

# Hellenic Community of Greater Montreal

**Financial statements**

**June 30, 2019**



## Independent auditors' report

To the Members of  
**Hellenic Community of Greater Montreal**

### Qualified Opinion

We have audited the financial statements of **Hellenic Community of Greater Montreal** [the "Organization"], which comprise the statement of financial position as at June 30, 2019, and the statement of operations, changes in fund balances (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2019, 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.

### Basis for qualified opinion

In common with many charitable organizations, the Organization derives revenues from donations, membership fees, dance and activities and fund-raising campaigns, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our audit 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 such revenues, the deficiency of revenues over operating expenses, and net cash generated from operating activities for the years ended June 30, 2019 and 2018, current assets as at June 30, 2019 and 2018, and fund balances (deficit) as at July 1 and June 30 for the 2019 and 2018 years. Our opinion on the financial statements for the year ended June 30, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the Organization has a deficiency of revenues over expenses, negative fund balances (deficit), and negative working capital as at June 30, 2019. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Organization's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Organization's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young LLP*<sup>1</sup>

Montréal, Canada  
October 22, 2019

<sup>1</sup> CPA auditor, CA, public accountancy permit no. A121006



Hellenic Community of Greater Montreal

Statement of financial position

[Going concern uncertainty – note 1]

As at June 30, 2019

	2019				2018			
	General fund	Socrates Démosthène fund	Elimination	Total	General fund	Socrates Démosthène fund	Elimination	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets [notes 7 and 9]</b>								
<b>Current</b>								
Cash	16,400	—	—	16,400	5,566	149,071	—	154,637
Accounts receivable [notes 5 and 11]	202,917	266,134	—	469,051	177,930	210,967	—	388,897
Accounts receivable – Socrates Démosthène fund	4,122,325	—	(4,122,325)	—	4,020,694	—	(4,020,694)	—
Supplies	29,917	—	—	29,917	41,220	—	—	41,220
Prepaid expenses	124,713	—	—	124,713	135,796	585	—	136,381
	<u>4,496,272</u>	<u>266,134</u>	<u>(4,122,325)</u>	<u>640,081</u>	<u>4,381,206</u>	<u>360,623</u>	<u>(4,020,694)</u>	<u>721,135</u>
Cash – restricted [note 4]	250,509	—	—	250,509	340,106	—	—	340,106
Property and equipment [note 6]	13,317,087	839,268	—	14,156,355	13,755,263	946,813	—	14,702,076
Accounts receivable - Foyer Hélienique pour personnes âgées [note 5]	277,000	—	—	277,000	270,000	—	—	270,000
Deposits	55,060	—	—	55,060	69,556	—	—	69,556
	<u>18,395,928</u>	<u>1,105,402</u>	<u>(4,122,325)</u>	<u>15,379,005</u>	<u>18,816,131</u>	<u>1,307,436</u>	<u>(4,020,694)</u>	<u>16,102,873</u>
<b>Liabilities</b>								
<b>Current</b>								
Short term debt under credit facilities [note 7]	3,717,980	329,709	—	4,047,689	3,821,537	—	—	3,821,537
Accounts payable and accrued liabilities	1,620,570	817,372	—	2,437,942	1,436,152	945,483	—	2,381,635
Government remittances payable	58,915	423,179	—	482,094	27,990	342,031	—	370,021
Accounts payable – General Fund	—	4,122,325	(4,122,325)	—	—	4,020,694	(4,020,694)	—
Deferred revenues	13,984	262,473	—	276,457	67,029	348,599	—	415,628
Current portion of long-term debt [note 9]	3,075,286	—	—	3,075,286	293,333	—	—	293,333
Due to the Greek State [note 8]	7,053,897	—	—	7,053,897	7,053,897	—	—	7,053,897
	<u>15,540,632</u>	<u>5,955,058</u>	<u>(4,122,325)</u>	<u>17,373,365</u>	<u>12,699,938</u>	<u>5,656,807</u>	<u>(4,020,694)</u>	<u>14,336,051</u>
Deferred revenues – emphyteutic lease	1,085,735	—	—	1,085,735	1,117,413	—	—	1,117,413
Deferred capital contributions	732,176	—	—	732,176	831,745	—	—	831,745
Long-term debt [note 9]	—	—	—	—	3,064,733	—	—	3,064,733
	<u>1,817,911</u>	<u>—</u>	<u>—</u>	<u>1,817,911</u>	<u>5,013,891</u>	<u>—</u>	<u>—</u>	<u>5,013,891</u>
	<u>17,358,543</u>	<u>5,955,058</u>	<u>(4,122,325)</u>	<u>19,191,276</u>	<u>17,713,829</u>	<u>5,656,807</u>	<u>(4,020,694)</u>	<u>19,349,942</u>
<b>Deficit</b>								
Unrestricted	1,037,384	(4,849,656)	—	(3,812,272)	1,102,302	(4,349,371)	—	(3,247,069)
	<u>1,037,384</u>	<u>(4,849,656)</u>	<u>—</u>	<u>(3,812,272)</u>	<u>1,102,302</u>	<u>(4,349,371)</u>	<u>—</u>	<u>(3,247,069)</u>
	<u>18,395,928</u>	<u>1,105,402</u>	<u>(4,122,325)</u>	<u>15,379,005</u>	<u>18,816,131</u>	<u>1,307,436</u>	<u>(4,020,694)</u>	<u>16,102,873</u>

