

Sun Youth Organization
Financial Statements
March 31, 2024

Independent Auditor's Report	2 - 4
Financial Statements	
Operations	5
Changes in Net Assets	6
Cash Flows	7
Financial Position	8
Notes to Financial Statements	9 - 15



Raymond Chabot
Grant Thornton

Independent Auditor's Report

To the Directors of
Sun Youth Organization

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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, 2024, 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 possible 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, 2024, 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, emergency services and fund-raising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these contributions 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, emergency services and fund-raising events, excess of revenues over expenses and cash flows from operating activities for the years ended March 31, 2024 and 2023, current assets as at March 31, 2024 and 2023 and net assets as at April 1, 2023 and 2022 and March 31, 2024 and 2023. Our opinion on the financial statements for the year ended March 31, 2023 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 LLP*¹

Montréal
June 19, 2024

¹ CPA auditor, public accountancy permit no. A117472

Sun Youth Organization Operations

Year ended March 31, 2024

	<u>2024</u>	<u>2023</u>
	\$	\$
Revenues		
Contributions		
Government grants (Note 3)	870,486	885,075
Donations (Note 3)	5,215,735	4,096,244
Emergency services (Note 3)	6,005,347	6,869,993
Fund-raising events	355,421	388,092
Community services	159,413	107,910
Interest income	443,376	99,218
Miscellaneous income	319,802	314,160
	<u>13,369,580</u>	<u>12,760,692</u>
Expenses		
Emergency services	9,658,990	10,254,327
Camp operations	118,334	135,450
Community services	768,299	637,704
Commercial activities	287,423	290,537
Administration	716,728	616,348
Fund-raising events	93,255	86,182
Interest expense (Note 4)	409,762	280,058
	<u>12,052,791</u>	<u>12,300,606</u>
Excess of revenues over expenses before amortization of tangible capital assets	1,316,789	460,086
Amortization of tangible capital assets	1,311,473	208,582
Excess of revenues over expenses	<u>5,316</u>	<u>251,504</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, 2024

	<u>2024</u>			<u>2023</u>
	<u>Invested in capital assets</u> \$	<u>Unrestricted</u> \$	<u>Total</u> \$	<u>Total</u> \$
Balance, beginning of year	1,916,240	1,338,914	3,255,154	3,003,650
Excess (deficiency) of revenues over expenses	(632,634)	637,950	5,316	251,504
Net investment in tangible capital assets				
Repayment of long-term debt	318,880	(318,880)		
Contributions related to the acquisition of tangible capital assets	(1,638,225)	1,638,225		
Acquisition of tangible capital assets	1,387,312	(1,387,312)		
Balance, end of year	<u>1,351,573</u>	<u>1,908,897</u>	<u>3,260,470</u>	<u>3,255,154</u>

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

Sun Youth Organization Cash Flows

Year ended March 31, 2024

	<u>2024</u>	<u>2023</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	5,316	251,504
Non-cash items		
Amortization of tangible capital assets	1,311,473	208,582
Amortization of deferred contributions related to tangible capital assets	<u>(678,839)</u>	<u>(112,065)</u>
	637,950	348,021
Net change in working capital items (Note 5)	<u>5,914,278</u>	<u>2,335,542</u>
Cash flows from operating activities	<u>6,552,228</u>	<u>2,683,563</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets and cash flows from investing activities	<u>(1,387,312)</u>	<u>(173,228)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(318,880)	(318,880)
Contributions related to the acquisition of tangible capital assets	<u>1,638,225</u>	<u>154,255</u>
Cash flows from financing activities	<u>1,319,345</u>	<u>(164,625)</u>
Increase in cash and cash equivalents	6,484,261	2,345,710
Cash and cash equivalents, beginning of year	<u>4,997,099</u>	<u>2,651,389</u>
Cash and cash equivalents, end of year	<u>11,481,360</u>	<u>4,997,099</u>
CASH AND CASH EQUIVALENTS		
Cash	597,232	4,997,099
Term deposits	<u>10,884,128</u>	<u> </u>
	<u>11,481,360</u>	<u>4,997,099</u>

