

Financial Statements of

**GREEK COMMUNITY
OF TORONTO**

Year ended August 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
Greek Community of Toronto

We have audited the accompanying financial statements of Greek Community of Toronto, which comprise the statement of financial position as at August 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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.



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Basis for Qualified Opinion

In common with many charitable organizations, Greek Community of Toronto derives revenue from donations, events, tuition fees and programs, 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 Greek Community of Toronto. Therefore, we were not able to determine whether, as at and for the years ended August 31, 2017 and 2016, any adjustments might be necessary to donations, events, tuition fees and program revenue and excess (deficiency) of revenue over expenses reported in the statements of operations, excess (deficiency) of revenue over expenses reported in the statements of cash flows and current assets and net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended August 31, 2016.

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 Greek Community of Toronto as at August 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

Without modifying our qualified opinion, we draw attention to note 1(a) to the financial statements, which indicates that during the year ended August 31, 2017, Greek Community of Toronto had an excess of current liabilities over current assets. Also, as at August 31, 2017, Greek Community of Toronto did not meet the financial covenant specified in its bank borrowing agreement, resulting in the bank having the ability to immediately demand repayment of bank loan amounts outstanding. These conditions, along with other matters set forth in note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about Greek Community of Toronto's ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 5, 2018
Vaughan, Canada

GREEK COMMUNITY OF TORONTO

Statement of Financial Position

August 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 193,331	\$ 384,611
Term deposits	428,011	428,011
Accounts receivable	82,992	25,418
Prepaid expenses and other assets	47,731	36,534
	<u>752,065</u>	<u>874,574</u>
Capital assets (note 2)	13,592,091	13,803,390
Intangible assets (note 3)	233,829	163,464
	<u>\$ 14,577,985</u>	<u>\$ 14,841,428</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 668,320	\$ 576,184
Bank loans (note 5)	4,028,832	4,296,517
Deferred revenue (note 6)	200,164	173,053
	<u>4,897,316</u>	<u>5,045,754</u>
Net assets	9,680,669	9,795,674
Going concern (note 1(a))		
Commitments and contingencies (note 8)		
	<u>\$ 14,577,985</u>	<u>\$ 14,841,428</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

