

Financial Statements of

**GREEK COMMUNITY
OF TORONTO**

Year ended August 31, 2014



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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, 2014, 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, event sales, 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, 2014 and 2013, any adjustments might be necessary to donations, event sales, 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, 2013.

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, 2014, 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 during the year ended August 31, 2014, Greek Community of Toronto had an excess of expenditures over revenues and, as at August 31, 2014, had an excess of current liabilities over current assets. Also, as at August 31, 2014, 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

November 14, 2014
Toronto, Canada

GREEK COMMUNITY OF TORONTO

Statement of Financial Position

August 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Term deposit	\$ 3,011	\$ 3,011
Accounts receivable	28,365	35,322
Prepaid expenses and other assets	36,221	34,480
	<u>67,597</u>	<u>72,813</u>
Capital assets (note 3)	15,119,297	15,406,101
	<u>\$ 15,186,894</u>	<u>\$ 15,478,914</u>

Liabilities and Net Assets

Current liabilities:		
Bank indebtedness	\$ 23,958	\$ 45,172
Accounts payable (notes 4 and 8)	389,057	706,112
Bank loans (note 5)	5,758,160	5,420,340
Deferred revenue (note 2)	102,094	125,586
	<u>6,273,269</u>	<u>6,297,210</u>
Net assets	8,913,625	9,181,704
Going concern (note 1(a))		
Commitments and contingencies (note 7)		
	<u>\$ 15,186,894</u>	<u>\$ 15,478,914</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, 2014, with comparative information for 2013

	General Operating Fund												2014	2013
	Associations Department	Cultural Department	Education Department	Fund raising Department	Social Services Department	St. Demetrios Department	St. John's Department	St. Irene's Department	Annunciation Department	Youth and Athletics Department	Memberships Department	Properties Department	Total	Total
Income:														
Donation - special purpose	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,000
Donation	9,475	28,158	13,266	165,829	-	230,438	269,883	232,388	252,448	-	-	-	1,201,885	1,357,239
Grants (note 6)	-	-	-	5,555	-	-	-	-	-	-	-	-	5,555	5,938
Donations in kind	-	-	121	56,242	-	-	-	-	-	-	-	-	56,363	138,545
General income, tuition and service fees	-	-	415,207	-	24,725	75,658	44,375	5,030	37,144	-	196,470	-	798,609	933,894
Event	343,520	57,150	-	188,287	-	-	-	-	-	-	-	-	588,957	493,723
Programs and activities	-	31,200	-	-	-	-	-	-	-	-	-	-	31,200	19,738
Rental	-	-	-	740	-	-	-	-	-	-	-	118,284	119,024	126,432
Revenue raising	-	-	-	-	-	-	-	-	-	5,700	-	-	5,700	2,600
Other (note 8)	5,081	2,092	14,145	67,983	9,942	10,995	5,564	3,964	7,002	146	-	25,566	152,480	49,243
	358,076	118,600	442,739	484,636	34,667	317,091	319,822	241,382	296,594	5,846	196,470	143,850	2,959,773	3,188,352
Expenses:														
Salaries and benefits	10,829	128,353	304,494	28,877	82,425	127,102	83,306	99,118	104,342	-	14,438	4,332	987,616	994,064
Event	229,144	29,219	1,315	186,032	-	-	-	-	831	-	-	-	446,541	307,276
Services	19	12	6	3,454	2,037	11,850	19,821	10	10,572	-	25	7	47,813	88,331
Supplies	225	1,490	4,545	2,495	637	32,735	25,828	27,930	36,026	-	299	502	132,712	109,226
Office and general	25,020	18,017	14,951	66,721	50,967	80,555	81,352	53,350	70,638	6	33,360	10,182	505,119	492,036
Occupancy (note 9)	-	51,617	97,826	920	8,189	68,090	85,224	30,500	120,413	3,845	-	140,916	607,540	522,727
Donation	-	-	-	13,050	-	-	-	-	-	-	-	-	13,050	10,536
Other (note 8)	-	-	-	2,876	-	-	-	-	-	-	-	-	2,876	1,247
Amortization	-	44,168	46,705	245	6,837	58,564	56,266	36,901	129,422	1,717	-	103,760	484,585	504,934
	265,237	272,876	469,842	304,670	151,092	378,896	351,797	247,809	472,244	5,568	48,122	259,699	3,227,852	3,030,377
Excess (deficiency) of revenue over expenses														
	\$ 92,839	\$ (154,276)	\$ (27,103)	\$ 179,966	\$ (116,425)	\$ (61,805)	\$ (31,975)	\$ (6,427)	\$ (175,650)	\$ 278	\$ 148,348	\$ (115,849)	\$ (268,079)	\$ 157,975

See accompanying notes to financial statements.

