

**Sun Youth Organization**  
**Financial Statements**  
**September 30, 2017**

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**Raymond Chabot  
Grant Thornton**

## **Independent Auditor's Report**

To the Directors of  
Sun Youth Organization

**Raymond Chabot Grant Thornton LLP**

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We have audited the accompanying financial statements of Sun Youth Organization, which comprise the statement of financial position as at September 30, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and 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.

### **Auditor's 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 the auditor's 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, the auditor considers 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 not-for-profit organizations, the Organization derives revenue from donations, estate settlements, community, social and emergency services and fund-raising events, 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 the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations, estate settlements, community, social and emergency services and fund-raising events, deficiency of revenues over expenses and cash flows from operating activities for the years ended September 30, 2017 and 2016, current assets as at September 30, 2017 and 2016 and net assets as at October 1, 2016 and 2015 and September 30, 2017 and 2016. Our opinion on the financial statements for the year ended September 30, 2016 was qualified accordingly because of the possible effects of this limitation in scope.

**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 Sun Youth Organization as at September 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Raymond Chabot Grant Thornton LLP<sup>1</sup>*

Laval  
January 16, 2018

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<sup>1</sup> CPA auditor, CA public accountancy permit no. A108530

# Sun Youth Organization

## Operations

Year ended September 30, 2017

	2017	2016
	\$	\$
<b>Revenues</b>		
Contributions		
Government grants (Note 3)	939,571	823,177
Donations (Note 3)	3,210,390	3,591,001
Estate settlements	438,558	496,457
Community, social and emergency services (Note 3)	1,974,357	1,741,675
Fund-raising events	137,757	158,835
Sports and recreation	83,829	65,735
Miscellaneous income	171,149	144,375
Camp operations	1,067	27,208
Net investment income	4,905	5,243
	<u>6,961,583</u>	<u>7,053,706</u>
<b>Expenses</b>		
Community, social and emergency services	5,521,646	5,278,943
Fund-raising events	74,457	76,701
Camp operations	173,001	216,692
Sports and recreation	568,425	696,910
Administration	538,696	577,330
	<u>6,876,225</u>	<u>6,846,576</u>
Interest expenses (Note 4)	42,765	41,220
	<u>6,918,990</u>	<u>6,887,796</u>
Excess of revenues over expenses before amortization	<u>42,593</u>	<u>165,910</u>
<b>Amortization</b>		
Tangible capital assets	225,662	247,028
Deferred contributions related to the acquisition of tangible capital assets	<u>(38,522)</u>	<u>(25,209)</u>
	<u>187,140</u>	<u>221,819</u>
<b>Deficiency of revenues over expenses</b>	<u>(144,547)</u>	<u>(55,909)</u>

The accompanying notes are an integral part of the financial statements and Note 4 provides other information on operations.

**Sun Youth Organization**  
**Changes in Net Assets**  
 Year ended September 30, 2017

	<b>2017</b>		<b>2016</b>
	<b>Invested in capital assets</b>	<b>Unrestricted</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of year	<b>1,400,351</b>	<b>(848,956)</b>	<b>551,395</b>
Excess (deficiency) of revenues over expenses	<b>(187,140)</b>	<b>42,593</b>	<b>(144,547)</b>
Internally restricted - investment in tangible capital assets	<b>119,585</b>	<b>(119,585)</b>	
Balance, end of year	<b>1,332,796</b>	<b>(925,948)</b>	<b>406,848</b>

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

# Sun Youth Organization

## Cash Flows

Year ended September 30, 2017

	2017	2016
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenues over expenses	(144,547)	(55,909)
Non-cash items		
Amortization of tangible capital assets	225,662	247,028
Amortization of deferred contributions related to the acquisition of tangible capital assets	(38,522)	(25,209)
Net change in working capital items and other deferred contributions (Note 5)	(62,490)	69,612
Cash flows from operating activities	(19,897)	235,522
<b>INVESTING ACTIVITIES</b>		
Term deposits	(442,019)	(516,871)
Disposal of term deposits	516,871	477,486
Tangible capital assets	(87,594)	(63,705)
Cash flows from investing activities	(12,742)	(103,090)
<b>FINANCING ACTIVITIES</b>		
Net change in bank line of credit	100,000	(80,000)
Contributions received during the year	85,645	30,312
Repayment of long-term loans	(117,636)	(121,832)
Cash flows from financing activities	68,009	(171,520)
<b>Net increase (decrease) in cash</b>	<b>35,370</b>	<b>(39,088)</b>
Cash, beginning of year	279,908	318,996
Cash, end of year	315,278	279,908

