

Sun Youth Organization
Financial Statements
March 31, 2018

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Independent Auditor's Report

To the Directors of
Sun Youth Organization

**Raymond Chabot
Grant Thornton LLP**
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We have audited the accompanying financial statements of Sun Youth Organization, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the six-month period 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 qualified audit opinion.

Basis for qualified opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, estate settlements, community, social and emergency services and fund-raising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations, estate settlements, community, social and emergency services and fund-raising events, deficiency of revenues over expenses and cash flows from operating activities for the period ended March 31, 2018 and the year ended September 30, 2017, current assets as at March 31, 2018 and September 30, 2017 and net assets as at October 1, 2017 and 2016 and March 31, 2018 and September 30, 2017. Our opinion on the financial statements for the year ended September 30, 2017 was qualified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Sun Youth Organization as at March 31, 2018 and the results of its operations and its cash flows for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Raymond Chabot Grant Thornton LLP¹

Laval
June 14, 2018

¹ CPA auditor, CA public accountancy permit no. A108530

Sun Youth Organization Operations

Six-month period ended March 31, 2018

| | <u>2018-03-31</u> <u>(6 months)</u> | <u>2017-09-30</u> <u>(12 months)</u> |
|--|--|---|
| | \$ | \$ |
| Revenues | | |
| Contributions | | |
| Government grants (Note 3) | 382,758 | 939,571 |
| Donations (Note 3) | 2,011,387 | 3,210,390 |
| Estate settlements | 500 | 438,558 |
| Community, social and emergency services (Note 3) | 1,187,874 | 1,974,357 |
| Fund-raising events | 36,510 | 137,757 |
| Sports and recreation | 25,725 | 83,829 |
| Miscellaneous income | 115,654 | 171,149 |
| Camp operations | | 1,067 |
| Net investment income | 1,230 | 4,905 |
| | <u>3,761,638</u> | <u>6,961,583</u> |
| Expenses | | |
| Community, social and emergency services | 3,104,006 | 5,521,646 |
| Fund-raising events | 25,055 | 74,457 |
| Camp operations | 76,884 | 173,001 |
| Sports and recreation | 250,172 | 568,425 |
| Administration | 284,910 | 538,696 |
| | <u>3,741,027</u> | <u>6,876,225</u> |
| Interest expenses (Note 4) | 14,798 | 42,765 |
| | <u>3,755,825</u> | <u>6,918,990</u> |
| Excess of revenues over expenses before amortization | <u>5,813</u> | <u>42,593</u> |
| Amortization | | |
| Tangible capital assets | 102,314 | 225,662 |
| Deferred contributions related to the acquisition of tangible capital assets | (21,306) | (38,522) |
| | <u>81,008</u> | <u>187,140</u> |
| Deficiency of revenues over expenses | <u>(75,195)</u> | <u>(144,547)</u> |

The accompanying notes are an integral part of the financial statements and Note 3 provides other information on operations.

Sun Youth Organization Changes in Net Assets

Six-month period ended March 31, 2018

| | | | 2018 | 2017 |
|---|-------------------------------|--------------|------------|-------------|
| | Invested in capital assets | Unrestricted | (6 months) | (12 months) |
| | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 1,332,796 | (925,948) | 406,848 | 551,395 |
| Excess (deficiency) of revenues over expenses | (81,008) | 5,813 | (75,195) | (144,547) |
| Internally restricted - repayment of long-term loans | 3,429 | (3,429) | | |
| Balance, end of year | 1,255,217 | (923,564) | 331,653 | 406,848 |

