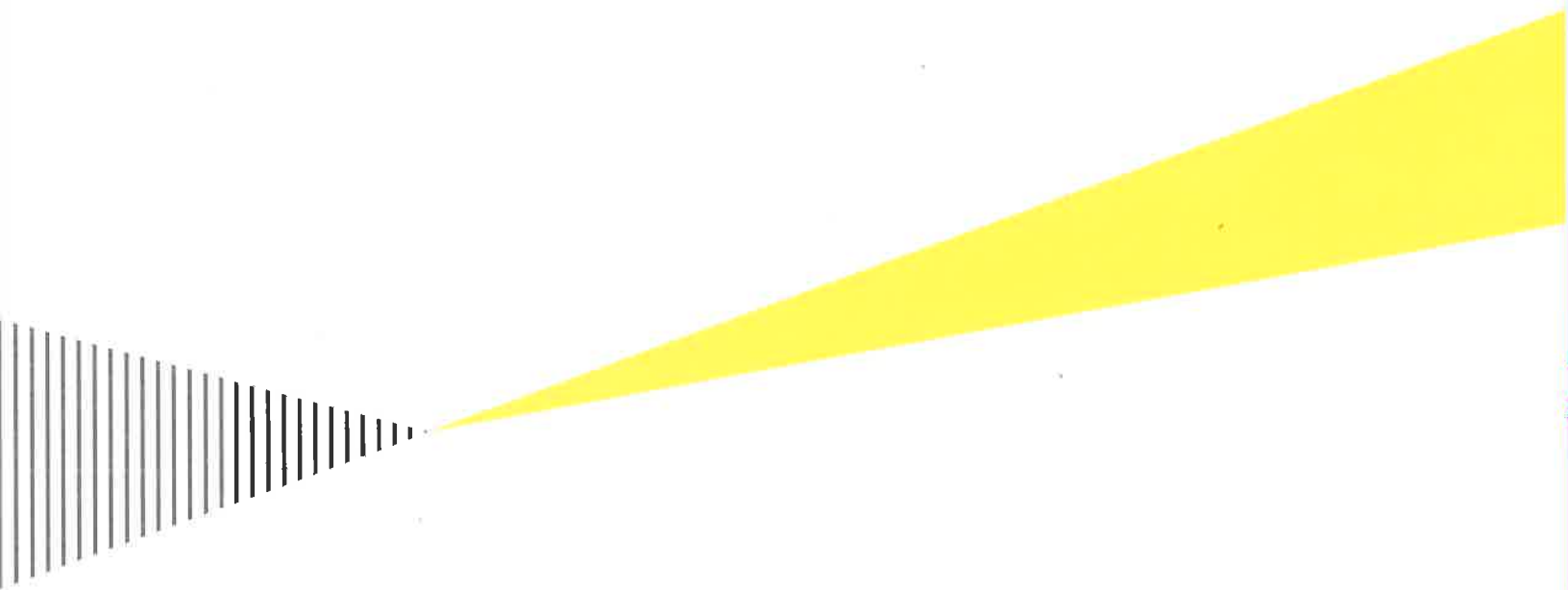


Financial statements

Hellenic Community of Greater Montreal

June 30, 2016



EY

Independent auditors' report

To the Members of
Hellenic Community of Greater Montreal

We have audited the accompanying financial statements of **Hellenic Community of Greater Montreal** [the "Organization"], which comprise the statements of financial position as at June 30, 2016 and the statements of operations, changes in fund balances (deficit) 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

In common with some charitable organizations, the Organization derives revenues from donations, membership fees 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 and we were not able to determine whether any adjustments might be necessary to revenues, the excess (deficiency) of revenues over operating expenses, and net cash generated from operations for the years ended June 30, 2016 and 2015, assets as at June 30, 2016 and 2015, and fund balances (deficit) as at July 1 and June 30 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the comparative year ended June 30, 2015 was modified accordingly because of the possible effects of the 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 the Organization as at June 30, 2016 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.

Emphasis of matter

Without qualifying our opinion, other than for our basis for qualifying our opinion as noted above, we draw attention to Note 1 in the financial statements which indicates that the Organization has negative fund balances (deficit) and negative working capital as at June 30, 2016. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Organization's ability to continue as a going concern.

