

Financial Statements of

**GREEK COMMUNITY
OF TORONTO**

Year ended August 31, 2013



KPMG LLP
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

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, 2013, 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.



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 year ended August 31, 2013 and for the eight months ended August 31, 2012, any adjustments might be necessary to donations, event sales, tuition fees and program revenue and excess of revenue over expenses (expenses over revenue) reported in the statements of operations, excess of revenue over expenses (expenses over revenue) 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 eight months ended August 31, 2012.

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, 2013, 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 Greek Community of Toronto's current liabilities exceeded its current assets by \$6,224,397 due to the Organization being unable to secure long-term financing on its bank debt. These conditions, along with other matters as set forth in note 1(a) in the financial statements, 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.

Chartered Accountants, Licensed Public Accountants

October 30, 2013
Toronto, Canada

GREEK COMMUNITY OF TORONTO

Statement of Financial Position

August 31, 2013, with comparative figures for 2012

	2013			2012		
	General Operating Fund	Restricted Fund	Total	General Operating Fund	Restricted Fund	Total
Assets						
Current assets:						
Term deposit	\$ -	\$ 3,011	\$ 3,011	\$ -	\$ 3,011	\$ 3,011
Accounts receivable	35,322	-	35,322	22,255	-	22,255
Prepaid expenses and other assets	34,480	-	34,480	41,387	-	41,387
	69,802	3,011	72,813	63,642	3,011	66,653
Capital assets (note 3)	15,406,101	-	15,406,101	15,789,793	-	15,789,793
	\$ 15,475,903	\$ 3,011	\$ 15,478,914	\$ 15,853,435	\$ 3,011	\$ 15,856,446
Liabilities and Net Assets						
Current liabilities:						
Bank indebtedness	\$ 45,172	\$ -	\$ 45,172	\$ 45,740	\$ 7,211	\$ 52,951
Accounts payable (notes 4 and 8)	674,649	31,463	706,112	1,018,384	243,226	1,261,610
Bank loans (note 5)	5,420,340	-	5,420,340	5,400,000	-	5,400,000
Deferred revenue (note 2)	125,586	-	125,586	118,156	-	118,156
	6,265,747	31,463	6,297,210	6,582,280	250,437	6,832,717
Net assets	9,210,156	(28,452)	9,181,704	9,271,155	(247,426)	9,023,729
Going concern (note 1(a))						
Commitments and contingencies (note 7)						
	\$ 15,475,903	\$ 3,011	\$ 15,478,914	\$ 15,853,435	\$ 3,011	\$ 15,856,446

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

GREEK COMMUNITY OF TORONTO

Statement of Operations

Year ended August 31, 2013, with comparative figures for the eight months ended August 31, 2012

	General Operating Fund												Restricted Fund New Hellenic Cultural Centre		2013	2012
	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	Total	Total
Income:																
Donation - special purpose	\$ -	\$ -	\$ -	\$ 61,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,000	\$ -	\$ 61,000	\$ 13,430
Donation	1,000	46,950	2,565	342,442	-	239,037	279,979	220,125	225,141	-	-	-	1,357,239	-	1,357,239	789,859
Grants (note 6)	-	-	-	2,332	3,606	-	-	-	-	-	-	-	5,938	-	5,938	-
Donations in kind	-	-	-	138,545	-	-	-	-	-	-	-	-	138,545	-	138,545	62,906
General income, tuition and service fees	-	-	388,091	-	25,705	109,519	91,225	9,675	54,459	-	255,220	-	933,894	-	933,894	534,729
Event Programs and activities	222,062	83,410	-	188,251	-	-	-	-	-	-	-	-	493,723	-	493,723	412,422
Rental	-	19,738	-	-	-	-	-	-	-	-	-	-	19,738	-	19,738	-
Revenue raising	-	-	-	-	-	-	-	-	-	-	-	126,432	126,432	-	126,432	66,092
Other (note 8)	-	-	-	1,747	-	1,812	-	2,049	4,654	2,600	-	-	10,262	38,981	49,243	3,000
	223,062	150,098	390,656	734,317	29,311	350,368	371,204	231,849	284,254	2,600	255,220	126,432	3,149,371	38,981	3,188,352	2,579,685
Expenses:																
Salaries and benefits	8,024	76,895	335,851	21,399	76,098	149,995	88,737	102,656	119,671	830	10,699	3,209	994,064	-	994,064	717,929
Event Programs and activities	125,607	47,352	-	133,934	-	-	-	-	383	-	-	-	307,276	-	307,276	155,317
Services	1,239	351	175	1,402	1,052	16,541	49,757	5,213	11,690	-	701	210	88,331	-	88,331	299,222
Supplies	374	1,303	9,688	2,423	1,009	26,768	21,227	21,579	23,452	-	499	904	109,226	-	109,226	102,189
Office and general	23,968	16,024	12,260	63,966	48,028	78,400	80,281	52,793	69,049	42	31,957	7,169	483,937	8,099	492,036	333,825
Occupancy (note 9)	-	46,939	90,914	385	6,719	63,573	54,592	31,217	104,371	2,694	-	96,590	497,994	24,733	522,727	578,665
Loss on sale of New Hellenic Cultural Centre	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	101,991
Donation	-	-	-	10,536	-	-	-	-	-	-	-	-	10,536	-	10,536	780
Other (note 8)	-	-	-	1,247	-	-	-	-	-	-	-	-	1,247	-	1,247	15,312
Amortization	-	44,625	48,191	259	7,014	59,155	59,320	38,927	136,748	1,812	-	108,883	504,934	-	504,934	363,263
	159,212	233,489	497,079	235,551	139,920	394,432	353,914	252,385	465,364	5,378	43,856	216,965	2,997,545	32,832	3,030,377	2,668,793
Excess of revenue over expenses (expenses over revenue)	\$ 63,850	\$ (83,391)	\$ (106,423)	\$ 498,766	\$ (110,609)	\$ (44,064)	\$ 17,290	\$ (20,536)	\$ (181,110)	\$ (2,778)	\$ 211,364	\$ (90,533)	\$ 151,826	\$ 6,149	\$ 157,975	\$ (89,108)