Commitments and guarantees, contingencies [notes 12 and 13]

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

On behalf of the Board,

President

Treasurer

## Hellenic Community of Greater Montreal

### Changes in fund balances (deficit)

[Going concern uncertainty – note 1]

Year ended June 30, 2019

	General fund \$	Socrates Démosthène fund \$	Total \$
Fund balances (deficit), June 30, 2017	545,945	(3,411,197)	(2,865,252)
Deficiency of revenues over operating expenses	(306,833)	(74,984)	(381,817)
Interfund transfer for rent [a]	1,107,268	(1,107,268)	—
Interfund transfer – other	(243,731)	243,731	—
Fund balances (deficit), June 30, 2018	<u>1,102,649</u>	<u>(4,349,718)</u>	<u>(3,247,069)</u>
Deficiency of revenues over operating expenses	<b>(1,138,310)</b>	<b>573,107</b>	<b>(565,203)</b>
Interfund transfer for rent [a]	<b>1,107,268</b>	<b>(1,107,268)</b>	<b>—</b>
Interfund transfer – other	<b>(34,223)</b>	<b>34,223</b>	<b>—</b>
<b>Fund balances (deficit), June 30, 2019</b>	<b><u>1,037,384</u></b>	<b><u>(4,849,656)</u></b>	<b><u>(3,812,272)</u></b>

[a] These transfers are approved by the Board of Directors on the basis of \$6.35 per square foot [\$6.35 in 2018].

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

## Hellenic Community of Greater Montreal

### Statement of operations

[Going concern uncertainty – note 1]

Year ended June 30, 2019

	2019		2018	
	General	Socrates	Total	Total
	fund	Démosthène		
	\$	\$	\$	\$
<b>Revenues</b>				
Advertising and calendar	29,155	1,125	30,280	31,200
Churches	1,629,454	—	1,629,454	1,566,211
Dances and activities	64,554	139,764	204,318	426,615
Donations	96,449	27,819	124,268	415,578
Festival	73,527	—	73,527	57,786
Fund raising campaigns	276,366	63,143	339,509	302,770
Membership fees	138,427	2,505	140,932	106,920
Rental [a]	842,362	—	842,362	729,257
School fees	396,266	5,503,739	5,900,005	5,766,940
Athletics department	110,913	—	110,913	153,560
Banquet facilities	156,035	—	156,035	137,212
Grants [note 3]	297,395	5,167,010	5,464,405	5,338,772
Other	277,738	465,451	743,189	653,782
Amortization of deferred capital contributions	99,569	—	99,569	99,569
Amortization of emphyteutic lease	31,678	—	31,678	31,678
	<b>4,519,888</b>	<b>11,370,556</b>	<b>15,890,444</b>	<b>15,817,850</b>
<b>Operating expenses</b>				
Advertising, general supplies and texts	23,329	22,626	45,955	58,841
Churches	1,782,640	—	1,782,640	1,543,103
Bussing	—	1,022,205	1,022,205	1,154,731
Computer software and maintenance	1,367	35,585	36,952	10,985
Dances and activities	205,436	46,363	251,799	405,662
Donations	42,814	140,268	183,082	220,848
Athletics department	227,400	—	227,400	217,443
Banquet facilities	207,646	—	207,646	205,781
Electricity, water and gas	140,523	237,898	378,421	389,693
Festival	96,170	—	96,170	67,408
Fundraising campaign fees	195,391	—	195,391	136,538
General and administrative	87,517	346,553	434,070	449,499
Insurance	44,204	70,266	114,470	133,419
Interest and bank charges	151,796	—	151,796	142,472
Interest on long-term debt [note 10]	274,977	—	274,977	283,394
Janitorial and cleaning	20,239	338,312	358,551	370,362
Maintenance and repairs	68,161	86,722	154,883	166,827
Office supplies and postage	64,738	—	64,738	60,178
Pedagogical materials and texts	6,895	117,216	124,111	105,342
Professional and consulting fees	89,209	71,425	160,634	176,428
Rent	70,007	—	70,007	68,508
Salaries and benefits	1,068,972	7,978,354	9,047,326	9,046,262
Taxes – municipal and school	15,513	—	15,513	24,520
Telephone	11,988	18,770	30,758	32,230
Gain on reversal of bad debt	—	—	—	(270,000)
Travel and transportation	36,870	714	37,584	40,853
Amortization of property and equipment	724,396	264,172	988,568	958,340
	<b>5,658,198</b>	<b>10,797,449</b>	<b>16,455,647</b>	<b>16,199,667</b>
<b>Deficiency of revenues over operating expenses</b>	<b>(1,138,310)</b>	<b>573,107</b>	<b>(565,203)</b>	<b>(381,817)</b>

