

Sun Youth Organization
Financial Statements
March 31, 2019

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Independent Auditor's Report

To the Directors of
Sun Youth Organization

**Raymond Chabot
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Qualified opinion

We have audited the financial statements of Sun Youth Organization (hereafter "the Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the "Basis for qualified opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, 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 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, audit 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, excess (deficiency) of revenues over expenses and cash flows from operating activities for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018 and net assets as at April 1, 2018 and October 1, 2017 and as at March 31, 2019 and 2018. Our opinion on the financial statements for the year ended March 31, 2018 was qualified accordingly because of the possible effects 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.

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 the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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;
- 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.

Raymond Chabot Grant Thornton LLP¹

Laval
June 18, 2019

¹ CPA auditor, CA public accountancy permit no. A108530

Sun Youth Organization

Operations

Year ended March 31, 2019

	2019 (12 months) \$	2018 (6 months) \$
Revenues		
Contributions		
Government grants (Note 3)	970,431	382,758
Donations (Note 3)	3,938,903	2,011,387
Estate settlements	82,051	500
Community, social and emergency services (Note 3)	2,940,224	1,187,874
Fund-raising events	131,953	36,510
Sports and recreation	76,170	25,725
Miscellaneous income	244,668	115,654
Net investment income	57	1,230
	<u>8,384,457</u>	<u>3,761,638</u>
Expenses		
Community, social and emergency services	6,656,655	3,104,006
Fund-raising events	41,514	25,055
Sports and recreation	567,412	250,172
Camp operations	158,314	76,884
Administration	565,914	284,910
	<u>7,989,809</u>	<u>3,741,027</u>
Interest expense (Note 4)	31,516	14,798
	<u>8,021,325</u>	<u>3,755,825</u>
Excess of revenues over expenses before amortization	<u>363,132</u>	<u>5,813</u>
Amortization		
Tangible capital assets	191,473	102,314
Deferred contributions related to the acquisition of tangible capital assets	(44,945)	(21,306)
	<u>146,528</u>	<u>81,008</u>
Excess (deficiency) of revenues over expenses	<u>216,604</u>	<u>(75,195)</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

Year ended March 31, 2019

	2019 (12 months)			2018 (6 months)
	Invested in capital assets	Unrestricted	Total	Total
	\$	\$	\$	\$
Balance, beginning of year	1,255,217	(923,564)	331,653	406,848
Excess (deficiency) of revenues over expenses	(146,528)	363,132	216,604	(75,195)
Internally restricted - repayment of long-term loans	107,800	(107,800)		
Contributions related to the acquisition of capital assets	(89,477)	89,477		
Long-term debt	(60,000)	60,000		
Investment in capital assets	277,659	(277,659)		
Balance, end of year	1,344,671	(796,414)	548,257	331,653

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

Sun Youth Organization

Cash Flows

Year ended March 31, 2019

	2019 (12 months) \$	2018 (6 months) \$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	216,604	(75,195)
Non-cash items		
Amortization of tangible capital assets	191,473	102,314
Amortization of deferred contributions related to the acquisition of tangible capital assets	(44,945)	(21,306)
Net change in working capital items and other deferred contributions (Note 5)	(311,038)	87,838
Cash flows from operating activities	52,094	93,651
INVESTING ACTIVITIES		
Term deposits		442,019
Tangible capital assets	(277,659)	
Cash flows from investing activities	(277,659)	442,019
FINANCING ACTIVITIES		
Net change in bank line of credit	(57,000)	(62,000)
Proceeds from long-term debt	60,000	
Repayment of long-term debt	(107,800)	(3,429)
Contributions received for the acquisition of capital assets	89,477	
Cash flows from financing activities	(15,323)	(65,429)
Net increase (decrease) in cash	(240,888)	470,241
Cash, beginning of year	785,519	315,278
Cash, end of year	544,631	785,519

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

Sun Youth Organization

Financial Position

March 31, 2019

	2019	2018
	\$	\$
ASSETS		
Current		
Cash	544,631	785,519
Contributions and other receivables (Note 6)	44,626	35,345
Prepaid expenses and deposits	20,460	20,318
	<u>609,717</u>	<u>841,182</u>
Long-term		
Tangible capital assets (Note 7)	2,260,274	2,174,088
	<u>2,869,991</u>	<u>3,015,270</u>
LIABILITIES		
Current		
Bank indebtedness (Note 8)	744,000	801,000
Trade payables and other operating liabilities	83,797	47,306
Other deferred contributions (Note 9)	578,334	916,440
Instalments on long-term debt	112,000	107,800
	<u>1,518,131</u>	<u>1,872,546</u>
Long-term		
Long-term debt (Note 10)	448,000	500,000
Deferred contributions related to the acquisition of tangible capital assets (Note 11)	355,603	311,071
	<u>2,321,734</u>	<u>2,683,617</u>
NET ASSETS		
Invested in capital assets	1,344,671	1,255,217
Unrestricted	(796,414)	(923,564)
	<u>548,257</u>	<u>331,653</u>
	<u>2,869,991</u>	<u>3,015,270</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, 2019

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, 2018.