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

Sun Youth Organization

Financial Position

March 31, 2024

	<u>2024</u>	<u>2023</u>
	\$	\$
ASSETS		
Current		
Cash	597,232	4,997,099
Term deposits	10,884,128	
Other receivables (Note 6)	289,202	95,296
Prepaid expenses and deposits	73,451	105,748
Assets held for resale	119,088	
	<u>11,963,101</u>	<u>5,198,143</u>
Long-term		
Tangible capital assets (Note 7)	9,685,148	9,460,736
	<u>21,648,249</u>	<u>14,658,879</u>
LIABILITIES		
Current		
Trade payables and other operating liabilities	494,470	164,578
Other deferred contributions (Note 9)	9,708,306	3,694,650
Current portions of long-term debt		
Subject to renewal	5,140,238	5,447,118
Other		12,000
	<u>15,343,014</u>	<u>9,318,346</u>
Long-term		
Deferred contributions related to tangible capital assets (Note 11)	3,044,765	2,085,379
	<u>18,387,779</u>	<u>11,403,725</u>
NET ASSETS		
Invested in capital assets	1,351,573	1,916,240
Unrestricted	1,908,897	1,338,914
	<u>3,260,470</u>	<u>3,255,154</u>
	<u>21,648,249</u>	<u>14,658,879</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, 2024

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization, incorporated under Part III of the *Companies Act (Quebec)*, is a registered charitable organization exempt from income taxes.

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 and recreation programs for children and maintains a social recreation centre for seniors. The contributions to the Organization, except for government grants, come from corporate and private donors as well as not-for-profit organizations.

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 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 from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) 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. The Organization's financial assets and liabilities from related party transactions are measured at cost.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets), whereas those from related party transactions are measured using the cost method (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost or using the cost method, 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 or using the cost method is recognized in operations in the year the reversal occurs.

Sun Youth Organization
Notes to Financial Statements
 March 31, 2024

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.

Contributed goods and services

The work of the Organization is dependent 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 and if the Organization would have had to otherwise acquire these supplies for its normal operations, the fair value of such donated goods and usage is recorded in the financial statements.

The Organization would not be able to operate without the help of volunteers who dedicate a considerable number of hours to the Organization every year. Because of the difficulty in determining the fair value of contributed services, these services are not recognized in the financial statements.

Cash and cash equivalents

The Organization's policy is to present in cash and cash equivalents bank balances, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

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 plus all costs directly attributable to the acquisition of the tangible capital assets, or at a nominal value if fair value cannot be reasonably determined.

Amortization

Tangible capital assets are amortized over their estimated useful lives according to the straight-line method over the following periods:

	<u>Periods</u>
Buildings	2 and 30 years
Furniture and equipment	5 years
Automotive equipment, software and building improvements	3 years

The building under construction will be amortized on a straight-line method over a period of 30 years when it is completed.

Sun Youth Organization
Notes to Financial Statements
 March 31, 2024

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Write-down

When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the tangible capital asset's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

3 - INFORMATION INCLUDED IN OPERATIONS

	<u>2024</u>	<u>2023</u>
	\$	\$
Contributions		
Government grants		
Federal	80,819	120,378
Provincial	151,753	117,938
Municipal	637,914	646,759
	<u>870,486</u>	<u>885,075</u>
Donations		
Deferred contributions related to tangible capital assets (Note 11)	678,839	112,065
Contributed goods and services (a)	503,068	324,003
Transfer from other deferred contributions (Note 9)	558,979	526,825
Estate settlements	492,274	263,827
Other donations from individuals, corporations and not-for-profit organizations	2,982,575	2,869,524
	<u>5,215,735</u>	<u>4,096,244</u>
Emergency services		
Food donations (a)	6,005,347	6,869,993

(a) An equivalent amount is included in the expenses of the emergency services.

4 - INTEREST EXPENSE

	<u>2024</u>	<u>2023</u>
	\$	\$
Interest on long-term debt	399,550	266,578
Interest on bank indebtedness	10,212	13,480
	<u>409,762</u>	<u>280,058</u>

Sun Youth Organization

Notes to Financial Statements

March 31, 2024

5 - INFORMATION INCLUDED IN CASH FLOWS

The net change in working capital items is detailed as follows:

	2024	2023
	\$	\$
Other receivables	(193,906)	86,131
Prepaid expenses and deposits	32,297	(28,169)
Trade payables and other operating liabilities	62,231	41,275
Other deferred contributions	6,013,656	2,236,305
	<u>5,914,278</u>	<u>2,335,542</u>

6 - OTHER RECEIVABLES

	2024	2023
	\$	\$
Sales taxes receivable	114,175	31,765
Interest receivable	105,033	
Other	69,994	63,531
	<u>289,202</u>	<u>95,296</u>