GREEK COMMUNITY OF TORONTO

Statement of Changes in Net Assets

Year ended August 31, 2014, with comparative information for 2013

			2014	2013
	General Operating Fund	Restricted Fund	Total	Total
Net assets, beginning of year	\$ 9,210,156	\$ (28,452)	\$ 9,181,704	\$ 9,023,729
Excess (deficiency) of revenue over expenses	(268,079)	–	(268,079)	157,975
Interfund transfers (note 1(e))	(28,452)	28,452	–	–
Net assets, end of year	\$ 8,913,625	\$ –	\$ 8,913,625	\$ 9,181,704

See accompanying notes to financial statements.

GREEK COMMUNITY OF TORONTO

Statement of Cash Flows

Year ended August 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (268,079)	\$ 157,975
Amortization of capital assets which does not involve cash	484,585	504,934
Change in non-cash operating working capital:		
Accounts receivable	6,957	(13,067)
Prepaid expenses and other assets	(1,741)	6,907
Accounts payable	(172,675)	(531,012)
Accounts payable write-off (note 8)	(144,380)	(24,486)
Deferred revenue	(23,492)	7,430
	(118,825)	108,681
Financing activities:		
Decrease in bank indebtedness	(21,214)	(7,779)
Increase in bank loans	5,900,000	5,429,905
Repayments of bank loans	(5,562,180)	(5,409,565)
	316,606	12,561
Investing activities:		
Purchase of capital assets	(197,781)	(121,242)
Cash, end of year	\$ —	\$ —

See accompanying notes to financial statements.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements

Year ended August 31, 2014

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 the going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. It is management's responsibility to assess and disclose the Organization's ability to continue as a going concern. The application of the going concern concept is dependent on the continued co-operation of the Organization's lenders and other creditors and the Organization's ability to sell non-core assets, generate future donations and control expenses. During the year ended August 31, 2014, the Organization had an excess of expenditures over revenues and, as at August 31, 2014, had an excess of current liabilities over current assets. As at August 31, 2014, the Organization 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 (note 5). While the Organization is planning sales of certain assets, the Organization has not completed any sales subsequent to August 31, 2014 and does not currently have sufficient liquid resources to repay the bank loan amounts outstanding, should the lender demand repayment, or other liabilities. The Organization's assets are pledged as security for the bank loans and, in the event the lender demanded repayment, the lender would be in a position to enforce its security. These conditions indicate a material uncertainty that may cast a significant doubt about the Organization's ability to continue as a going concern. These financial statements do not include any adjustments that may be necessary should the Organization be unable to continue as a going concern.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2014

1. Significant accounting policies (continued):

(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) 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.

(d) 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.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2014

1. Significant accounting policies (continued):

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.

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.

(e) Interfund transfers:

The Organization used a restricted fund for certain balances that were considered reserved for various purposes. In the current year, the Organization decided to dissolve the restricted fund due to low activity and \$28,452 of net assets was transferred to the general operating fund.

(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.

(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.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2014

1. Significant accounting policies (continued):

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 period, 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. Actual results could differ from those estimates.

