

Hellenic Community of Greater Montreal

Financial statements
June 30, 2020



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, 2020, and the statements 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, 2020, 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, dances and activities and fund-raising campaigns [the "Revenues"], the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our 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 these Revenues, the surplus (deficiency) of revenues over operating expenses, and net cash flows generated from operating activities for the years ended June 30, 2020 and 2019, current assets as at June 30, 2020 and 2019, and fund balances (deficit) as at July 1 and June 30 for both the 2020 and 2019 years. Our opinion on the financial statements for the year ended June 30, 2019 was modified accordingly because of the 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 when excluding the effect of the Canadian wage subsidy provided by the Canadian government in support to companies affected by the Covid-19 pandemic, negative fund balances (deficit), and negative working capital as at June 30, 2020. As stated in note 1, these events or conditions, along with other matters, 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*¹

Montréal, Canada
November 4, 2020

¹ 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

	2020			2019				
	General fund \$	Socrates Démosthène fund \$	Elimination \$	Total \$	General fund \$	Socrates Démosthène fund \$	Elimination \$	Total \$
Assets [notes 7 and 9]								
Current								
Cash	41,923	7,241	—	49,164	16,400	—	—	16,400
Accounts receivable [notes 5 and 11]	172,288	360,631	—	532,919	202,917	266,134	—	469,051
Accounts receivable – Socrates Démosthène fund	3,771,341	—	(3,771,341)	—	4,122,325	—	(4,122,325)	—
Amount receivable in connection with the Canadian Emergency Wage Subsidy [note 15]	163,179	1,189,233	—	1,352,412	—	—	—	—
Supplies	32,053	—	—	32,053	29,917	—	—	29,917
Government remittances receivable	83,445	—	—	83,445	—	—	—	—
Prepaid expenses	21,478	4,875	—	26,353	124,713	—	—	124,713
	4,285,707	1,561,980	(3,771,341)	2,076,346	4,496,272	266,134	(4,122,325)	640,081
Cash – restricted [note 4]	286,858	—	—	286,858	250,509	—	—	250,509
Property and equipment [note 6]	12,675,361	691,413	—	13,366,774	13,317,087	839,268	—	14,156,355
Accounts receivable - Foyer Hellenique pour personnes âgées [note 5]	268,039	—	—	268,039	277,000	—	—	277,000
Deposits	55,060	—	—	55,060	55,060	—	—	55,060
	17,571,025	2,253,393	(3,771,341)	16,053,077	18,395,928	1,105,402	(4,122,325)	15,379,005
Liabilities								
Current								
Short term debt under credit facilities [note 7]	2,145,305	—	—	2,145,305	3,717,980	329,709	—	4,047,689
Accounts payable and accrued liabilities	918,489	1,734,367	—	2,652,856	1,620,570	817,372	—	2,437,942
Government remittances payable	—	174,480	—	174,480	58,915	423,179	—	482,094
Accounts payable – General Fund	—	3,771,341	(3,771,341)	—	—	4,122,325	(4,122,325)	—
Deferred revenues	30,668	246,303	—	276,971	13,984	262,473	—	276,457
Current portion of long-term debt [note 9]	310,993	—	—	310,993	3,075,286	—	—	3,075,286
Due to the Greek State [note 8]	7,053,897	—	—	7,053,897	7,053,897	—	—	7,053,897
	10,459,352	5,926,491	(3,771,341)	12,614,502	15,540,632	5,955,058	(4,122,325)	17,373,365
Long-term debt	4,580,973	—	—	4,580,973	—	—	—	—
Deferred revenues – emphyteutic lease	1,054,057	—	—	1,054,057	1,085,736	—	—	1,085,736
Deferred capital contributions	632,607	—	—	632,607	732,176	—	—	732,176
	6,267,637	—	—	6,267,637	1,817,912	—	—	1,817,912
	16,726,989	5,926,491	(3,771,341)	18,882,139	17,358,544	5,955,058	(4,122,325)	19,191,277
Surplus (Deficit)								
Unrestricted	844,036	(3,673,098)	—	(2,829,062)	1,037,384	(4,849,656)	—	(3,812,272)
	844,036	(3,673,098)	—	(2,829,062)	1,037,384	(4,849,656)	—	(3,812,272)
	17,571,025	2,253,393	(3,771,341)	16,053,077	18,395,928	1,105,402	(4,122,325)	15,379,005