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

Sun Youth Organization

Cash Flows

Six-month period ended March 31, 2018

| | <u>2018-03-31</u> <u>(6 months)</u> | <u>2017-09-30</u> <u>(12 months)</u> |
|--|--|---|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Deficiency of revenues over expenses | (75,195) | (144,547) |
| Non-cash items | | |
| Amortization of tangible capital assets | 102,314 | 225,662 |
| Amortization of deferred contributions related to the acquisition of tangible capital assets | (21,306) | (38,522) |
| Net change in working capital items and other deferred contributions (Note 5) | <u>87,838</u> | <u>(62,490)</u> |
| Cash flows from operating activities | <u>93,651</u> | <u>(19,897)</u> |
| INVESTING ACTIVITIES | | |
| Term deposits | 442,019 | (442,019) |
| Disposal of term deposits | | 516,871 |
| Tangible capital assets | | <u>(87,594)</u> |
| Cash flows from investing activities | <u>442,019</u> | <u>(12,742)</u> |
| FINANCING ACTIVITIES | | |
| Net change in bank line of credit | (62,000) | 100,000 |
| Contributions received during the year | | 85,645 |
| Repayment of long-term loans | <u>(3,429)</u> | <u>(117,636)</u> |
| Cash flows from financing activities | <u>(65,429)</u> | <u>68,009</u> |
| Net increase in cash | 470,241 | 35,370 |
| Cash, beginning of period | <u>315,278</u> | <u>279,908</u> |
| Cash, end of period | <u>785,519</u> | <u>315,278</u> |

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

Sun Youth Organization

Financial Position

March 31, 2018

| | <u>2018-03-31</u> | <u>2017-09-30</u> |
|--|-------------------|-------------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash | 785,519 | 315,278 |
| Contributions and other receivables (Note 6) | 35,345 | 157,281 |
| Prepaid expenses and deposits | <u>20,318</u> | <u>4,338</u> |
| | 841,182 | 476,897 |
| Long-term | | |
| Term deposits | | 442,019 |
| Tangible capital assets (Note 7) | <u>2,174,088</u> | <u>2,276,402</u> |
| | <u>3,015,270</u> | <u>3,195,318</u> |
| LIABILITIES | | |
| Current | | |
| Bank indebtedness (Note 8) | 801,000 | 863,000 |
| Trade payables and other operating liabilities | 47,306 | 121,157 |
| Other deferred contributions (Note 9) | 916,440 | 860,707 |
| Instalments on long-term debt | <u>107,800</u> | <u>107,840</u> |
| | 1,872,546 | 1,952,704 |
| Long-term | | |
| Long-term debt (Note 10) | 500,000 | 503,389 |
| Deferred contributions related to the acquisition of tangible capital assets (Note 11) | <u>311,071</u> | <u>332,377</u> |
| | <u>2,683,617</u> | <u>2,788,470</u> |
| NET ASSETS | | |
| Invested in capital assets | 1,255,217 | 1,332,796 |
| Unrestricted | <u>(923,564)</u> | <u>(925,948)</u> |
| | <u>331,653</u> | <u>406,848</u> |
| | <u>3,015,270</u> | <u>3,195,318</u> |

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

On behalf of the Board,

Director

Director

Sun Youth Organization

Notes to Financial Statements

March 31, 2018

1 - GOVERNING STATUTES, PURPOSE OF THE ORGANIZATION AND CHANGE IN FISCAL YEAR-END

The Organization, incorporated under Part III of the Companies Act (Québec), is a registered charitable organization exempt from income tax and changed its fiscal year-end from September 30 to March 31.

The primary objective of the Organization is to serve the needs of the community by providing emergency food, clothing, medication and crime prevention services. It also provides a wide range of sports, recreation and camp programs for children and maintains a social recreation centre for seniors. The contributions to the Organization, except government grants, come from corporate and private donors.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

Sun Youth Organization

Notes to Financial Statements

March 31, 2018

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Contributions

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are reported as direct increases in net assets.

Other revenues

Revenues from sports and recreation, miscellaneous income and camp operations are recognized when the activities occurred and upon receipt.

Net investment income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Net investment income includes interest income from cash and term deposits and are recognized with the outflow of the time.

Net investment income is not subject to externally imposed restrictions and is recognized in the statement of operations under Net investment income.

Contributed goods and services

The work of the Organization is dependant upon the receipt of donated goods such as clothing, food, supplies and the use of donated premises and vehicles. When it can be reasonably estimated, the fair value of such donated goods and usage is recorded in the financial statements.

The Organization would not be able to carry out its activities without the services of numerous volunteers who contribute considerable hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Tangible capital assets

Tangible capital assets acquired are recorded at cost. When the Organization receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date.

Amortization

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives over the following periods :

| | <u>Periods</u> |
|--|----------------|
| Building (camp) | 30 years |
| Building (warehouse) | 30 years |
| Furniture and equipment | 5 years |
| Automotive equipment, software and building improvements | 3 years |

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Notes to Financial Statements
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2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible capital assets (Continued)

Write-down

When the Organization recognizes that a tangible capital asset no longer has any long-term service potential, the excess of net carrying amount of the tangible capital asset over its residual value is recognized as an expense in the statement of operations.

