

Financial statements

Hellenic Community of Greater Montreal

June 30, 2017



**Building a better
working world**

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 statement of financial position as at June 30, 2017 and the statement 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 of revenues over operating expenses, and net cash generated from operations for the years ended June 30, 2017 and 2016, assets as at June 30, 2017 and 2016, and fund balances (deficit) as at July 1 and June 30 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the comparative year ended June 30, 2016 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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, 2017. 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 LLP

Montréal, Canada
October 11, 2017

¹ CPA auditor, CA, public accountancy permit no. A12.1006



Hellenic Community of Greater Montreal

Statements of financial position

[Going concern uncertainty – note 1]

As at June 30, 2017

	2017			2016				
	General fund \$	Socrates Démosthène fund \$	Elimination \$	Total \$	General fund \$	Socrates Démosthène fund \$	Elimination \$	Total \$
Assets [notes 7 and 9]								
Current								
Cash	139,610	102,686	—	242,296	109,603	174,549	—	284,152
Accounts receivable [notes 5 and 11]	365,722	371,992	—	737,714	176,581	501,144	—	677,725
Accounts receivable – Socrates Démosthène fund	3,534,031	—	(3,534,031)	—	3,201,800	—	(3,201,800)	—
Supplies	43,335	—	—	43,335	24,912	—	—	24,912
Prepaid expenses	106,242	48,563	—	154,805	98,086	3,245	—	101,331
Cash – restricted [note 4]	4,189,940	523,241	(3,534,031)	1,178,150	3,610,982	678,938	(3,201,800)	1,088,120
Property and equipment [note 6]	589,568	—	—	589,568	580,250	—	—	580,250
Deposits	12,224,267	958,721	—	13,182,988	9,761,946	1,009,357	—	10,771,303
	62,840	25,747	—	88,587	75,061	74,737	—	149,798
	17,055,615	1,507,709	(3,534,031)	15,039,293	14,028,239	1,763,032	(3,201,800)	12,589,471
Liabilities								
Current								
Short term debt under credit facilities [note 7]	2,402,400	—	—	2,402,400	963,805	—	—	963,805
Accounts payable and accrued liabilities	1,264,273	659,315	—	1,923,588	559,867	886,211	—	1,446,078
Government remittances payable	65,835	370,160	—	435,995	2,145	375,973	—	378,118
Accounts payable – General Fund	—	3,534,031	(3,534,031)	—	—	3,201,800	(3,201,800)	—
Deferred revenues	12,015	355,400	—	367,415	1,600	326,248	—	327,848
Current portion of long-term debt [note 9]	293,340	—	—	293,340	293,340	—	—	293,340
Due to the Greek State [note 8]	7,053,897	—	—	7,053,897	7,053,897	—	—	7,053,897
	11,091,760	4,918,906	(3,534,031)	12,476,635	8,874,654	4,790,232	(3,201,800)	10,463,086
Deferred revenues – emphyteutic lease	1,149,091	—	—	1,149,091	1,180,769	—	—	1,180,769
Deferred capital contributions	931,314	—	—	931,314	1,030,883	—	—	1,030,883
Long-term debt [note 9]	3,347,505	—	—	3,347,505	3,605,841	—	—	3,605,841
	5,427,910	—	—	5,427,910	5,817,493	—	—	5,817,493
	16,519,670	4,918,906	(3,534,031)	17,904,545	14,692,147	4,790,232	(3,201,800)	16,280,579
Fund balances (deficit)								
Unrestricted	545,945	(3,411,197)	—	(2,865,252)	(663,908)	(3,027,200)	—	(3,691,108)
	545,945	(3,411,197)	—	(2,865,252)	(663,908)	(3,027,200)	—	(3,691,108)
	17,065,615	1,507,709	(3,534,031)	15,039,293	14,028,239	1,763,032	(3,201,800)	12,589,471

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, 2017

	General fund	Socrates Démosthène fund	Total
	\$	\$	\$
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	<u>(663,908)</u>	<u>(3,027,200)</u>	<u>(3,691,108)</u>
Excess of revenues over operating expenses	346,316	479,540	825,856
Interfund transfer for rent [a]	1,107,268	(1,107,268)	—
Interfund transfer – other	(243,731)	243,731	—
Fund balances (deficit), June 30, 2017	<u>545,945</u>	<u>(3,411,197)</u>	<u>(2,865,252)</u>