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]

	General fund \$	Socrates Démosthène fund \$	Total \$
Fund balances (deficit), June 30, 2018	1,102,649	(4,349,718)	(3,247,069)
Deficiency of revenues over operating expenses	(1,138,310)	573,107	(565,203)
Interfund transfer for rent [a]	1,107,268	(1,107,268)	—
Interfund transfer – other	(34,223)	34,223	—
Fund balances (deficit), June 30, 2019	1,037,384	(4,849,656)	(3,812,272)
Surplus (Deficiency) of revenues over operating expenses	(1,284,040)	2,267,250	983,210
Interfund transfer for rent [a]	1,107,268	(1,107,268)	—
Interfund transfer – other	(16,576)	16,576	—
Fund balances (deficit), June 30, 2020	844,036	(3,673,098)	(2,829,062)

[a] These transfers are approved by the Board of Directors on the basis of \$6.35 per square foot [2019 – \$6.35].

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

	2020		2019	
	General fund	Socrates		Total
		Démosthène fund	Total	
	\$	\$	\$	\$
Revenues				
Advertising and calendar	28,000	2,900	30,900	30,280
Churches, including donations	1,029,925	—	1,029,925	1,629,454
Dances and activities	54,436	37,057	91,493	204,318
Donations	38,876	64,650	103,526	124,268
Festival	49,599	—	49,599	73,527
Fund raising campaigns	176,277	12,591	188,868	339,509
Membership fees	83,045	—	83,045	140,932
Rental ^(a)	833,155	—	833,155	842,362
School fees	370,636	5,319,779	5,690,415	5,900,005
Athletics department	128,933	—	128,933	110,913
Banquet facilities	138,746	—	138,746	156,035
Grants [note 3]	204,350	5,290,667	5,495,017	5,464,405
Other	218,736	336,843	555,579	743,189
Amortization of deferred capital contributions	99,569	—	99,569	99,569
Amortization of emphyteutic lease	31,678	—	31,678	31,678
	3,485,961	11,064,487	14,550,448	15,890,444
Operating expenses				
Advertising, general supplies and texts	25,732	23,150	48,882	45,955
Churches	1,483,241	—	1,483,241	1,782,640
Bussing	—	796,393	796,393	1,022,205
Computer software and maintenance	1,204	126,133	127,337	36,952
Dances and activities	322,551	52,883	375,434	392,067
Donations and other contributions	3,200	—	3,200	42,814
Athletics department	197,317	—	197,317	227,400
Banquet facilities	209,387	—	209,387	207,646
Electricity, water and gas	123,421	204,621	328,042	378,421
Festival	54,253	—	54,253	96,170
Fundraising campaign fees	67,458	—	67,458	195,391
General and administrative	11,299	314,059	325,358	434,070
Insurance	8,128	79,148	87,276	114,470
Interest and bank charges	138,879	36,635	175,514	151,796
Interest on long-term debt [note 10]	264,019	—	264,019	274,977
Janitorial and cleaning	18,364	325,054	343,418	358,551
Maintenance and repairs	99,433	114,484	213,917	154,883
Office supplies and postage	28,945	—	28,945	64,738
Pedagogical materials and texts	273	100,252	100,525	124,111
Professional and consulting fees	97,727	61,529	159,256	160,634
Rent	68,911	—	68,911	70,007
Salaries and benefits	822,380	7,494,114	8,316,494	9,047,326
Taxes – municipal and school	(15,194)	—	(15,194)	15,513
Telephone	15,660	22,951	38,611	30,758
Travel and transportation	33,727	576	34,303	37,584
Amortization of property and equipment	852,865	234,488	1,087,353	988,568
Canadian Emergency Wage Subsidy [note 15]	(163,179)	(1,189,233)	(1,352,412)	—
	4,770,001	8,797,237	13,567,238	16,455,647
Surplus (Deficiency) of revenues over operating expenses	(1,284,040)	2,267,250	983,210	(565,203)