[a] These amounts exclude the interfund transfers for rent from the Socrates Démosthène fund to the General fund in the amount of \$1,107,268 [2018 – \$1,107,268].

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

## Hellenic Community of Greater Montreal

### Statement of cash flows

[Going concern uncertainty – note 1]

Year ended June 30, 2019

	2019		2018	
	Socrates		Total	Total
	General fund	Démosthène fund		
\$	\$	\$	\$	
<b>Operating activities</b>				
Deficiency of revenues over operating expenses	(1,138,310)	573,107	(565,203)	(381,817)
Non-cash items				
Amortization of property and equipment	724,396	264,172	988,568	958,340
Amortization of deferred capital contributions	(99,569)	—	(99,569)	(99,569)
Amortization of emphyteutic lease	(31,678)	—	(31,678)	(31,678)
Amortization of financing fees and transaction costs	10,554	—	10,554	10,554
Gain on reversal of bad debt	—	—	—	(270,000)
Changes in non-cash working capital items	65,804	(86,387)	(20,583)	828,673
<b>Net cash flows generated from operating activities</b>	<b>(468,803)</b>	<b>750,892</b>	<b>282,089</b>	<b>1,014,503</b>
<b>Financing activities</b>				
Increase (decrease) in short term debt - credit facilities	(103,557)	329,709	226,152	1,419,137
Repayment of long-term debt	(293,228)	—	(293,228)	(293,333)
Interfund transfers	1,073,045	(1,073,045)	—	—
<b>Net cash flows generated from (used for) financing activities</b>	<b>676,260</b>	<b>(743,336)</b>	<b>(67,076)</b>	<b>1,125,804</b>
<b>Investing activities</b>				
Decrease in cash – restricted	89,597	—	89,597	249,462
Acquisition of property and equipment	(286,220)	(156,627)	(442,847)	(2,477,428)
<b>Net cash flows used for investing activities</b>	<b>(196,623)</b>	<b>(156,627)</b>	<b>(353,250)</b>	<b>(2,227,966)</b>
<b>Net increase (decrease) in cash</b>	<b>10,834</b>	<b>(149,071)</b>	<b>(138,237)</b>	<b>(87,659)</b>
Cash, beginning of year	5,566	149,071	154,637	242,296
<b>Cash, end of year</b>	<b>16,400</b>	<b>—</b>	<b>16,400</b>	<b>154,637</b>

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

# Hellenic Community of Greater Montreal

## Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2019

### 1. Governing statutes and purpose of the organization and going concern uncertainty

The Hellenic Community of Greater Montreal [the "Organization"] is a registered charity organization under the *Income Tax Act*.

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ["GAAP"] on a going concern basis, which presumes the Organization will continue its operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of operations for the foreseeable future. The use of these principles may not be appropriate because as at June 30, 2019, there was a material uncertainty that may cast a significant doubt as to the Organization's ability to continue as a going concern without having access to additional financial resources.