3 - INFORMATION INCLUDED IN OPERATIONS

| | <u>2018-03-31</u> <u>(6 months)</u> | <u>2017-09-30</u> <u>(12 months)</u> |
|---|--|---|
| | \$ | \$ |
| Contributions | | |
| Government grants | | |
| Federal | - | 87,581 |
| Provincial | 62,979 | 74,723 |
| Municipal (a) (b) | 319,779 | 77,267 |
| Donations | | |
| Fondation Marcelle et Jean Coutu | 50,000 | 141,000 |
| Fondation CJA | 25,000 | 33,000 |
| Fondation Charlotte & Leo Karassik | - | 100,000 |
| Grande Guignolée des Médias | 144,889 | 156,750 |
| Hydro-Québec | - | 18,000 |
| Tenaquip Foundation | 40,000 | 40,000 |
| J.W. McConnell Family Foundation | 40,000 | 40,000 |
| Contributed goods and services (c) | 133,400 | 373,714 |
| Organization with a significant influence (d) | - | 128,000 |
| Other donations from individuals, corporations and not-for-profit organizations | 1,578,098 | 2,179,926 |
| Community, social and emergency services | | |
| Food donations (c) | 1,187,874 | 1,974,357 |

(a) Includes a zero sum (\$90,000 as at September 30, 2017) of Ville de Montréal and the ministère de l'Emploi et de la solidarité sociale as well as amounts of \$23,902 (\$34,355 as at September 30, 2017) and of \$74,307 (\$129,300 as at September 30, 2017) of Ville de Montréal for the programs of Politique de l'enfance and the Fire Prevention Service, respectively.

(b) Includes donations of premises for \$221,570 (\$443,140 as at September 30, 2017). The same amount is included in the expenses of community, social and emergency services.

(c) An equivalent amount is included in the expenses of community, social and emergency services.

(d) These transactions were concluded in the normal course of operations and are measured at the exchange amount.

Sun Youth Organization
Notes to Financial Statements
 March 31, 2018

4 - INTEREST EXPENSES

| | <u>2018-03-31</u> | <u>2017-09-30</u> |
|----------------------------|-------------------|-------------------|
| | \$ | \$ |
| | \$ | \$ |
| Interest on long-term debt | 12,682 | 27,977 |
| Other interest | 2,116 | 14,788 |
| | <u>14,798</u> | <u>42,765</u> |

5 - INFORMATION INCLUDED IN CASH FLOWS

The net change in working capital items and other deferred contributions is detailed as follows:

| | <u>2018-03-31</u> <u>(6 months)</u> | <u>2017-09-30</u> <u>(12 months)</u> |
|--|--|---|
| | \$ | \$ |
| Contributions and other receivables | 121,936 | 18,410 |
| Prepaid expenses and deposits | (15,980) | 283 |
| Trade payables and other operating liabilities | (73,851) | (72,700) |
| Other deferred contributions | 55,733 | (8,483) |
| | <u>87,838</u> | <u>(62,490)</u> |

6 - CONTRIBUTIONS AND OTHER RECEIVABLES

| | <u>2018-03-31</u> | <u>2017-09-30</u> |
|------------------------|-------------------|-------------------|
| | \$ | \$ |
| Sales taxes receivable | 26,320 | 54,910 |
| Other | 9,025 | 102,371 |
| | <u>35,345</u> | <u>157,281</u> |

7 - TANGIBLE CAPITAL ASSETS

| | <u>2018-03-31</u> | | <u>2017-09-30</u> | |
|-------------------------|-------------------|-----------------------------|------------------------|------------------------|
| | Cost | Accumulated amortization | Net carrying amount | Net carrying amount |
| | \$ | \$ | \$ | \$ |
| Land (camp) | 78,747 | | 78,747 | 78,747 |
| Land (warehouse) | 1,154,546 | | 1,154,546 | 1,154,546 |
| Building (camp) | 2,781,215 | 2,521,137 | 260,078 | 306,815 |
| Building (warehouse) | 709,971 | 102,254 | 607,717 | 619,201 |
| Furniture and equipment | 294,332 | 284,355 | 9,977 | 12,161 |
| Automotive equipment | 294,531 | 293,429 | 1,102 | 1,653 |
| Software | 48,733 | 47,433 | 1,300 | 1,625 |
| Building improvements | 289,353 | 228,732 | 60,621 | 101,654 |
| | <u>5,651,428</u> | <u>3,477,340</u> | <u>2,174,088</u> | <u>2,276,402</u> |