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, 2019

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 :

	Periods
Building (camp)	30 years
Building (warehouse)	30 years
Furniture and equipment	5 years
Automotive equipment, software and building improvements	3 years

Sun Youth Organization

Notes to Financial Statements

March 31, 2019

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

	2019 (12 months) \$	2018 (6 months) \$
Contributions		
Government grants		
Federal	43,157	-
Provincial	108,478	62,979
Municipal (a) (b)	818,796	319,779
Donations		
Fondation Marcelle et Jean Coutu	91,000	50,000
Fondation CJA	20,000	25,000
Fondation Charlotte and Leo Karassik	100,000	-
Grande Guignolée des Médias	177,660	144,889
Hydro-Québec	10,000	-
Tenaquip Foundation	40,000	40,000
J.W. McConnell Family Foundation	40,000	40,000
Contributed goods and services (c)	303,600	133,400
Organization with a significant influence (d)	424,000	
Other donations from individuals, corporations and not-for-profit organizations	2,732,643	1,578,098
Community, social and emergency services		
Food donations (c)	2,940,224	1,187,874

(a) Includes an amount of \$55,000 (nil as at March 31, 2018) from Ville de Montréal and the Ministère de l'Emploi et de la Solidarité Sociale as well as amounts of \$65,275 (\$23,902 as at March 31, 2018) and of \$74,307 (\$7,307 as at March 31, 2018) from Ville de Montréal for the Politique de l'enfance and the Fire Prevention Service programs, respectively.

(b) Includes donations of premises for \$509,748 (\$221,570 as at March 31, 2018). 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, 2019

4 - INTEREST EXPENSE

	2019 (12 months)	2018 (6 months)
	\$	\$
Interest on long-term debt	20,728	12,682
Interest on bank indebtedness	10,788	2,116
	<u>31,516</u>	<u>14,798</u>

5 - INFORMATION INCLUDED IN CASH FLOWS

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

	2019 (12 months)	2018 (6 months)
	\$	\$
Contributions and other receivables	(9,284)	121,936
Prepaid expenses and deposits	(142)	(15,980)
Trade payables and other operating liabilities	36,494	(73,851)
Other deferred contributions	(338,106)	55,733
	<u>(311,038)</u>	<u>87,838</u>

6 - CONTRIBUTIONS AND OTHER RECEIVABLES

	2019	2018
	\$	\$
Sales taxes receivable	41,613	26,320
Other	3,013	9,025
	<u>44,626</u>	<u>35,345</u>

7 - TANGIBLE CAPITAL ASSETS

			2019	2018
	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	2,613,844	167,371	260,078
Building (warehouse)	799,448	127,784	671,664	607,717
Furniture and equipment	449,029	303,921	145,108	9,977
Automotive equipment	294,531	294,531		1,102
Software	82,218	59,245	22,973	1,300
Building improvements	289,353	269,488	19,865	60,621
	5,929,087	3,668,813	2,260,274	2,174,088

Sun Youth Organization

Notes to Financial Statements

March 31, 2019

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 (4.20%; 3.70% as at March 31, 2018). The line of credit is secured by the camp installations having a net carrying amount of \$246,118 and includes a condition for which the camp facilities are not to be pledged as security for any additional indebtedness. As at year-end, \$744,000 (\$801,000 as at March 31, 2018) of the credit facility was used. The facility is renewable annually and the next renewal is scheduled in March 2020.

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, 2019, an amount of \$9,401 was used on the credit cards.

In April 2019, 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 to prime rate.

9 - OTHER DEFERRED CONTRIBUTIONS

The other deferred contributions represent unused assets which are subject to external restrictions to cover specific operating expenses during future years.

	2019	2018
	\$	\$
Balance, beginning of year	916,440	860,707
Contributions during the year	1,069,069	579,594
Amounts recognized as revenue during the year	(1,406,635)	(523,861)
Balance, end of year	<u>578,874</u>	<u>916,440</u>

10 - LONG-TERM DEBT

	2019	2018
	\$	\$
Term loan, bearing interest at 4%, repayable in annual instalments of \$100,000, secured by a building and land having a net book value of \$1,826,210, maturing in June 2023	500,000	600,000
Term loan, non-interest bearing, repayable in annual instalments of \$12,000, maturing in July 2023	60,000	
Term loan, bearing interest at 4.98%, fully repaid during the year		7,800
	<u>560,000</u>	607,800
Current portion	<u>112,000</u>	107,800
	<u>448,000</u>	<u>500,000</u>

The estimated instalments on long-term debt for the next five years are \$112,000 annually from 2020 to 2023.

Sun Youth Organization

Notes to Financial Statements

March 31, 2019

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.

	2019	2018
	\$	\$
Balance, beginning of year	311,071	332,377
Contributions received during the year	89,477	
Amounts recognized as revenue during the year	(44,945)	(21,306)
Balance, end of year	355,603	311,071

12 - FINANCIAL INSTRUMENTS

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.

Sun Youth Organization Notes to Financial Statements

March 31, 2019

13 - COMMITMENTS

The Organization has entered into lease agreements for office rent and office equipment which call for minimum lease payments of \$1,475,972.

The contract for the office rent expires in October 2023. The contracts for the office equipment expire on various dates until July 2023.

Minimum lease payments for the next five years are \$317,105 in 2020, \$323,026 in 2021, \$329,066 in 2022, \$320,702 in 2023 and \$186,073 in 2024.