7 - TANGIBLE CAPITAL ASSETS

	2024		2023	
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Land	5,754,546		5,754,546	5,833,293
Buildings (a)	3,737,389	1,748,504	1,988,885	3,166,001
Building under construction (b)	1,874,248		1,874,248	372,995
Furniture and equipment	201,943	198,162	3,781	21,204
Automotive equipment	171,376	160,086	11,290	33,869
Software	91,541	48,876	42,665	
Building improvements	409,295	399,562	9,733	33,374
	<u>12,240,338</u>	<u>2,555,190</u>	<u>9,685,148</u>	<u>9,460,736</u>

- (a) During the year, the Organization decided to demolish the building acquired in 2020. The building, which was previously amortized using the straight-line method over a period of 30 years, will now be amortized over a period of 2 years. This change was adopted prospectively and led to an increase in the amortization expense of \$1,109,768 during the year.
- (b) During the year, the Organization capitalized construction costs, of which an amount of \$267,661 (nil as at March 31, 2023) is included in trade payables and other operating liabilities.

Sun Youth Organization Notes to Financial Statements

March 31, 2024

8 - LINE OF CREDIT

The Organization has an authorized line of credit of up to \$900,000 with a Canadian chartered bank, which bears interest at prime rate (7.2%; 6.7% as at March 31, 2023). The line of credit is secured by a building and land having a net carrying amount of \$5,798,549 as at March 31, 2024. As at year-end, none of the line of credit was used (unused as at March 31, 2023). The line of credit is renewable annually and the next renewal is scheduled in August 2024.

9 - OTHER DEFERRED CONTRIBUTIONS

The other deferred contributions represent unused assets which are subject to external restrictions to cover specific operating expenses during the next year.

	<u>2024</u>	<u>2023</u>
	\$	\$
Balance, beginning of year	3,694,650	1,458,346
Contributions	8,210,860	2,917,384
Transfer to deferred contributions related to tangible capital assets (Note 11)	(1,638,225)	(154,255)
Amount recognized as revenue	(558,979)	(526,825)
Balance, end of year	<u>9,708,306</u>	<u>3,694,650</u>

10 - LONG-TERM DEBT

	<u>2024</u>	<u>2023</u>
	\$	\$
Term loan, prime rate plus 0.35% (7.55%; 6.95% as at March 31, 2023), secured by a hypothec of \$7,000,000 on a building and land with a net carrying amount of \$5,798,549 and a guarantee of a maximum of \$6,900,000 from an organization subject to significant influence, repayable in monthly instalments of \$25,573, capital only, maturing in July 2024 (a)	5,140,238	5,447,118
Term loan, without interest		12,000
	<u>5,140,238</u>	<u>5,459,118</u>
Current portions		
Subject to renewal	5,140,238	5,447,118
Other		12,000
	<u>5,140,238</u>	<u>5,459,118</u>
	<u>-</u>	<u>-</u>

(a) Subsequent to year-end date, the loan was renewed until March 2025 under the same terms and conditions.

Under the credit agreement, the Organization is subject to certain terms, conditions and covenants.

The Organization did not pay any consideration in exchange for this guarantee.

Sun Youth Organization

Notes to Financial Statements

March 31, 2024

11 - DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Balance, beginning of year	2,085,379	2,043,189
Transfer from other deferred contributions (Note 9)	1,638,225	154,255
Amount recognized in operations	<u>(678,839)</u>	<u>(112,065)</u>
Balance, end of year	<u>3,044,765</u>	<u>2,085,379</u>

12 - SUN YOUTH FOUNDATION

The Organization exercises a significant influence over the Sun Youth Foundation (hereafter "the Foundation") by virtue of the fact that the main objective of the Foundation is to donate some or all of its capital and proceeds from time to time to the Organization.

13 - 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 other receivables (excluding sales 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, to 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 deposits 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 and the term loan bear interest at a variable rate and the Organization is, therefore, exposed to the cash flow risk 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, 2024

14 - COMMITMENTS

The Organization has entered into long-term lease agreements which call for lease payments of \$506,406 for the rental of an office and office equipment.

The contract for the office expires in October 2025, whereas the contracts for the office equipment expire on various dates until June 2027.

Minimum lease payments for the next years are \$316,189 in 2025, \$183,459 in 2026, \$5,792 in 2027 and \$966 in 2028.