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

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, 2017

	2017		2016	
	General fund	Socrates	Total	Total
		Démosthène fund		
	\$	\$	\$	\$
Revenues				
Advertising and calendar	31,875	11,219	43,094	57,800
Churches	1,581,254	—	1,581,254	1,410,969
Dances and activities	88,744	135,081	223,825	410,196
Donations	76,140	163,786	239,926	131,107
Festival	135,200	—	135,200	190,280
Fund raising campaigns	295,202	96,721	391,923	454,533
Membership fees	119,010	—	119,010	143,655
Rental [a]	681,316	—	681,316	691,876
School fees	451,348	5,361,907	5,813,255	5,686,441
Athletics department	142,073	—	142,073	148,082
Banquet facilities	174,804	—	174,804	238,581
Grants [note 3]	192,851	5,282,012	5,474,863	5,522,246
Other	370,848	464,843	835,691	455,680
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]	971,574	—	971,574	1,497,791
	5,443,486	11,515,569	16,959,055	17,170,484
Operating expenses				
Advertising, general supplies and texts	19,567	30,338	49,905	36,679
Churches	1,408,237	—	1,408,237	1,366,567
Bussing	—	1,124,701	1,124,701	1,133,356
Computer software and maintenance	7,441	76,144	83,585	48,475
Dances and activities	295,975	188,742	484,717	452,576
Donations	56,509	12,075	68,584	19,463
Athletics department	210,145	—	210,145	173,230
Banquet facilities	241,404	—	241,404	263,883
Electricity, water and gas	146,864	230,446	377,310	384,690
Festival	83,566	—	83,566	100,951
Fundraising campaign fees	139,465	—	139,465	105,892
General and administrative	9,533	420,803	430,336	370,516
Insurance	105,771	5,627	111,398	85,490
Interest and bank charges	101,605	20,398	122,003	112,104
Interest on long-term debt [note 10]	198,048	—	198,048	202,371
Janitorial and cleaning	25,078	343,061	368,139	368,885
Maintenance and repairs	94,812	171,830	266,642	234,198
Office supplies and postage	60,247	—	60,247	64,609
Pedagogical materials and texts	1,370	107,671	109,041	116,226
Professional and consulting fees	81,596	134,041	215,637	161,598
Rent	65,876	—	65,876	64,961
Salaries and benefits	1,075,759	7,872,852	8,948,611	8,607,754
Taxes – municipal and school	57,250	—	57,250	99,500
Telephone	13,350	19,891	33,241	28,793
Travel and transportation	41,156	2,116	43,272	16,980
Amortization of property and equipment	556,546	275,293	831,839	810,038
	5,097,170	11,036,029	16,133,199	15,429,785
Excess of revenues over operating expenses	346,316	479,540	825,856	1,740,699

[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 [2016 – \$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, 2017

	2017		2016	
	General fund \$	Socrates Démosthène fund \$	Total \$	Total \$
Operating activities				
Excess of revenues over expenses	346,316	479,540	825,856	1,740,699
Non-cash items				
Amortization of property and equipment	556,546	275,293	831,839	810,038
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
Changes in non-cash working capital items	242,781	261,498	504,279	(141,269)
Net cash generated	1,024,950	1,016,331	2,041,281	2,288,775
Financing activities				
(Decrease) increase in short term debt - credit facilities	1,438,595	—	1,438,595	(1,155,191)
Repayment of long-term debt	(268,890)	—	(268,890)	(391,111)
Interfund transfers	863,537	(863,537)	—	—
Net cash (used) generated	2,033,242	(863,537)	1,169,705	(1,546,302)
Investing activities				
(Decrease) increase in cash – restricted	(9,318)	—	(9,318)	77,646
Acquisition of property and equipment	(3,018,867)	(224,657)	(3,243,524)	(672,208)
Net cash used	(3,028,185)	(224,657)	(3,252,842)	(594,562)
Net increase (decrease) in cash	30,007	(71,863)	(41,856)	147,911
Cash, beginning of year	109,603	174,549	284,152	136,241
Cash, end of year	139,610	102,686	242,296	284,152

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, 2017

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, 2017, 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 also 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.

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.

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2017

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, cash restricted and accounts receivable. Financial liabilities include the credit facility, 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	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.