Sun Youth Organization

Notes to Financial Statements

March 31, 2018

8 - BANK INDEBTEDNESS

The Organization has an authorized line of credit facility of up to \$900,000 with a Canadian chartered bank which bears interest at prime plus 0.25% per annum (3.70%; 3.45% as at September 30, 2017). The line of credit is secured by the camp installations having a net carrying amount of \$338,825 and includes a condition for which the camp facilities are not to be pledged as security for any additional indebtedness. As at year-end, \$801,000 (\$863,000 as at September 30, 2017) of the credit facility was used. The facility is renewable annually and the next renewal is scheduled in March 2019.

Furthermore, the Organization has credit cards limited to a maximum amount of \$30,000, bearing interest at the approximate rate of 20%. As at March 31, 2018, an amount of \$4,930 was used on the credit cards.

In April 2018, the Organization renewed the credit facility with the banking institution under the same terms and conditions, with the exception of the interest rate, which has been reduced from prime plus 0.25% per annum to the prime rate.

9 - OTHER DEFERRED CONTRIBUTIONS

The other deferred contributions represent unused assets which are restricted to cover specific operating expenses for the next years due to external restrictions.

| | <u>2018-03-31</u> | <u>2017-09-30</u> |
|---|-------------------|-------------------|
| | \$ | \$ |
| Balance, beginning of year | 860,707 | 869,190 |
| Contributions during the year | 579,594 | 972,732 |
| Amounts recognized as revenue during the year | <u>(523,861)</u> | <u>(981,215)</u> |
| Balance, end of year | <u>916,440</u> | <u>860,707</u> |

10 - LONG-TERM DEBT

| | <u>2018-03-31</u> | <u>2017-09-30</u> |
|--|-------------------|-------------------|
| | \$ | \$ |
| Term loan, secured by a fully amortized vehicle as at September 30, 2017, 4.98%, repayable in monthly instalments of \$685 including capital and interest, maturing in February 2019 | 7,800 | 11,229 |
| Term loan, secured by a building and land having a net book value of \$1,762,263, 4%, repayable in annual instalments of \$100,000, maturing in June 2023 | <u>600,000</u> | <u>600,000</u> |
| | <u>607,800</u> | <u>611,229</u> |
| Current portion | <u>107,800</u> | <u>107,840</u> |
| | <u>500,000</u> | <u>503,389</u> |

The estimated instalments on long-term debt for the next five years are \$107,800 in 2019 and \$100,000 in 2020, 2021, 2022 and 2023.

Sun Youth Organization
Notes to Financial Statements
 March 31, 2018

11 - DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

The following deferred contributions related to tangible capital assets include only contributions specifically received for the acquisition of tangible capital assets. Their recognition in the operations is equivalent to their amortization.

| | <u>2018-03-31</u> | <u>2017-09-30</u> |
|---|-------------------|-------------------|
| | \$ | \$ |
| Balance, beginning of year | 332,377 | 285,254 |
| Contributions received during the year | | 85,645 |
| Amounts recognized as revenue during the year | <u>(21,306)</u> | <u>(38,522)</u> |
| Balance, end of year | <u>311,071</u> | <u>332,377</u> |

12 - FINANCIAL RISKS

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are contributions and other receivables (excluding the indirect taxes receivable), since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

Market risk

The Organization's financial instruments expose it to market risk, in particular, interest rate risk resulting from its financing activities.

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial liabilities bearing fixed and variable interest rates.

The term loans bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The line of credit bears interest at a variable rate and the Organization is, therefore, exposed to the cash flow risks resulting from interest rate fluctuations.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

13 - COMMITMENTS

The Company has entered into lease agreements for office equipment which call for minimum lease payments of \$82,531 and expire on various dates until September 2022. Minimum lease payments for the next five years are \$21,068 in 2019, \$18,997 in 2020, 2021 and 2022 and \$4,472 in 2023.