to incur a financial loss. 360kids' principal financial instruments subject to credit risk are accounts receivable and sundry, and investments. The balance of accounts receivable and sundry on the statement of financial position is 360kids' maximum exposure at that date. 360kids mitigates its exposure to credit risk with respect to its investments with its policy of investing primarily in securities which are government or investment grade.

Liquidity risk

Liquidity risk is the risk that 360kids will encounter difficulty in meeting obligations associated with financial liabilities. These risks are mitigated by the fact that 360kids holds a substantial portion of its portfolio in cash and cash equivalents.

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 comprises three types of risk: currency risk, interest rate risk and other price risk. 360kids is exposed to interest rate risk, currency risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 360kids holds investments in foreign currencies therefore they are exposed to currency risk. 360kids' exposure to currency risk is limited to the international fixed income, US equities and international equities held, see Note 2.

360kids Support Services

Notes to Financial Statements March 31, 2020

12. Financial instruments (*continued*)

Interest rate risk

Interest rate risk refers to the effect on the fair market value of 360kids' financial instruments due to fluctuations in interest rates. 360kids' primary exposure to interest rate risk is from short term in fixed income securities and its mortgage payable. The risk with respect to investments is mitigated by their investment policies. The risk with respect to the mortgage payable is mitigated by the fact 360kids receives funding for the total of its mortgage payment including interest from MCCSS.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. 360kids' exposure to other price risk is limited to the investments on the statement of financial position.

Financial liabilities

At March 31, 2020, it is management's opinion that 360kids is not in default of the terms of any of its financial liabilities.

13. Fundraising and donations

Fundraising and donation revenue includes unrestricted donations in kind of \$37,901 (2019 - \$20,181) with corresponding unrestricted expenses in kind included in other program costs of \$37,901 (2019 - \$20,181).

14. Allocation of administration costs

360kids allocates administrative costs to the programs according to the funding agreements. The following amounts relating to administrative costs are included in Restricted fund expenditures on the statement of operations:

	2020	2019
Administration costs		
Salaries and employee benefits	\$ 509,025	\$ 401,876
General and administration	<u>45,764</u>	<u>41,164</u>
	<u>\$ 554,789</u>	<u>\$ 443,040</u>
Administration costs allocated to		
Residential programs	\$ 201,868	\$ 166,327
Youth Initiatives	258,938	227,730
Other agency initiatives	39,410	20,070
Preventative programs	15,575	20,800
Emergency housing	<u>38,998</u>	<u>8,113</u>
	<u>\$ 554,789</u>	<u>\$ 443,040</u>

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Notes to Financial Statements March 31, 2020

15. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.

16. Significant event

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. Subsequent to March 31, 2020, the situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on 360kids is not known at this time.