Ernst & Young LLP¹

Montréal, Canada
October 31, 2016

¹ CPA auditor, CA, public accountancy permit no. A121006



Hellenic Community of Greater Montreal

Statements of financial position

[Going concern uncertainty – note 1]

As at June 30, 2016

	2016				2015			
	Socrates		Socrates		Socrates		Socrates	
	General fund	Démosthène fund	Elimination	Total	General fund	Démosthène fund	Elimination	Total
\$	\$	\$	\$	\$	\$	\$	\$	
Assets [notes 7 and 9]								
Current								
Cash	109,603	174,549	—	284,152	97,641	38,600	—	136,241
Accounts receivable [notes 5 and 11]	176,581	501,144	—	677,725	473,812	439,254	—	913,066
Accounts receivable – Socrates Démosthène fund	3,201,800	—	(3,201,800)	—	2,559,940	—	(2,559,940)	—
Supplies	24,912	—	—	24,912	24,912	—	—	24,912
Prepaid expenses	98,086	3,245	—	101,331	8,412	3,245	—	11,657
Cash – restricted [note 4]	3,610,982	678,938	(3,201,800)	1,088,120	3,164,717	481,099	(2,559,940)	1,085,876
Property and equipment [note 6]	580,250	—	—	580,250	657,896	—	—	657,896
Deposits	9,761,946	1,009,357	—	10,771,303	9,821,998	1,087,135	—	10,909,133
	75,061	74,737	—	149,798	80,660	74,737	—	155,397
	14,028,239	1,763,032	(3,201,800)	12,589,471	13,725,271	1,642,971	(2,559,940)	12,808,302
Liabilities								
Current								
Credit Facility [note 7]	963,805	—	—	963,805	2,118,996	—	—	2,118,996
Accounts payable and accrued liabilities	559,867	886,211	—	1,446,078	669,387	1,110,328	—	1,779,715
Government remittances payable	2,145	375,973	—	378,118	7,255	385,009	—	392,264
Accounts payable – General Fund	—	3,201,800	(3,201,800)	—	—	2,559,940	(2,559,940)	—
Deferred revenues	1,600	326,248	—	327,848	7,600	265,000	—	272,600
Current portion of long-term debt [note 9]	293,340	—	—	293,340	391,111	—	—	391,111
Due to the Greek State [note 8]	7,053,897	—	—	7,053,897	7,053,897	—	—	7,053,897
	8,874,654	4,790,232	(3,201,800)	10,463,086	10,249,246	4,320,277	(2,559,940)	12,008,583
Deferred revenues – emphyteutic lease	1,180,769	—	—	1,180,769	1,212,447	—	—	1,212,447
Deferred capital contributions	1,030,883	—	—	1,030,883	1,130,452	—	—	1,130,452
Long-term debt [note 9]	3,605,841	—	—	3,605,841	3,888,627	—	—	3,888,627
	5,817,493	—	—	5,817,493	6,231,526	—	—	6,231,526
	14,682,147	4,790,232	(3,201,800)	16,280,579	16,479,772	4,320,277	(2,559,940)	18,240,109
Fund balances (deficit)								
Unrestricted	(663,908)	(3,027,200)	—	(3,691,108)	(2,754,501)	(2,677,306)	—	(5,431,807)
	(663,908)	(3,027,200)	—	(3,691,108)	(2,754,501)	(2,677,306)	—	(5,431,807)
	14,028,239	1,763,032	(3,201,800)	12,589,471	13,725,271	1,642,971	(2,559,940)	12,808,302

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, 2016

	General fund	Socrates Démosthène fund	Total
	\$	\$	\$
Fund balances (deficit), June 30, 2014	(3,428,564)	(1,950,203)	(5,378,767)
(Deficiency) excess of revenues over operating expenses	(287,423)	234,383	(53,040)
Interfund transfer for rent [a]	1,107,268	(1,107,268)	—
Interfund transfer – other	(145,782)	145,782	—
Fund balances (deficit), June 30, 2015	(2,754,501)	(2,677,306)	(5,431,807)
Excess of revenues over operating expenses	1,055,833	684,866	1,740,699
Interfund transfer for rent [a]	1,107,268	(1,107,268)	—
Interfund transfer – other	(72,508)	72,508	—
Fund balances (deficit), June 30, 2016	(663,908)	(3,027,200)	(3,691,108)

[a] These transfers are approved by the Board of Directors on the basis of \$6.35 per square foot [\$6.35 in 2015].

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

Hellenic Community of Greater Montreal

Statements of operations

[Going concern uncertainty – note 1]