^(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 [2019 – \$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

	2020		2019	
	Socrates		Total	Total
	General fund	Démosthène fund		
	\$	\$	\$	\$
Operating activities				
Surplus (Deficiency) of revenues over operating expenses	(1,284,040)	2,267,250	983,210	(565,203)
Non-cash items				
Amortization of property and equipment	852,865	234,488	1,087,353	988,568
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	4,713	—	4,713	10,554
Changes in non-cash working capital items	(859,835)	(631,605)	(1,491,440)	(20,583)
Net cash flows generated from operating activities	(1,417,544)	1,870,133	452,589	282,089
Financing activities				
Increase (decrease) in short term debt - credit facilities	3,008,298	(329,709)	2,678,589	226,152
Interfund cash transfers	1,446,550	(1,446,550)	—	—
Change in long-term debt	(2,764,293)	—	(2,764,293)	(293,228)
Net cash flows generated from (used for) financing activities	1,690,555	(1,776,259)	(85,704)	(67,076)
Investing activities				
(Increase) Decrease in cash – restricted	(36,349)	—	(36,349)	89,597
Additions to property and equipment	(211,139)	(86,633)	(297,772)	(442,847)
Net cash flows used for investing activities	(247,488)	(86,633)	(334,121)	(353,250)
Net increase (decrease) in cash	25,523	7,241	32,764	(138,237)
Cash, beginning of year	16,400	—	16,400	154,637
Cash, end of year	41,923	7,241	49,164	16,400

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, 2020

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, 2020, 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 a negative working capital at the end of the year and its earnings were significantly and favorably impacted by the Canadian Emergency Wage Subsidy [the "CEWS"], which was put in place to limit the negative effect the businesses' disruption caused by the COVID-19 pandemic. Due to the significant uncertainties surrounding the effects of COVID-19 on the Organization's future earnings, including the longevity and magnitude of any government assistance, and the fact that certain financial ratios were not met in the past, there is a significant doubt about the Organization's ability to continue as a going concern and that such financial ratios will be met in the future. The Organization is dependent on its ability to generate positive cash flows to honour its short-term obligations and sufficient earnings on a sustainable basis to meet such financial covenants under its debt agreements. It is also dependent on the continued support by its banker and the Greek State not requesting immediate payment of amounts owed to it by the Organization [note 8]. The Organization is working on a plan to reduce its operating costs and generate additional revenues to continue honouring its obligations, while benefiting from the CEWS.

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.

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2020

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.

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:

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.

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2020

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.

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.

Government assistance

Government assistance, which mainly includes the Canadian Emergency Wage Subsidy, is recognized when there is reasonable assurance that it will be received and all related conditions will be complied with. When the government assistance relates to an expense item, it is recognized as a reduction of the related expense or as a reduction of total expenses.

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2020

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.

3. Grants

The following grants were recorded as income:

	2020	2019
	\$	\$
General fund		
Federal government	94,896	97,125
Provincial government	—	34,354
Other	109,454	165,916
	<u>204,350</u>	<u>297,395</u>
Socrates Démosthène fund		
MEES	5,276,300	5,167,010
Other	14,367	—
	<u>5,290,667</u>	<u>5,167,010</u>
Total grants	<u>5,495,017</u>	<u>5,464,405</u>

4. Cash – Restricted

As at June 30, 2020, 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:

	2020	2019
	\$	\$
School fees and other receivables	252,443	283,052
Foyer Hellénique pour personnes âgées	310,950	319,909
Allowance for doubtful accounts	(123,066)	(123,044)
	<u>440,327</u>	<u>479,917</u>

During 2018, the Organization signed an agreement with the Foyer Hellénique pour personnes âgées ["Foyer"] for the repayment of their accounts receivable over 24 months starting July 1, 2020. While no payment has been received subsequent June 30, 2020 to the date of these financial statements, the Organization is confident that the collection of this receivable will occur and is not at risk because it has an option to acquire for \$1 the main building owned by the Foyer – See note 12, *commitments and guarantees*.