2. Deferred revenue:

	2014	2013
Deferred tuition fees	\$ –	\$ 15,945
Deferred capital contributions	102,094	109,641
	<u>\$ 102,094</u>	<u>\$ 125,586</u>

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2014

3. Capital assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Virgin Mary Building:				
Land	\$ 1,504,750	\$ –	\$ 1,504,750	\$ 1,504,750
Building	6,723,665	2,997,572	3,726,093	3,869,918
Equipment	984,775	904,773	80,002	100,003
Thorncliffe Building:				
Land	1,924,728	–	1,924,728	1,924,728
Building	3,027,360	492,345	2,535,015	2,561,013
Parking lot	61,650	15,101	46,549	48,999
Computer hardware and software	135,227	64,032	71,195	56,710
Furniture	38,461	31,580	6,881	8,602
Equipment	19,797	18,333	1,464	1,594
Gough Avenue Building:				
Land	656,425	–	656,425	656,425
Building	791,648	133,008	658,640	677,596
Equipment	86,227	75,671	10,556	13,195
Alexander The Great Building:				
Land	772,426	–	772,426	772,426
Building	556,128	95,211	460,917	485,175
Equipment	19,686	18,576	1,110	1,386
Warden Avenue Building:				
Land	1,077,743	–	1,077,743	1,077,743
Building	1,112,257	190,423	921,834	970,352
Equipment	17,394	15,880	1,514	1,892
Sorauren and Galley Houses:				
Land	430,800	–	430,800	430,800
Building	278,301	47,646	230,655	242,794
	\$ 20,219,448	\$ 5,100,151	\$ 15,119,297	\$ 15,406,101

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of nil (2013 - \$34,500), which include amounts accrued for payroll-related taxes.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2014

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. The balances of these loans at the year-end are as follows:

	2014	2013
Non-revolving three-year term loan, repayable monthly at \$37,599 with interest fixed at 4.55% per annum	\$ 4,783,872	\$ —
Non-revolving one-year term loan, repayable monthly at \$7,188 with interest fixed at 3.55% per annum	974,288	—
Non-revolving five months term loan, repayable monthly at \$29,203 with interest at 4% per annum	—	5,420,340
	<u>\$ 5,758,160</u>	<u>\$ 5,420,340</u>

The following security cover is provided for the bank loans:

- General security agreement over all present and future personal property with appropriate insurance coverage, loss if any, payable to the bank.
- 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.
- In connection with the repayment of the one-year term loan at maturity, will provide a cash collateral agreement in the amount of \$1,000,000 from the proceeds received on the sale of the Sorauren and Galley Houses.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2014

5. Bank loans (continued):

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, 2014, 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.

6. Grants:

Grants are received from the following organizations:

	2014	2013
Ministry of Citizenship and Immigration	\$ –	\$ 3,606
Human Resources and Skills Development Canada	5,555	2,332
	<u>\$ 5,555</u>	<u>\$ 5,938</u>

7. Commitments and contingencies:

The future minimum annual payments under operating leases are:

2015	\$ 18,000
2016	10,400
2017	10,400
2018	24,400
2019	18,000
	<u>\$ 81,200</u>

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2014

8. Other income and other expenses:

	2014	2013
Other income:		
Interest	\$ 2	\$ –
Provincial election rental fees	–	1,225
Miscellaneous	8,098	23,532
Accounts payable write-off	144,380	24,486
	<hr/>	<hr/>
	\$ 152,480	\$ 49,243
Other expenses:		
Revenue raising expenses	\$ 2,876	\$ 1,247

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2014

9. 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												2014	2013
	Associations Department	Cultural Department	Education Department	Fund raising Department	Social Services Department	St. Demetrios Department	St. John's Department	St. Irene's Department	Annunciation Department	Youth and Athletics Department	Memberships Department	Properties Department	Total	Total
Mortgage	\$ -	\$ 16,359	\$ 21,089	\$ 268	\$ 2,706	\$ 21,454	\$ 31,572	\$ 19,504	\$ 70,214	\$ 1,877	\$ -	\$ 58,755	\$ 243,798	\$ 216,441
Rent	-	-	48,269	-	-	-	-	-	-	-	-	-	48,269	46,552
Occupancy	-	35,629	28,468	281	5,483	46,636	53,652	10,996	50,199	1,968	-	82,161	315,473	259,734
Total	\$ -	\$ 51,988	\$ 97,826	\$ 549	\$ 8,189	\$ 68,090	\$ 85,224	\$ 30,500	\$ 120,413	\$ 3,845	\$ -	\$ 140,916	\$ 607,540	\$ 522,727

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2014

10. 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.

11. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.