Year ended June 30, 2016

	2016		2015	
	Socrates		Total	Total
	General fund	Démosthène fund		
	\$	\$	\$	\$
Revenues				
Advertising and calendar	52,300	5,500	57,800	37,329
Churches	1,410,969	—	1,410,969	1,416,122
Dances and activities	260,008	150,188	410,196	235,985
Donations	78,864	52,243	131,107	237,846
Festival	190,280	—	190,280	68,639
Fund raising campaigns	280,467	174,066	454,533	443,450
Membership fees	143,655	—	143,655	155,700
Rental [a]	691,876	—	691,876	679,697
School fees	472,503	5,213,938	5,686,441	5,489,146
Athletics department	148,082	—	148,082	150,355
Banquet facilities	238,581	—	238,581	261,254
Grants [note 3]	151,566	5,370,680	5,522,246	6,470,812
Other	170,049	285,631	455,680	261,140
Amortization of deferred capital contributions	99,569	—	99,569	99,569
Amortization of emphyteutic lease	31,678	—	31,678	31,678
Gain on proceeds from insurance – Church fire [note 6]	1,497,791	—	1,497,791	752,672
	5,918,238	11,252,246	17,170,484	16,791,394
Operating expenses				
Advertising, general supplies and texts	10,534	26,145	36,679	23,706
Churches	1,366,567	—	1,366,567	1,432,694
Bussing	—	1,133,356	1,133,356	1,600,577
Computer software and maintenance	2,960	45,515	48,475	70,773
Dances and activities	263,371	189,205	452,576	275,477
Donations	17,954	1,509	19,463	2,200
Athletics department	173,230	—	173,230	203,280
Banquet facilities	263,883	—	263,883	356,686
Electricity, water and gas	147,754	236,936	384,690	396,117
Festival	100,951	—	100,951	64,009
Fundraising campaign fees	105,892	—	105,892	104,208
General and administrative	41,990	328,526	370,516	295,357
Insurance	39,038	46,452	85,490	72,192
Interest and bank charges	86,319	25,785	112,104	289,758
Interest on long-term debt [note 10]	202,371	—	202,371	242,751
Janitorial and cleaning	24,919	343,966	368,885	361,855
Maintenance and repairs	81,719	152,479	234,198	172,975
Office supplies and postage	64,609	—	64,609	61,429
Pedagogical materials and texts	11,745	104,481	116,226	126,879
Professional and consulting fees	62,193	99,405	161,598	184,616
Rent	64,961	—	64,961	64,569
Salaries and benefits	1,055,547	7,552,207	8,607,754	9,504,375
Taxes – municipal and school	99,500	—	99,500	1,275
Telephone	12,807	15,986	28,793	34,541
Travel and transportation	16,152	828	16,980	16,609
Amortization of property and equipment	545,439	264,599	810,038	791,428
Loss on artwork destroyed – Church fire	—	—	—	94,098
	4,862,405	10,567,380	15,429,785	16,844,434
Excess (deficiency) of revenues over operating expenses	1,055,833	684,866	1,740,699	(53,040)

[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 [2015 - \$1,107,268].

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

Hellenic Community of Greater Montreal

Statements of cash flows

[Going concern uncertainty – note 1]

Year ended June 30, 2016

	2016		2015	
	General fund \$	Socrates Démosthène fund \$	Total \$	Total \$
Operating activities				
Excess (deficiency) of revenues over expenses	1,055,833	684,866	1,740,699	(53,040)
Non-cash items				
Amortization of property and equipment	545,439	264,599	810,038	791,428
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	5,841
Loss on artwork destroyed - Church fire	—	—	—	94,098
Changes in non-cash working capital items	(549,334)	408,065	(141,269)	(399,548)
Net cash generated	931,245	1,357,530	2,288,775	307,532
Financing activities				
(Decrease) increase in credit facility	(1,155,191)	—	(1,155,191)	297,041
Repayment of long-term debt	(391,111)	—	(391,111)	(4,070,685)
Increase in long-term debt	—	—	—	4,400,000
Interfund transfers	1,034,760	(1,034,760)	—	—
Net cash (used) generated	(511,542)	(1,034,760)	(1,546,302)	626,356
Investing activities				
(Decrease) increase in cash – restricted	77,646	—	77,646	(3,279)
Acquisition of property and equipment	(485,387)	(186,821)	(672,208)	(836,685)
Net cash used	(407,741)	(186,821)	(594,562)	(839,964)
Increase in cash	11,962	135,949	147,911	93,924
Cash, beginning of year	97,641	38,600	136,241	42,317
Cash, end of year	109,603	174,549	284,152	136,241

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, 2016

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 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, 2016, there was significant doubt as to the Organization's ability to continue as a going concern without having access to additional financial resources.

The Organization has negative Fund balances and negative working capital at the end of the year. 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 dependent on the continued support by the Ministère de l'Éducation, et de l'Enseignement supérieur ["MEES"] in order to fund its programs [the Organization's revenues include 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 is able to 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, 2016

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 and accounts receivable. Financial liabilities include the credit facility, accounts payable and accrued liabilities 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	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, 2016

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.

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, 2016

3. Grants

The following grants were recorded as income:

	2016	2015
	\$	\$
General fund		
Federal government	56,094	59,278
Provincial government	75,069	77,877
Other	20,403	10,370
	<u>151,566</u>	<u>147,525</u>
Socrates Démosthène fund		
MEES	5,370,680	6,323,287
Total grants	<u>5,522,246</u>	<u>6,470,812</u>

4. Cash – Restricted

As at June 30, 2016 certain funds were held for the specific purpose of meeting the capital expenditures and repairs and maintenance of the individual churches as well as fund raising activities.

