

Financial Statements of

**GREEK COMMUNITY
OF TORONTO**

And Independent Auditors' Report thereon

Year ended August 31, 2018



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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, 2018, 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, 2018 and 2017, any adjustments might be necessary to donations, events, tuition fees and program revenue and deficiency of revenue over expenses reported in the statements of operations, 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, 2017.

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, 2018, 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, 2018, Greek Community of Toronto had an excess of current liabilities over current assets. Also, as at August 31, 2018, 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

May 16, 2019
Vaughan, Canada

GREEK COMMUNITY OF TORONTO

Statement of Financial Position

August 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,560	\$ 193,331
Term deposits	428,011	428,011
Accounts receivable	14,067	82,992
Prepaid expenses and other assets	39,336	47,731
	<u>533,974</u>	<u>752,065</u>
Capital assets (note 2)	13,209,772	13,592,091
Intangible assets (note 3)	364,029	233,829
	<u>\$ 14,107,775</u>	<u>\$ 14,577,985</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 845,926	\$ 668,320
Bank loans (note 5)	3,741,245	4,028,832
Deferred revenue (note 6)	202,427	200,164
	<u>4,789,598</u>	<u>4,897,316</u>
Net assets	9,318,177	9,680,669
Going concern (note 1(a))		
Commitments and contingencies (note 8)		
	<u>\$ 14,107,775</u>	<u>\$ 14,577,985</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, 2018, with comparative information for 2017

	General Operating Fund														2018	2017
	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	\$ 10,430	\$ 5,440	\$ -	\$ 76,456	\$ -	\$ 245,083	\$ 279,938	\$ 247,793	\$ 211,394	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,076,534	\$ 1,381,724
Grants (note 7)	-	-	-	1,803	-	-	-	-	-	-	-	-	-	-	1,803	1,803
Donations in kind	-	-	-	238,927	-	-	-	-	-	-	-	-	-	-	238,927	66,925
General income, tuition and service fees	-	-	433,988	270	8,070	73,611	39,523	5,070	23,135	-	81,730	-	-	150,029	815,426	711,366
Events	201,352	15,650	-	156,427	-	27,012	-	-	-	-	-	-	-	-	400,441	494,024
Programs and activities	-	13,950	2,700	-	-	-	-	-	-	5,121	-	-	224,716	-	246,487	175,869
Rental	-	-	-	-	-	-	-	-	-	-	-	99,719	-	-	99,719	97,193
Revenue raising	-	-	-	1,050	-	-	-	-	-	-	-	-	-	-	1,050	-
Other (note 9)	-	-	-	18,927	-	2,830	-	2,959	6,607	-	-	-	-	-	31,323	6,297
	211,782	35,040	436,688	493,860	8,070	348,536	319,461	255,822	241,136	5,121	81,730	99,719	224,716	150,029	2,911,710	2,935,201
Expenses:																
Salaries and benefits	17,183	25,230	471,020	45,820	34,365	87,493	27,493	67,182	126,978	-	22,911	6,873	-	38,218	970,766	870,951
Events	168,210	21,633	9,827	91,243	-	31,323	-	-	680	-	-	-	2,858	-	325,774	365,832
Program and activities	-	-	-	-	-	-	-	-	-	-	-	-	142,914	-	142,914	97,274
Donation	-	-	790	2,200	-	-	-	-	-	-	-	-	-	-	2,990	5,079
Services	-	-	-	-	-	21,955	15,600	-	15,450	-	-	-	-	14,407	67,412	88,270
Supplies	1,061	1,107	33,512	2,377	1,350	30,869	30,672	28,300	34,329	1	865	1,027	6,969	-	172,439	245,422
Other (note 9)	1,500	208	-	2,228	-	1,912	130	130	130	-	-	-	-	-	6,238	729
Office and general	33,771	31,759	31,671	90,192	67,637	54,105	55,381	18,031	41,053	(66)	45,028	13,320	-	-	481,882	349,536
Occupancy (note 10)	-	60,539	137,825	384	12,886	121,072	182,910	25,552	132,009	2,686	-	101,156	-	-	777,019	682,882
Amortization	-	39,268	39,852	202	5,948	52,088	46,881	30,372	105,075	1,415	-	75,667	-	-	396,768	414,596
	221,725	179,744	724,497	234,646	122,186	400,817	359,067	169,567	455,704	4,036	68,804	198,043	152,741	52,625	3,344,202	3,120,571
Excess (deficiency) of revenue over expenses	\$ (9,943)	\$ (144,704)	\$ (287,809)	\$ 259,214	\$ (114,116)	\$ (52,281)	\$ (39,606)	\$ 86,255	\$ (214,568)	\$ 1,085	\$ 12,926	\$ (98,324)	\$ 71,975	\$ 97,404	\$ (432,492)	\$ (185,370)

See accompanying notes to financial statements.

GREEK COMMUNITY OF TORONTO

Statement of Changes in Net Assets

Year ended August 31, 2018, with comparative information for 2017

	2018	2017
Net assets, beginning of year	\$ 9,680,669	\$ 9,795,674
Deficiency of revenue over expenses	(432,492)	(185,370)
Contributed asset (note 3)	70,000	70,365
Net assets, end of year	\$ 9,318,177	\$ 9,680,669

See accompanying notes to financial statements.