The Organization has suffered a deficiency of revenues over expenses for the year ended June 30, 2019, has negative Fund balances, negative working capital at the end of the year, had its debt maturing on December 1, 2019 and was not in compliance with certain bank covenants. The Organization's ability to continue as a going concern is dependent upon its ability to generate cash flow to meet required debt payments and commitments and is also dependent on the continued support of its banker and the Ministère de l'Éducation, et de l'Enseignement supérieur ["MEES"] in order to fund its programs [the Organization's revenues include significant grants from MEES]. It is also dependent on the Greek State not requesting payment of amounts owed to it by the Organization [note 8].

Use of accounting principles based on the going concern assumption is appropriate only if the Organization can continue as a going concern. The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements have not been adjusted as would be required if the going concern assumption were not appropriate. Such adjustments could be material.

### 2. Significant accounting policies

These financial statements were prepared in accordance with Part III of the CPA Canada Handbook – Accounting Standards for Not-for-Profit Organizations which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes significant accounting policies described below.

#### Fund accounting

Assets, liabilities, revenues and expenses relating to administration, community centers, churches, educational activities and social activities are reported in the General fund.

Assets, liabilities, revenues and expenses relating to the Socrates and Démosthène school activities are reported in the Socrates Démosthène fund.

#### Financial instruments

The Organization initially records a financial instrument at its fair value except for a related party transaction which is recorded at the carrying or exchange amount depending on the circumstances.



## Hellenic Community of Greater Montreal

### Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2019

The Organization recognizes its transaction costs in income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transactions costs that are directly attributable to their origination, issuance or assumption.

Subsequently, the Organization measures financial instruments as follows:

- all financial assets at amortized cost; and
- all financial liabilities at amortized cost.

Financial assets include cash, restricted cash and accounts receivable. Financial liabilities include the short-term debt and other debt related to the credit facilities, accounts payable and accrued liabilities, due to the Greek State and long-term debt.

#### Property and equipment

Property and equipment are recorded at cost. When the Organization receives property and equipment contributions, their cost is equal to their fair value at the contribution date or to a nominal value of \$1 if the fair value cannot be reasonably determined.

Property and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful lives according to the following periods:

#### Periods

Buildings and churches	40 years
Leasehold improvements	10 years
Furniture and equipment	5 years
Equipment	5 years

Artworks, comprised of religious icons, are not amortized.

#### Impairment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the assets and a charge to income during the year. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

#### Deferred capital contributions

Deferred capital contributions represent restricted contributions used to acquire property. These contributions are amortized and taken into income on the same basis as the related property is being amortized. The annual expense is comprised of the contributions made during the year.

## Hellenic Community of Greater Montreal

### Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2019

#### Defined contribution pension plan

The Organization also participates in a multi-employer defined contribution benefit plan on behalf of certain members of its clergy.

#### Long-term debt

Long-term debt is initially measured at fair value, net of transaction costs and financing fees. It is subsequently measured at amortized cost. Transaction costs and financing fees are amortized on a straight-line basis. Financing fees related to the origination of the long-term debt are deferred and amortized over the term of the long-term debt.

#### Revenue recognition

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

On October 2, 2002, the Organization entered into an emphyteutic lease, in which the Organization offered a piece of land it owns, to a construction promoter, against future rental payments and the transfer of ownership of property constructed on this land at the end of the lease, in 51 years, being October 2, 2053. The payment received in the initial year of the emphyteutic lease is being deferred and amortized on a straight-line basis over 51 years, the lease term.

The Organization records rental income on a straight-line basis over the term of each lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases is included in accounts receivable. Revenue derived from short-term rental income is recognized upon the completion of performance of the service, when the fees are fixed or determinable and collection is reasonably assured.

Revenues from parental contributions and school fees are recognized when persuasive evidence of an arrangement exists, services have been rendered, fees are fixed or determinable and collection is reasonably assured. Revenues received in advance are deferred and recognized over the arrangement period on a straight-line basis.

#### Volunteer services

The Organization benefits from substantial services in the form of volunteer time. Due to the difficulty of determining their fair value, volunteer services are not recorded in these financial statements.

## Hellenic Community of Greater Montreal

### Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2019

#### 3. Grants

The following grants were recorded as income:

	2019	2018
	\$	\$
<b>General fund</b>		
Federal government	97,125	89,009
Provincial government	34,354	42,713
Other	165,916	95,372
	<u>297,395</u>	<u>227,094</u>
<b>Socrates Démosthène fund</b>		
MEES	5,167,010	5,111,678
<b>Total grants</b>	<u>5,464,405</u>	<u>5,338,772</u>

#### 4. Cash – Restricted

As at June 30, 2019, certain funds were held for the specific purpose of meeting the capital expenditures and repairs and maintenance of the individual churches as well as for fund raising activities.