GREEK COMMUNITY OF TORONTO

Statement of Operations

Year ended August 31, 2017, with comparative information for 2016

	General Operating Fund														2017	2016
	Associations Department	Cultural Department	Education Department	Fund-raising Department	Social Services Department	St. Demetrios Department	St. John's Department	St. Irene's Department	Virgin Mary Department	Youth and Athletics Department	Memberships Department	Properties Department	Pronia Department	Funeral Services	Total	Total
Revenue:																
Donations	\$ -	\$ 3,355	\$ 27,224	\$ 307,193	\$ -	\$ 257,571	\$ 260,266	\$ 254,006	\$ 271,409	\$ -	\$ -	\$ -	\$ 700	\$ -	\$ 1,381,724	\$ 1,071,303
Grants (note 7)	-	-	-	1,803	-	-	-	-	-	-	-	-	-	-	1,803	8,478
Donations in kind	-	-	-	66,925	-	-	-	-	-	-	-	-	-	-	66,925	15,753
General income, tuition and service fees	-	-	411,327	-	9,605	48,142	33,425	5,580	28,421	-	83,480	-	-	91,386	711,366	613,633
Events	265,701	19,610	-	193,493	-	-	15,220	-	-	-	-	-	-	-	494,024	360,542
Programs and activities	-	28,725	-	-	-	-	-	-	-	-	-	-	-	-	175,869	181,828
Rental	-	-	-	-	-	-	-	-	-	-	-	97,193	147,144	-	97,193	95,617
Revenue raising	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,060
Other (note 9)	-	-	3,000	2,300	-	-	-	-	997	-	-	-	-	-	6,297	11,495
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,400,373
	265,701	51,690	441,551	571,714	9,605	305,713	308,911	259,586	300,827	-	83,480	97,193	147,844	91,386	2,935,201	3,760,082
Expenses:																
Salaries and benefits (recoveries)	17,876	62,838	405,301	47,669	35,752	97,352	(57,648)	97,738	127,890	-	23,835	7,150	-	5,198	870,951	919,918
Events	215,657	17,182	1,876	130,807	-	250	-	-	60	-	-	-	-	-	365,832	276,212
Program and activities	-	405	1,000	-	-	-	-	-	-	-	-	-	95,869	-	97,274	92,036
Donation	-	-	250	4,829	-	-	-	-	-	-	-	-	-	-	5,079	4,533
Services	-	-	-	-	-	24,745	15,200	-	11,450	-	-	-	-	36,875	88,270	42,271
Supplies	972	1,161	10,217	68,501	1,632	39,298	35,726	41,133	44,992	-	1,079	711	-	-	245,422	164,875
Other (note 9)	500	-	-	-	-	-	-	-	229	-	-	-	-	-	729	970
Office and general	24,215	16,192	19,346	71,371	48,503	40,576	42,581	12,934	31,540	13	32,286	9,979	-	-	349,536	384,154
Occupancy (note 10)	-	51,732	124,817	403	8,497	96,028	106,762	45,606	136,996	2,822	-	109,219	-	-	682,882	616,397
Amortization	-	40,571	41,464	214	6,161	53,810	48,927	32,385	110,287	1,496	-	79,281	-	-	414,596	434,567
	259,220	190,081	604,271	323,794	100,545	352,059	191,548	229,796	463,444	4,331	57,200	206,340	95,869	42,073	3,120,571	2,935,933
Excess (deficiency) of revenue over expenses	\$ 6,481	\$ (138,391)	\$ (162,720)	\$ 247,920	\$ (90,940)	\$ (46,346)	\$ 117,363	\$ 29,790	\$ (162,617)	\$ (4,331)	\$ 26,280	\$ (109,147)	\$ 51,975	\$ 49,313	\$ (185,370)	\$ 824,149

See accompanying notes to financial statements.

GREEK COMMUNITY OF TORONTO

Statement of Changes in Net Assets

Year ended August 31, 2017, with comparative information for 2016

	2017	2016
Net assets, beginning of year	\$ 9,795,674	\$ 8,808,061
Excess (deficiency) of revenue over expenses	(185,370)	824,149
Contributed asset (note 3)	70,365	163,464
Net assets, end of year	\$ 9,680,669	\$ 9,795,674

See accompanying notes to financial statements.

GREEK COMMUNITY OF TORONTO

Statement of Cash Flows

Year ended August 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (185,370)	\$ 824,149
Amortization of capital assets which does not involve cash	414,596	434,567
Gain on sale of capital assets	–	(1,400,373)
Change in non-cash operating working capital:		
Accounts receivable	(57,574)	(3,024)
Prepaid expenses and other assets	(11,197)	(92)
Accounts payable and accrued liabilities	92,136	(6,525)
Deferred revenue	27,111	22,936
	<u>279,702</u>	<u>(128,362)</u>
Financing activities:		
Repayments of bank loans	(267,685)	(1,173,905)
Proceeds from sale of capital assets	–	2,073,263
Restricted contributions for asset	70,365	163,464
	<u>(197,320)</u>	<u>1,062,822</u>
Investing activities:		
Increase in term deposits	–	(425,000)
Purchase of capital assets	(203,297)	(75,678)
Purchase of intangible assets	(70,365)	(106,950)
	<u>(273,662)</u>	<u>(607,628)</u>
Increase (decrease) in cash and cash equivalents	(191,280)	326,832
Cash and cash equivalents, beginning of year	384,611	57,779
Cash and cash equivalents, end of year	<u>\$ 193,331</u>	<u>\$ 384,611</u>

See accompanying notes to financial statements.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements

Year ended August 31, 2017

The Greek Community of Toronto (the "Organization") is a registered non-profit charitable organization incorporated in 1965 under Part III of the Corporations Act (Ontario). Its name was changed from The Greek Community of Metropolitan Toronto Inc. to the Greek Community of Toronto on October 8, 2004.

The Organization's objectives, among others, are: to preserve and diffuse the Greek language, to nurture and promote Greek civilization and traditions and to offer charitable assistance to those in need.