See accompanying notes to financial statements.

GREEK COMMUNITY OF TORONTO

Statement of Changes in Net Assets

Year ended August 31, 2013, with comparative figures for the eight months ended August 31, 2012

	2013			2012
	General Operating Fund	Restricted Fund	Total	Total
Net assets, beginning of period	\$ 9,271,155	\$ (247,426)	\$ 9,023,729	\$ 9,115,637
Excess of revenue over expenses (expenses over revenue)	151,826	6,149	157,975	(89,108)
Interfund transfers	(212,825)	212,825	–	(2,800)
Net assets, end of period	\$ 9,210,156	\$ (28,452)	\$ 9,181,704	\$ 9,023,729

See accompanying notes to financial statements.

GREEK COMMUNITY OF TORONTO

Statement of Cash Flows

Year ended August 31, 2013, with comparative figures for the eight months ended August 31, 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	\$ 157,975	\$ (89,108)
Items not involving cash:		
Amortization of capital assets	504,934	363,263
Loss on sale of New Hellenic Cultural Centre	—	101,991
	662,909	376,146
Change in non-cash operating working capital:		
Accounts receivable	(13,067)	71,807
Prepaid expenses and other assets	6,907	(1,289)
Accounts payable	(531,012)	(544,021)
Accounts write-off (note 8)	(24,486)	(705,121)
Deferred revenue	7,430	(283,485)
	108,681	(1,085,963)
Financing activities:		
Increase (decrease) in bank loans	20,340	(2,660,853)
Decrease in bank indebtedness	(7,779)	(1,114,857)
	12,561	(3,775,710)
Investing activities:		
Decrease in term deposit	—	170,700
Proceeds on disposal of New Hellenic Cultural Centre	—	4,800,000
Purchase of capital assets	(121,242)	(109,027)
	(121,242)	4,861,673
Decrease in cash	—	—
Cash, beginning of period	—	—
Cash, end of period	\$ —	\$ —

See accompanying notes to financial statements.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements

Year ended August 31, 2013

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. Material uncertainties exist that may cast significant doubt about the appropriateness of the use of the going concern assumption because the Organization as of our opinion date has been unable to secure long-term financing on its bank debt which comes due in four months.

Management is engaged in negotiations to refinance the Organization's bank loans to long-term liabilities allowing it to free up cash to pay its creditors.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting policies (continued):

The ability of the Organization to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the "going concern" assumption used in preparing these financial statements. There is no certainty that these and other strategies will be sufficient to permit the Organization to continue as a going concern.

The financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate.

(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.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting policies (continued):

(d) Revenue recognition:

The Organization follows the restricted fund method of accounting for contributions, which include 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.

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

(e) 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.

The significant areas requiring management's judgment relate to the estimated useful lives of capital assets, the net realizable value of accounts receivable and the recording of accruals and overhead expense allocations. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the year in which they become known.