#### 5. Accounts receivable

The accounts receivable of the General fund consists of:

	2019	2018
	\$	\$
School fees and other receivables	283,052	279,817
Foyer Hellénique pour personnes âgées	319,909	383,760
Government remittances	—	22,941
Allowance for doubtful accounts	(123,044)	(238,588)
	<u>479,917</u>	<u>447,930</u>

During 2018, the Organization signed an agreement with the Foyer Hellénique pour personnes âgées for the repayment of their accounts receivable over 24 months starting July 1, 2020.

## Hellenic Community of Greater Montreal

### Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2019

The accounts receivable of the Socrates Démosthène fund consists of:

	2019 \$	2018 \$
School fees and other receivables	221,313	573,654
Government remittances	142,817	156,573
Allowance for doubtful accounts	(97,996)	(519,260)
	<u>266,134</u>	<u>210,967</u>

#### 6. Property and equipment

	Cost \$	Accumulated amortization \$	Net book value \$
<b>2019</b>			
Land	2,440,617	—	2,440,617
Buildings	24,469,982	14,147,708	10,322,274
Leasehold improvements	2,055,271	1,818,795	236,476
Furniture and equipment	1,528,549	490,663	1,037,886
Artworks	119,102	—	119,102
	<u>30,613,521</u>	<u>16,457,166</u>	<u>14,156,355</u>
<b>2018</b>			
Land	2,438,683	—	2,438,683
Buildings	24,316,270	13,555,684	10,760,586
Leasehold improvements	1,911,091	1,589,158	321,933
Furniture and equipment	1,385,528	323,756	1,061,772
Artworks	119,102	—	119,102
	<u>30,170,674</u>	<u>15,468,598</u>	<u>14,702,076</u>

On June 6, 2019, a supplier who performed the construction on the Koimisis Tis Theotokou Greek Orthodox Church, registered a hypothec on the land and property in the amount of \$350,500 for the unpaid account payable balance and accumulated interest related to the construction. These payables are included in the accounts payable and accrued liabilities caption on the statement of financial position at June 30, 2019.

## Hellenic Community of Greater Montreal

### Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2019

#### 7. Credit facilities

The Organization has a credit facility of \$2,000,000 with the Bank of Montreal. The credit facility bears interest at the bank's prime plus 2% and is collateralized by a first ranking immoveable hypothec on certain properties for \$8,500,000, plus an additional 20% of that value and a moveable hypothec on all present and future moveable property. The relevant prime rate was 3.95% as at June 30, 2019 [2018 – 3.45%]. The loan was granted on December 1, 2014 and is subject to annual review. During 2017, the Organization obtained an additional credit facility with the Bank of Montréal of \$2,276,520. The credit facility bears interest at the bank's prime rate plus 2%, which was 3.95% as at June 30, 2019 [2018 – 3.45%], and, subject to the approval of the lender, could become repayable by monthly installments of \$18,334, including interest, amortized over 15 years and maturing May 31, 2032, and is collateralized by the same immoveable and moveable hypothecs. An amount of \$2,068,930 had been drawn under this facility as at June 30, 2019 [2018 – \$2,175,773].

#### 8. Due to the Greek State

In previous years, the Greek State had guaranteed the loan payable to a previous financial institution, Scotia Bank, and paid the required instalments annually. In 2012, the Greek State ceased making the scheduled repayments and the Organization took over the obligation before moving to the Bank of Montreal. As a result of past repayments made by the Greek State, a loan payable has resulted. There is no formal agreement with the Greek State and the loan payable is non-interest bearing and callable at any time. As a result, the loan is classified as short term.

On April 28, 2013, Bill 4152/2013 was voted into law by the Greek Government and was published in the Government newspaper on May 9, 2013. This bill states that given certain conditions, the Greek state would forgive the debt held by a Community organization abroad. Following that, management had been advised by the Greek Government that an amendment to this Bill is required to forgive the debt. In October 2016, management was advised that the proposed amendment has been modified to specifically reference the Hellenic Community of Greater Montreal and the debt amounts to be written off once the motion is passed in the Greek Parliament which is still pending as of June 30, 2019.