GREEK COMMUNITY OF TORONTO

Statement of Cash Flows

Year ended August 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (432,492)	\$ (185,370)
Amortization of capital assets which does not involve cash	396,768	414,596
Change in non-cash operating working capital:		
Accounts receivable	68,925	(57,574)
Prepaid expenses and other assets	8,395	(11,197)
Accounts payable and accrued liabilities	177,606	92,136
Deferred revenue	2,263	27,111
	<u>221,465</u>	<u>279,702</u>
Financing activities:		
Repayments of bank loans	(287,587)	(267,685)
Restricted contributions for asset	70,000	70,365
	<u>(217,587)</u>	<u>(197,320)</u>
Investing activities:		
Purchase of capital assets	(14,449)	(203,297)
Purchase of intangible assets	(130,200)	(70,365)
	<u>(144,649)</u>	<u>(273,662)</u>
Decrease in cash and cash equivalents	(140,771)	(191,280)
Cash and cash equivalents, beginning of year	193,331	384,611
Cash and cash equivalents, end of year	<u>\$ 52,560</u>	<u>\$ 193,331</u>

See accompanying notes to financial statements.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements

Year ended August 31, 2018

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, 2018, the Organization had an excess of current liabilities over current assets. Further, as at August 31, 2018, 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, 2018

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 recorded at cost, which is not subject to amortization since the useful life is determined to be indefinite. Intangible assets are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated ability to provide services generated by the asset. When an intangible asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

(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.

(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, 2018

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, 2018

2. Capital assets:

			2018	2017
	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	3,703,607	3,141,003	3,306,318
Equipment	994,649	955,156	39,493	48,776
Thorncliffe Building:				
Land	1,924,728	–	1,924,728	1,924,728
Building	3,328,146	996,502	2,331,644	2,454,363
Parking lot	61,650	23,735	37,915	39,910
Computer hardware and software	111,617	92,117	19,500	24,375
Furniture	38,461	35,643	2,818	3,523
Equipment	20,844	19,762	1,082	1,352
Gough Avenue Building:				
Land	656,425	–	656,425	656,425
Building	792,428	255,276	537,152	565,424
Equipment	95,077	86,675	8,402	10,503
Alexander The Great Building:				
Land	772,426	–	772,426	772,426
Building	556,128	180,709	375,419	395,178
Equipment	19,686	19,231	455	568
Warden Avenue Building:				
Land	1,077,743	–	1,077,743	1,077,743
Building	1,140,690	363,518	777,172	804,954
Equipment	18,533	16,888	1,645	775
	\$ 19,958,591	\$ 6,748,819	\$ 13,209,772	\$ 13,592,091

3. Intangible assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Paideia curriculum	\$ 364,029	\$ –	\$ 364,029	\$ 233,829

During the year, the Organization received restricted contributions of \$70,000 (2017 - \$70,365) 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, 2018

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of nil (2017 - \$6,383), which include amounts accrued for payroll-related taxes.

5. Bank loans:

In February 2014, the Organization entered into a borrowing agreement (the "Borrowing Agreement"), consisting of a three-year non-revolving term loan for \$4,900,000. In February 2017, the Borrowing Agreement 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:

	2018	2017
Non-revolving four-year term loan, repayable monthly at \$35,786 (2017 - \$35,786) with interest fixed at 3.65% (2017 - 3.65%) per annum	\$ 3,741,245	\$ 4,028,832

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, 2018, 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, 2018

6. Deferred revenue:

	2018	2017
Deferred capital contributions	\$ 157,587	\$ 176,936
Deferred other contributions	44,840	23,228
	<u>\$ 202,427</u>	<u>\$ 200,164</u>

7. Grants:

Grants are received from the following organizations:

	2018	2017
Human Resources and Skills Development Canada	\$ 1,803	\$ 1,803

8. Commitments and contingencies:

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

2019	\$ 52,550
2020	34,600
2021	31,820
2022	23,500
2023	23,500
Thereafter	6,460
	<u>\$ 172,430</u>

9. Other income and other expenses:

	2018	2017
Other income:		
Interest	\$ 2,125	\$ 2,125
Miscellaneous	29,198	4,172
	<u>\$ 31,323</u>	<u>\$ 6,297</u>
Other expenses:		
Revenue-raising expenses	\$ 6,238	\$ 729

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2018

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														2018	2017
	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	\$ -	\$ 9,518	\$ 12,269	\$ 156	\$ 1,574	\$ 12,482	\$ 18,369	\$ 11,347	\$ 40,854	\$ 1,092	\$ -	\$ 34,184	\$ -	\$ -	\$ 141,845	\$ 172,623
Rent	-	-	83,059	-	-	-	-	-	-	-	-	-	-	-	83,059	72,225
Occupancy	-	51,021	42,497	228	11,312	108,590	164,541	14,205	91,155	1,594	-	66,972	-	-	552,115	438,034
Total	\$ -	\$ 60,539	\$ 137,825	\$ 384	\$ 12,886	\$ 121,072	\$ 182,910	\$ 25,552	\$ 132,009	\$ 2,686	\$ -	\$ 101,156	\$ -	\$ -	\$ 777,019	\$ 682,882

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2018

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.