5. Accounts receivable

The accounts receivable of the General fund consists of:

	2016	2015
	\$	\$
School fees and other receivables	299,345	299,112
Foyer Hellénique pour personnes âgées	363,366	352,340
Government remittances	30,342	12,939
Insurance proceeds	—	302,672
Allowance for doubtful accounts	(516,472)	(493,251)
	<u>176,581</u>	<u>473,812</u>

The accounts receivable of the Socrates Démosthène fund consists of:

	2016	2015
	\$	\$
School fees and other receivables	728,574	658,186
Government remittances	197,436	182,031
Allowance for doubtful accounts	(424,866)	(400,963)
	<u>501,144</u>	<u>439,254</u>

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2016

6. Property and equipment

	Cost \$	Accumulated amortization \$	Net book value \$
2016			
Land	2,438,684	—	2,438,684
Buildings	19,956,772	12,898,798	7,057,974
Leasehold improvements	1,544,930	1,078,237	466,693
Furniture and equipment	843,827	129,882	713,945
Artworks	94,007	—	94,007
	24,878,220	14,106,917	10,771,303
2015			
Land	2,438,683	—	2,438,683
Buildings	19,568,454	12,394,407	7,174,047
Leasehold improvements	1,805,174	1,003,318	801,856
Furniture and equipment	2,902,201	2,501,661	400,540
Artworks	94,007	—	94,007
	26,808,519	15,899,386	10,909,133

On April 13, 2015 the Koimisis Tis Theotokou Greek Orthodox Church [the "Church"] was destroyed by a fire. The Church was insured for \$1,800,000 for the building, \$1,000,000 for contents and \$279,000 for demolition work. The amount insured and related gain on proceeds from insurance are accrued as monies are received from the insurance company. During the year ended June 30, 2016, \$1,497,791 was received [2015 - \$752,672] from the insurance company. Subsequent to year end, on October 7, 2016, the Organization received an additional amount of \$164,360 from the insurance company.

Included in buildings are assets purchased to reconstruct the Church which have not yet been put in use, amounting to \$483,685 [June 30, 2015 – \$256,204], for which no amortization has been taken. Amortization on this building will commence once it is put into use.

During the year ended June 30, 2016, the Organization wrote off \$3,029,401 of property and equipment no longer in use which were completely amortized.

7. Credit facility

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 moveable hypothec on all present and future movable property for \$10,900,000. The relevant prime rate was 2.7% as at June 30, 2016 [2015 – 2.85%]. The loan was granted on December 1, 2014 and is subject to annual review.

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2016

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 in order to forgive the debt. This amendment had been drafted and was pending. 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 Greek Parliament.

9. Long-term debt

	2016	2015
	\$	\$
General fund		
\$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 is collateralized by a first ranking moveable hypothec on all present and future movable property for \$10,900,000.	3,935,554	4,326,665
Less unamortized financing fees and transaction costs	(36,373)	(46,927)
Total long-term debt	3,899,181	4,279,738
Current portion	293,340	391,111
	<u>3,605,841</u>	<u>3,888,627</u>

The loan from the Bank of Montreal contains a financial covenant that requires the Organization to be in compliance with a financial ratio. As at June 30, 2016, the Organization was in compliance with this covenant.

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2016

Principal repayments to be made during the next five years are as follows:

	\$
2017	293,340
2018	293,340
2019	293,340
2020	3,055,534
	<u>3,935,554</u>

10. Interest expense on long-term debt

	2016 \$	2015 \$
Scotia bank debt	—	27,696
Caisse de dépôt	—	40,366
Desjardins Credit Union	—	54,994
Bank of Montréal	191,817	113,674
Amortization of financing fees and transaction costs	10,554	5,841
	<u>202,371</u>	<u>242,571</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, 2016, MEES accounted for 25% of total accounts receivable [2015 – 16%] and 32% of total revenues [2015 – 38%].

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2016

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 Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its credit facility, accounts payable and accrued liabilities, long-term debt, church re-construction commitment 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

The Organization has entered into a long-term lease agreement for office space with the Foyer Hellénique pour personnes âgées, a non-related organization, which calls for future lease payments of \$219,840 [2015 – \$274,800]. Minimum lease payments for the following years are \$54,960 annually until June 30, 2020.

The Organization has entered into a contract to re-construct the Church destroyed by a fire. This commitment totals \$2,412,123 as at year-end.

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 their 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.

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Notes to financial statements

[Going concern uncertainty – note 1]

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14. Capital management

The Organization defines its capital as the credit facility 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.