#### 9. Long-term debt

	2019	2018
	\$	\$
<b>General fund</b>		
\$4,400,000, Bank of Montreal loan, bearing interest at 4.7%, repayable in monthly instalments of \$24,445 plus interest, amortized over 15 years and maturing on December 1, 2019, and collateralized by a first ranking immoveable hypothec on certain properties for \$8,500,000, plus an additional 20% of that value and a moveable hypothec on all present and future moveable property.	3,079,999	3,373,332
Less unamortized financing fees and transaction costs	(4,713)	(15,266)
Total long-term debt	3,075,286	3,358,066
Current portion	3,075,286	293,333
	—	3,064,733

## Hellenic Community of Greater Montreal

### Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2019

The loan and other credit facilities from the Bank of Montreal contain certain financial and non-financial covenants that require the Organization to be in compliance with a financial ratio. As at June 30, 2019, the Organization was in default of certain financial ratios. Consequently, the debt was classified as current on the statement of financial position at June 30, 2019.

#### 10. Interest expense on long-term debt

	2019	2018
	\$	\$
Bank of Montréal	264,423	272,840
Amortization of financing fees and transaction costs	10,554	10,554
	<u>274,977</u>	<u>283,394</u>

#### 11. Financial instruments – Risks and uncertainties

##### Financial risks

The Organization is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Organization's exposure to these risks.

##### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risk results from accounts receivable and encompasses the default risk of various parties including parents of the students from the various educational institutions of the Organization. The overall risk of default is minimized due to the fact that receivables from student's tuition fees are individually small amounts. The Organization assesses the risk of default associated with a particular party. In addition, on an ongoing basis, management monitors the level of accounts receivable attributable to each party and the length of time taken for amounts to be settled and where necessary, takes appropriate action to follow up on those balances considered overdue.

At June 30, 2019, no customer accounted for more than 10% of accounts receivable [in 2018, no customer accounted for more than 10% of accounts receivable] and MEES accounted for 30% of total revenues [2018 – 32%].

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. The credit facility is subject to cash flow risk. The credit facility bears interest at the Bank of Montréal prime rate plus 2%. The Organization does not have in place any financial instruments to mitigate the possible adverse effects of an increase in the underlying bank prime rate. The long-term debt is subject to fair value risk.

## Hellenic Community of Greater Montreal

### Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2019

#### 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 credit facilities, accounts payable and accrued liabilities, long-term debt and operating lease commitments. The Organization controls liquidity risk by managing working capital, cash flows and the availability of the credit facility, however the risk is elevated given the going concern uncertainty disclosed in Note 1.

#### 12. Commitments and guarantees

In October 1984, the Organization has entered into a long-term lease agreement for office space with the Foyer Hellénique pour personnes âgées. Minimum lease payments are \$54,960 annually until the lease maturity on June 30, 2020. Under the lease agreement, the lessor promised to sell to the Organization the immoveable property for the price of \$1 and other good and valuable consideration within 60 days of the end of the lease.

The Organization also indemnifies its directors, to the extent permitted by law, against certain claims that may be made against them as a result of there being, or having been, directors at the request of the Organization. The terms of these indemnification agreements vary based on the contract. The nature of the indemnification agreements prevents the Organization from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Historically, the Organization has not made any significant payments under such indemnification agreements. No amount has been accrued with respect to these indemnification agreements.

#### 13. Contingencies

The Organization is party to claims in the normal course of operations. These actions are routine litigation and administrative proceedings arising in the ordinary course of business, none of which are expected to have a material adverse effect on the financial condition, results of operations or cash flows of the Organization.

#### 14. Capital management

The Organization defines its capital as the deficit, credit facilities and long-term debt, including the current portion. The Organization manages its capital structure in order to ensure sufficient resources are available to meet day to day operating requirements, to fund capital expenditures as well as to allow it to service its debt repayments. In managing its capital structure, the Organization takes into consideration various factors, including the timing of its loan repayments and timing of major capital expenditures.

## **Hellenic Community of Greater Montreal**

### **Notes to financial statements**

[Going concern uncertainty – note 1]

June 30, 2019

The Organization's officers and management take full responsibility for managing the Organization's capital and do so through regular meetings and regular reviews of financial information. The Organization's Executive Committee is responsible for overseeing this process.

Methods used by the Organization to manage its capital include fundraising activities, government assistance, grants and debt financing.

The Organization is not subject to any externally imposed capital requirements other than what is disclosed in notes 7 and 9.