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2020

The accounts receivable of the Socrates Démosthène fund consists of:

	2020 \$	2019 \$
School fees and other receivables	447,726	221,313
Government remittances	—	142,817
Allowance for doubtful accounts	(87,095)	(97,996)
	<u>360,631</u>	<u>266,134</u>

6. Property and equipment

	Cost \$	Accumulated amortization \$	Net book value \$
2020			
Land	2,440,617	—	2,440,617
Buildings	24,653,166	14,862,639	9,790,527
Leasehold improvements	2,055,271	1,968,571	86,700
Furniture and equipment	1,643,496	713,669	929,828
Artworks	119,102	—	119,102
	<u>30,911,653</u>	<u>17,544,879</u>	<u>13,366,774</u>
2019			
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>

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. The Organization repaid a total amount of capital and interest of \$75,000 during the year. The remaining balance amounting to \$220,385 is recorded under the accounts payable and accrued liabilities caption on the statement of financial position at June 30, 2020.

7. Credit facilities

The Organization has a short-term 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 immovable 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 2.45% as at June 30, 2020 [2019 – 3.95%].

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2020

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. Since then, no development occurred and no motion is yet passed at the Greek Parliament to forgive the loan. Consequently, this loan is still recorded in short-term debt as of June 30, 2020.

9. Long-term debt

	2020 \$	2019 \$
General fund		
\$4,400,000 loan contracted with the Bank of Montreal, bearing interest at prime + 2% [4.45% as at June 30, 2020], repayable in monthly instalments of \$24,445 plus interest, maturing on May 31, 2032, 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.	2,017,529	3,079,999
Term loan since December 1, 2019, repayable in monthly instalments of \$30,217 bearing interest at 4.37%, maturing on November 30, 2022	2,874,437	—
Less unamortized financing fees and transaction costs	—	(4,713)
Total long-term debt	4,891,966	3,075,286
Current portion	310,993	3,075,286
	4,580,973	—

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, 2020, the Organization was in compliance with the financial ratios.

10. Interest expense on long-term debt

	2020 \$	2019 \$
Bank of Montréal	259,306	264,423
Amortization of financing fees and transaction costs	4,713	10,554
	264,019	274,977

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2020

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, 2020, no customer accounted for more than 10% of accounts receivable, except for the amount of receivable with respect to the CEWS [in 2019, no customer accounted for more than 10% of accounts receivable]. In addition, the MEES grants accounted for 36% of total revenues for the year [2019 – 30%].

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.

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 and short-term debt, 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 COVID-19 pandemic negative effect on certain of the activities and revenues generated by the Organization and the going concern uncertainty disclosed in note 1.

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2020

12. Commitments and guarantees

In October 1984, the Organization entered into a long-term lease agreement for office space with the Foyer Hellénique pour personnes âgées. The lease ended on June 30, 2020. Under the lease agreement, the Foyer promised to sell to the Organization the immovable property for the price of \$1 and other good and valuable consideration within 60 days of the end of the lease. The Organization received a signed resolution from the board of directors of the Foyer confirming that such option is still available to be exercised in the future.

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 them 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.

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.

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2020

15. COVID-19 pandemic and government assistance

In March 2020, the outbreak of the Coronavirus disease ["COVID-19"] has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally including the Organization which has seen many of its revenues negatively affected such as those generated by the churches and various fundraising activities. The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions and their continued financial support through variable government assistance programs.

Nevertheless, any public health emergency, including the outbreak of COVID-19 or other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on the future operations of the Organization, and cause significant adverse changes to assets or liabilities of the Organization, including the recoverability of financial instruments measured at amortized cost and potential impairment charges on property and equipment. Given the outcome and timeframe to a recovery from the current pandemic is still unpredictable, it is not practicable to estimate and disclose its financial effect at this time.

Finally, the Organization has concluded that it is eligible under the CEWS program and intends to apply for it. As of June 30, 2020, the CEWS amounted to \$1.3 million has been recorded under the caption, Amount receivable under the Canadian Emergency Wage Subsidy on the statement of financial position and under the caption Canadian Emergency Wage Subsidy in the statement of operations. Subsequent to year end, the Organization filed its claim under the CEWS.