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

# Sun Youth Organization

## Financial Position

September 30, 2017

	2017	2016
	\$	\$
<b>ASSETS</b>		
Current		
Cash	315,278	279,908
Contributions and other receivables (Note 6)	157,281	175,690
Prepaid expenses and deposits	4,338	4,621
	<u>476,897</u>	<u>460,219</u>
Long-term		
Term deposits	442,019	516,871
Tangible capital assets (Note 7)	2,276,402	2,414,470
	<u>3,195,318</u>	<u>3,391,560</u>
<b>LIABILITIES</b>		
Current		
Bank indebtedness (Note 8)	863,000	763,000
Trade payables and other operating liabilities (Note 9)	121,157	193,856
Other deferred contributions (Note 10)	860,707	869,190
Instalments on long-term debt	107,840	117,637
	<u>1,952,704</u>	<u>1,943,683</u>
Long-term		
Long-term debt (Note 11)	503,389	611,228
Deferred contributions related to the acquisition of tangible capital assets (Note 12)	332,377	285,254
	<u>2,788,470</u>	<u>2,840,165</u>
<b>NET ASSETS</b>		
Invested in capital assets	1,332,796	1,400,351
Unrestricted	(925,948)	(848,956)
	<u>406,848</u>	<u>551,395</u>
	<u>3,195,318</u>	<u>3,391,560</u>

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

On behalf of the Board,

Director

Director

# Sun Youth Organization

## Notes to Financial Statements

September 30, 2017

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### **1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION**

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

The primary objective of the Organization is to serve the needs of the community by providing emergency food, clothing, medication and crime prevention services. It also provides a wide range of sports, recreation and camp programs for children and maintains a social recreation centre for seniors. The contributions to the Organization, except government grants, come from corporate and private donors.

### **2 - SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Accounting estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

#### **Financial assets and liabilities**

##### *Initial measurement*

Upon initial measurement, the Organization's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs.

##### *Subsequent measurement*

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.



**Sun Youth Organization**  
**Notes to Financial Statements**  
 September 30, 2017

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**2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue recognition**

*Contributions*

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are reported as direct increases in net assets.

*Other revenues*

Revenues from sports and recreation, miscellaneous income and camp operations are recognized when the activities occurred and upon receipt.

*Net investment income*

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Net investment income includes interest income from cash and term deposits and are recognized with the outflow of the time.

Net investment income is not subject to externally imposed restrictions and is recognized in the statement of operations under Net investment income.

**Contributed goods and services**

The work of the Organization is dependant upon the receipt of donated goods such as clothing, food, supplies and the use of donated premises and vehicles. When it can be reasonably estimated, the fair value of such donated goods and usage is recorded in the financial statements.

The Organization would not be able to carry out its activities without the services of numerous volunteers who contribute considerable hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**Tangible capital assets**

Tangible capital assets acquired are recorded at cost. When the Organization receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date.

*Amortization*

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives over the following periods :

	<u>Periods</u>
Building (camp)	30 years
Building (warehouse)	30 years
Furniture and equipment	5 years
Automotive equipment, software and building improvements	3 years

# Sun Youth Organization

## Notes to Financial Statements

September 30, 2017

### 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Tangible capital assets (Continued)

##### Write-down

When the Organization recognizes that a tangible capital asset no longer has any long-term service potential, the excess of net carrying amount of the tangible capital asset over its residual value is recognized as an expense in the statement of operations.

### 3 - INFORMATION INCLUDED IN OPERATIONS

	2017	2016
	\$	\$
Contributions		
Government grants		
Federal	87,581	95,717
Provincial	74,723	81,143
Municipal (a) (b)	777,268	646,317
Donations		
Fondation Marcelle et Jean Coutu	141,000	136,000
Fondation CJA	33,000	33,000
Fondation Charlotte & Leo Karassik	100,000	90,000
Grande Guignolée des Médias	156,750	221,350
Hydro-Québec	18,000	25,000
Tenaquip Foundation	40,000	40,000
J.W. McConnell Family Foundation	40,000	41,250
Contributed goods and services (c)	373,714	466,889
Organization with a significant influence (d)	128,000	432,000
Other donations from individuals, corporations and not-for-profit organizations	2,179,926	2,105,512
Community, social and emergency services		
Food donations (c)	1,974,357	1,741,675

(a) Includes an amount of \$90,000 of Ville de Montréal and the ministère de l'Emploi et de la solidarité sociale as well as amounts of \$34,355 (nil in 2016) and of \$129,300 (\$112,000 in 2016) of Ville de Montréal for the programs of Politique de l'enfance and the Fire Prevention Service, respectively.

(b) Includes donations of premises for \$443,140 (\$443,140 in 2016). The same amount is included in the expenses of community, social and emergency services.

(c) An equivalent amount is included in the expenses of community, social and emergency services.

(d) These transactions were concluded in the normal course of operations and are measured at the exchange amount.