(f) Contributed materials and services:

Contributed materials and services that are normally purchased are valued at fair value determined in relation to purchase of similar materials and services and recorded at that value.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2013

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 period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Deferred revenue:

	2013	2012
Deferred tuition fees	\$ 15,945	\$ –
Deferred capital contributions	109,641	118,156
	<u>\$ 125,586</u>	<u>\$ 118,156</u>

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2013

3. Capital assets:

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Virgin Mary Building:				
Land	\$ 1,504,750	\$ –	\$ 1,504,750	\$ 1,504,750
Building	6,671,787	2,801,869	3,869,918	4,043,668
Equipment	984,775	884,772	100,003	125,003
Thorncliffe Building:				
Land	1,924,728	–	1,924,728	1,924,729
Building	2,922,716	361,703	2,561,013	2,639,012
Parking lot	61,650	12,651	48,999	51,578
Computer hardware and software	109,483	52,773	56,710	39,749
Furniture	38,461	29,859	8,602	1,650
Equipment	19,588	17,994	1,594	2,030
Gough Avenue Building:				
Land	656,425	–	656,425	656,425
Building	776,342	98,746	677,596	711,932
Equipment	86,227	73,032	13,195	16,493
Alexander The Great Building:				
Land	772,426	–	772,426	772,426
Building	556,128	70,953	485,175	510,711
Equipment	19,686	18,300	1,386	1,734
Warden Avenue Building:				
Land	1,077,743	–	1,077,743	1,077,743
Building	1,112,257	141,905	970,352	1,021,423
Equipment	17,394	15,502	1,892	2,364
Sorauren and Galley Houses:				
Land	430,800	–	430,800	430,800
Building	278,301	35,507	242,794	255,573
	\$ 20,021,667	\$ 4,615,566	\$ 15,406,101	\$ 15,789,793

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$34,500 (2012 - \$54,764), which include amounts accrued for payroll-related taxes.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2013

5. Bank loans:

	2013	2012
Non-revolving one-year term loan, repayable at \$28,405 with interest fixed at 4% per annum	\$ –	\$ 5,400,000
Non-revolving five months term loan, repayable at \$29,203 with interest at 4% per annum	5,420,340	–

The following security cover is provided to the bank to cover the operating line of credit and other loan facilities:

- (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 \$10,000,000 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.

Interest with respect to these loans amounted to \$216,441 (2012 - \$367,133).

6. Grants:

Grants are received from the following organizations:

	2013	2012
Ministry of Citizenship and Immigration	\$ 3,606	\$ –
Human Resources and Skills Development Canada	2,332	–
	\$ 5,938	\$ –

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2013

7. Commitments and contingencies:

(a) The future minimum annual payments under equipment operating leases are:

2014	\$ 10,500
2015	10,100
2016	10,100
2017	1,400
2018	600
Thereafter	200
	<hr/>
	\$ 32,900

(b) In June 2012, a statement of claim was issued against the Organization. The plaintiff was seeking a total of \$162,445 for services provided, interest and other costs. In August 2012, the Organization served a statement of defence. The Organization had accrued \$162,445 in accounts payable. This claim has been settled during the current year. The Organization paid \$147,950 to the plaintiff in April 2013.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2013

8. Donations in kind, other income and other expenses:

	2013	2012
Other income:		
Interest	\$ –	\$ 123
Provincial election rental fees	1,225	–
Miscellaneous	23,532	40,886
Accounts payable write-off (a)	24,486	656,238
	<hr/>	<hr/>
	\$ 49,243	\$ 697,247
Other expenses:		
Bad debt	\$ –	\$ 15,312
Revenue raising expenses	1,247	–

- (a) In 2012, management sought legal representation regarding outstanding payables relating to the New Hellenic Cultural Centre, which was sold on May 30, 2012, and other miscellaneous vendors. It was determined that the Organization's obligations had extinguished as of period end.

Accordingly, the payables were removed from the statement of financial position and recognized as income in the statement of operations.

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2013

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													2013	2012		
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	Restricted Fund New Hellenic Cultural Centre	Total	Total	
Mortgage	\$ -	\$ 14,523	\$ 18,722	\$ 238	\$ 2,403	\$ 19,047	\$ 28,029	\$ 17,315	\$ 62,335	\$ 1,667	\$ -	\$ 52,162	\$ 216,441	\$ -	\$ 216,441	\$ 367,134
Rent	-	-	46,552	-	-	-	-	-	-	-	-	46,552	-	46,552	36,276	
Occupancy	-	32,416	25,640	147	4,316	44,526	26,563	13,902	42,036	1,027	-	44,428	235,001	24,733	259,734	175,255
Total	\$ -	\$ 46,939	\$ 90,914	\$ 385	\$ 6,719	\$ 63,573	\$ 54,592	\$ 31,217	\$ 104,371	\$ 2,694	\$ -	\$ 96,590	\$ 497,994	\$ 24,733	\$ 522,727	\$ 578,665

GREEK COMMUNITY OF TORONTO

Notes to Financial Statements (continued)

Year ended August 31, 2013

10. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss.

The Organization is exposed to credit risk on its accounts receivable. Its receivables are from fundraising events sponsors and commodity tax rebates. The Organization does not have significant exposure to any individual donor. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(b) 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.