The Organization owns and operates four Greek orthodox churches, a cultural centre and a youth centre.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Going concern:

These financial statements have been prepared on a going concern basis in accordance with Canadian accounting standards for not-for-profit organizations. The going concern basis of presentation assumes that the Organization will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at August 31, 2017, the Organization had an excess of current liabilities over current assets. Further, as at August 31, 2017, the Organization did not meet the financial covenant specified in its bank borrowing agreement (note 5), resulting in the bank having the ability to immediately demand repayment of bank loan amounts outstanding. These conditions have resulted in a material uncertainty that may cast significant doubt about the Organization's ability to continue as a going concern.

The ability of the Organization to continue as a going concern is dependent on the continued cooperation of the Organization's lenders and other creditors and the Organization's ability to sell non-core assets, generate future donations and control expenses. There is no certainty that these and other strategies will be sufficient to permit the Organization to continue as a going concern.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2017

1. Significant accounting policies (continued):

The financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenue and expenses, and the statement of financial position classifications used.

(b) Capital assets:

Capital assets are recorded at cost. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on the declining-balance basis at the following annual rates:

Buildings	5%
Equipment	20%
Furniture	20%
Computer hardware	20%
Parking lot	5%
Software	33%

Amortization of capital assets acquired during the year is recorded at one-half of the indicated rates.

(c) Intangible assets:

Intangible assets consist of the Paideia curriculum which is not subject to amortization since the useful life is determined to be indefinite.

(d) Government assistance:

Government grants are recorded on the accrual basis. Grants received during the current and preceding years are subject to audit and possible adjustment by grantors with the contingency of claim for refund.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2017

1. Significant accounting policies (continued):

(e) Revenue recognition:

The Organization follows the restricted fund method of accounting for contributions, being donations and government grants.

Unrestricted donations are recognized when received. Short-term pledges and government grants not relating to capital assets are recorded on the accrual basis when the amounts can be reasonably estimated and ultimate collection is reasonably assured.

Externally restricted donations for specific purpose for which no corresponding restricted fund is presented are recorded as revenue in the year the related recognized expenses are incurred. Externally restricted donations for which a corresponding restricted fund is presented is recognized as revenue upon receipt.

Contributions restricted for the purchase of capital assets are recorded in deferred revenue and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Contributions restricted for the purchase of capital and intangible assets with indefinite useful lives are recorded as a direct increase to net assets.

Tuition fees are recorded at the beginning of the school year for registered students and amortized over the school term. Any unamortized balance at the year end is shown on the statement of financial position as deferred revenue.

(f) Contributed materials and services:

Contributed materials and services that are otherwise purchased are recorded at fair value, being the amount to purchase similar materials and services.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2017

1. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant estimates include the carrying value of intangible assets. Actual results could differ from those estimates.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2017

2. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Virgin Mary Building:				
Land	\$ 1,504,750	\$ –	\$ 1,504,750	\$ 1,504,750
Building	6,844,610	3,538,292	3,306,318	3,423,368
Equipment	994,124	945,348	48,776	52,533
Thorncliffe Building:				
Land	1,924,728	–	1,924,728	1,924,728
Building	3,328,146	873,783	2,454,363	2,441,720
Parking lot	61,650	21,740	39,910	42,011
Computer hardware and software	111,617	87,242	24,375	30,469
Furniture	38,461	34,938	3,523	4,404
Equipment	20,844	19,492	1,352	1,690
Gough Avenue Building:				
Land	656,425	–	656,425	656,425
Building	792,428	227,004	565,424	595,183
Equipment	95,077	84,574	10,503	13,128
Alexander The Great Building:				
Land	772,426	–	772,426	772,426
Building	556,128	160,950	395,178	415,977
Equipment	19,686	19,118	568	711
Warden Avenue Building:				
Land	1,077,743	–	1,077,743	1,077,743
Building	1,127,905	322,951	804,954	845,155
Equipment	17,394	16,619	775	969
	\$ 19,944,142	\$ 6,352,051	\$ 13,592,091	\$ 13,803,390

3. Intangible assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Paideia curriculum	\$ 233,829	\$ –	\$ 233,829	\$ 163,464

During the year, the Organization received restricted contributions of \$70,365 (2016 - \$163,464) for the Paideia curriculum, which was recorded as a direct increase in net assets, as the Paideia curriculum was determined to have an indefinite useful life.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2017

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$6,383 (2016 - \$16,463), which include amounts accrued for payroll-related taxes.