Defined contribution pension plan

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

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2017

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, 2017

3. Grants

The following grants were recorded as income:

	2017	2016
	\$	\$
General fund		
Federal government	88,580	56,094
Provincial government	44,305	75,069
Other	59,966	20,403
	<u>192,851</u>	<u>151,566</u>
Socrates Démosthène fund		
MEES	5,282,012	5,370,680
Total grants	<u>5,474,863</u>	<u>5,522,246</u>

4. Cash – Restricted

As at June 30, 2017 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:

	2017	2016
	\$	\$
School fees and other receivables	338,321	299,345
Foyer Hellénique pour personnes âgées	373,416	363,366
Government remittances	170,457	30,342
Allowance for doubtful accounts	(516,472)	(516,472)
	<u>365,722</u>	<u>176,581</u>

The accounts receivable of the Socrates Démosthène fund consists of:

	2017	2016
	\$	\$
School fees and other receivables	719,246	728,574
Government remittances	133,933	197,436
Allowance for doubtful accounts	(481,187)	(424,866)
	<u>371,992</u>	<u>501,144</u>

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2017

6. Property and equipment

	Cost \$	Accumulated amortization \$	Net book value \$
2017			
Land	2,438,683	—	2,438,683
Buildings	22,764,353	13,403,907	9,360,446
Leasehold improvements	1,684,256	1,330,713	353,543
Furniture and equipment	1,115,350	204,136	911,214
Artworks	119,102	—	119,102
	28,121,744	14,938,756	13,182,988
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

On April 13, 2015 the Koimisis Tis Theotokou Greek Orthodox Church [the "Church"] was destroyed by a fire. Proceeds from the insurance amounted to \$3.2 million and the related gain on proceeds from insurance were accrued as monies were received. During the year ended June 30, 2017, \$971,574 was received [2016 – \$1,497,791] from the insurance company and recorded in income under gain on proceeds from insurance – church fire.

Included in buildings are assets purchased to reconstruct the Church which were not yet put in use as at June 30, 2017, amounting to \$3,297,512 [2016 – \$483,685], for which no amortization has been taken in 2017 or 2016. Amortization on this building will commence as of next year.

During the year ended June 30, 2017, the Organization wrote off nil [2016 – \$3,029,401] of property and equipment no longer in use which were completely amortized.

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 moveable hypothec on all present and future movable property for \$8,500,000, plus an additional 20% of that value. The relevant prime rate was 2.7% as at June 30, 2017 [2016 – 2.7%]. 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, 2017

7. Credit facilities (Cont'd)

During 2017, the Organization obtained an additional credit facility with the Bank of Montréal of \$2,276,520. As at June 30, 2017, this credit facility was considered by the bank as a non-revolving demand loan, bearing interest at the bank's prime rate plus 2%, which was 2.7% as at June 30, 2017, repayable by monthly installments of \$5,374, including interest, amortized over 15 years and maturing May 31, 2032, and is collateralized by a first ranking moveable hypothec on all present and future movable property for \$8,500,000, plus an additional 20% of that value. An amount of \$692,771 had been drawn under this facility as at June 30, 2017. Subject to the approval of the lender, the bank loan will become a term loan once the entire amount of the loan has been drawn by the Organization.

Subsequent to year end, an additional amount of \$1,243,999 was received under this facility.

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 the Greek Parliament.

9. Long-term debt

	2017	2016
	\$	\$
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 collateralized by a first ranking moveable hypothec on all present and future movable property for \$8,500,000, plus an additional 20% of that value.	3,666,664	3,935,554
Less unamortized financing fees and transaction costs	(25,819)	(36,373)
Total long-term debt	3,640,845	3,899,181
Current portion	293,340	293,340
	<u>3,347,505</u>	<u>3,605,841</u>

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2017

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, 2017, the Organization was in compliance with this covenant.

Principal repayments to be made under this loan during the next three years are as follows:

	\$
2018	293,340
2019	293,340
2020	3,079,984
	<u>3,666,664</u>

10. Interest expense on long-term debt

	2017	2016
	\$	\$
Bank of Montréal	187,494	191,817
Amortization of financing fees and transaction costs	10,554	10,554
	<u>198,048</u>	<u>202,371</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, 2017, no organization accounted for more than 10% of accounts receivable [in 2016, one organization accounted for 25% of accounts receivable] and MEES accounted for 32% of total revenues [2016 – 32%].

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2017

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 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 total future lease payments of \$164,880 [2016 – \$219,840]. Minimum lease payments for the following years are \$54,960 annually until June 30, 2020.

The Organization has entered into a contract to restore a pedestrian bridge and the external stairs located at one of the Organization's churches. This commitment totals \$297,000 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 deficit, 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.