### 4 - INTEREST EXPENSES

	2017	2016
	\$	\$
Interest on long-term debt	27,977	30,281
Other interest	14,788	10,933
	<u>42,765</u>	<u>41,214</u>

**Sun Youth Organization**  
**Notes to Financial Statements**  
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**5 - INFORMATION INCLUDED IN CASH FLOWS**

The net change in working capital items and other deferred contributions is detailed as follows:

	2017	2016
	\$	\$
Contributions and other receivables	18,410	(52,991)
Prepaid expenses and deposits	283	(4,621)
Trade payables and other operating liabilities	(72,700)	(51,513)
Other deferred contributions	(8,483)	178,737
	<u>(62,490)</u>	<u>69,612</u>

**6 - CONTRIBUTIONS AND OTHER RECEIVABLES**

	2017	2016
	\$	\$
Sales taxes receivable	54,910	
Other	102,371	175,690
	<u>157,281</u>	<u>175,690</u>

**7 - TANGIBLE CAPITAL ASSETS**

			2017	2016
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Land (camp)	78,747		78,747	78,747
Land (warehouse)	1,154,546		1,154,546	1,154,546
Building (camp)	2,781,215	2,474,400	306,815	399,522
Building (warehouse)	709,971	90,770	619,201	621,659
Furniture and equipment	294,332	282,171	12,161	13,367
Automotive equipment	294,531	292,878	1,653	10,855
Software	48,733	47,108	1,625	
Building improvements	289,353	187,699	101,654	135,774
	5,651,428	3,375,026	2,276,402	2,414,470

**8 - BANK INDEBTEDNESS**

The Organization has an authorized line of credit facility of up to \$900,000 with a Canadian chartered bank which bears interest at prime plus 0.25% per annum (3.45%; 2.95% in 2016 ). The line of credit is secured by the camp installations having a net carrying amount of \$385,562 and includes a condition for which the camp facilities are not to be pledged as security for any additional indebtedness. As at year-end, \$863,000 (\$763,000 in 2016) of the credit facility was used. The facility is renewable annually and the next renewal is scheduled in January 2018.

# Sun Youth Organization

## Notes to Financial Statements

September 30, 2017

### 9 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2017	2016
	\$	\$
Trade accounts payable and accrued liabilities	121,157	180,003
Indirect taxes payable		13,853
	<u>121,157</u>	<u>193,856</u>

Government remittances total \$23,766 as at September 30, 2016.

### 10 - OTHER DEFERRED CONTRIBUTIONS

The other deferred contributions represent unused assets which are restricted to cover specific operating expenses for the next years due to external restrictions.

	2017	2016
	\$	\$
Balance, beginning of year	869,190	690,453
Contributions during the year	972,732	1,079,912
Amounts recognized as revenue during the year	(981,215)	(901,175)
Balance, end of year	<u>860,707</u>	<u>869,190</u>

### 11 - LONG-TERM DEBT

	2017	2016
	\$	\$
Term loan, secured by a fully amortized vehicle as at September 30, 2017, 4.98%, repayable in monthly instalments of \$685 including capital and interest, maturing in February 2019	11,229	18,689
Term loan, secured by a building and land having a net book value of \$1,773,747, 4%, repayable in annual instalments of \$100,000, maturing in June 2023	600,000	700,000
Term loan, secured by a vehicle		10,176
	<u>611,229</u>	<u>728,865</u>
Current portion	<u>107,840</u>	<u>117,637</u>
	<u>503,389</u>	<u>611,228</u>

The estimated instalments on long-term debt for the next five years are \$107,840 in 2018, \$103,389 in 2019, and \$100,000 in 2020, 2021 and 2022.

## Sun Youth Organization

### Notes to Financial Statements

September 30, 2017

#### 12 - DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

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

	2017	2016
	\$	\$
Balance, beginning of year	285,254	280,151
Contributions received during the year	85,645	30,312
Amounts recognized as revenue during the year	(38,522)	(25,209)
Balance, end of year	332,377	285,254

#### 13 - FINANCIAL INSTRUMENTS

##### Financial risks

The Organization's main financial risk exposure is detailed as follows.

##### *Credit risk*

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are contributions and other receivables (excluding the indirect taxes receivable), since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

##### *Market risk*

The Organization's financial instruments expose it to market risk, in particular, interest rate risk resulting from its investing and financing activities:

##### – Interest rate risk:

The Organization is exposed to interest rate risk with respect to financial assets and liabilities bearing fixed and variable interest rates.

The terms loans and term deposits bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The line of credit bears interest at a variable rate and the Organization is, therefore, exposed to the cash flow risks resulting from interest rate fluctuations.

##### *Liquidity risk*

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

**Sun Youth Organization**  
**Notes to Financial Statements**  
September 30, 2017

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**13 - FINANCIAL INSTRUMENTS (Continued)**

**Carrying amount of financial assets by category**

The Organization's financial assets, totalling \$859,668 (\$972,469 as at September 30, 2016), have all been classified as financial assets measured at amortized cost.

**Guaranteed financial liabilities**

As at September 30, 2017, the total carrying amount of guaranteed financial liabilities is \$1,474,229.

**14 - COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.