5. Bank loans:

In February 2014, the Organization entered into a new borrowing agreement (the "Borrowing Agreement"), consisting of a three-year and one-year non-revolving term loan for \$4,900,000 and \$1,000,000, respectively. In February 2015, the \$1,000,000 one-year non-revolving term loan was renewed for one year, and was fully repaid in January 2016. In February 2017, the \$4,900,000 three-year non-revolving term loan was renewed for four years to February 2021, at a balance of \$4,168,670 on a continued non-revolving basis. The balance of this loan at year end is as follows:

	2017	2016
Non-revolving four-year term loan, repayable monthly at \$35,786 (2016 - \$37,599) with interest fixed at 3.65% (2016 - 4.55%) per annum	\$ 4,028,832	\$ 4,296,517

The following security cover is provided for the bank loans:

- (a) General security agreement over all present and future personal property with appropriate insurance coverage, loss if any, payable to the bank.
- (b) Collateral mortgage in the amount of \$6,000,000 providing an inter alia first charge over all of the assets of the Organization and with replacement cost fire insurance coverage, loss if any, payable to the bank.

The Organization is required to comply with a financial covenant and certain non-financial covenants in accordance with the Borrowing Agreement. As at August 31, 2017, the Organization was not in compliance with the financial covenant of the Borrowing Agreement. All bank loans are presented as current liabilities in the statement of financial position since the bank has the right to demand loan payment at any time.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2017

6. Deferred revenue:

	2017	2016
Deferred capital contributions	\$ 176,936	\$ 138,053
Deferred other contributions	23,228	35,000
	<u>\$ 200,164</u>	<u>\$ 173,053</u>

7. Grants:

Grants are received from the following organizations:

	2017	2016
Human Resources and Skills Development Canada	\$ 1,803	\$ 8,478

8. Commitments and contingencies:

The future minimum annual payments under operating leases are as follows:

2018	\$ 35,500
2019	29,130
2020	11,100
2021	5,550
	<u>\$ 81,280</u>

9. Other income and other expenses:

	2017	2016
Other income:		
Interest	\$ 2,125	\$ 745
Miscellaneous	4,172	10,750
	<u>\$ 6,297</u>	<u>\$ 11,495</u>
Other expenses:		
Revenue-raising expenses	\$ 729	\$ 970

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2017

10. Occupancy expenses:

Occupancy expenses consist of mortgage interest, rent expense and occupancy costs (utilities, repairs and maintenance). These expenses are broken down as follows:

	General Operating Fund														2017	2016
	Associations Department	Cultural Department	Education Department	Fund-raising Department	Social Services Department	St. Demetrios Department	St. John's Department	St. Irene's Department	Virgin Mary Department	Youth and Athletics Department	Memberships Department	Properties Department	Pronia Department	Funeral Services	Total	Total
Mortgage	\$ -	\$ 11,583	\$ 14,932	\$ 190	\$ 1,916	\$ 15,191	\$ 22,355	\$ 13,810	\$ 49,715	\$ 1,329	\$ -	\$ 41,602	\$ -	\$ -	\$ 172,623	\$ 212,102
Rent	-	-	72,225	-	-	-	-	-	-	-	-	-	-	-	72,225	54,511
Occupancy	-	40,149	37,660	213	6,581	80,837	84,407	31,796	87,281	1,493	-	67,617	-	-	438,034	349,784
Total	\$ -	\$ 51,732	\$ 124,817	\$ 403	\$ 8,497	\$ 96,028	\$ 106,762	\$ 45,606	\$ 136,996	\$ 2,822	\$ -	\$ 109,219	\$ -	\$ -	\$ 682,882	\$ 616,397

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2017

11. Financial risk and concentration of credit risk:

Liquidity risk:

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its bank loans. This risk is reduced because of the capital assets held.