

Hellenic Community of Greater Montreal

Financial statements
June 30, 2018



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, 2018 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 (deficiency) of revenues over operating expenses, and net cash generated from operations for the years ended June 30, 2018 and 2017, assets as at June 30, 2018 and 2017, and fund balances (deficit) as at July 1 and June 30 for both the 2018 and 2017 years.



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, 2018 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 a deficiency of revenues over expenses, negative fund balances (deficit), and negative working capital as at June 30, 2018. 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 24, 2018

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



Hellenic Community of Greater Montreal

As at June 30, 2018

Statement of financial position

[Going concern uncertainty – note 1]

	2018				2017			
	General fund \$	Socrates Démosthène fund \$	Elimination \$	Total \$	General fund \$	Socrates Démosthène fund \$	Elimination \$	Total \$
Assets [notes 7 and 9]								
Current								
Cash	5,566	149,071	—	154,637	139,610	102,686	—	242,296
Accounts receivable [notes 5 and 12]	177,930	210,967	—	388,897	365,722	371,992	—	737,714
Accounts receivable – Socrates Démosthène fund	4,020,694	—	(4,020,694)	—	3,534,031	—	(3,534,031)	—
Supplies	41,220	—	—	41,220	43,335	—	—	43,335
Prepaid expenses	135,796	585	—	136,381	106,242	48,563	—	154,805
Cash – restricted [note 4]	4,381,206	360,623	(4,020,694)	721,135	4,186,940	523,241	(3,534,031)	1,178,150
Property and equipment [note 6]	340,106	—	—	340,106	589,568	—	—	589,568
Accounts receivable - Foyer Hellenique pour personnes âgées [1]	13,755,263	946,813	—	14,702,076	12,224,267	958,721	—	13,182,988
Deposits	270,000	—	—	270,000	—	—	—	—
	69,556	—	—	69,556	62,840	25,747	—	88,587
	18,816,131	1,307,436	(4,020,694)	16,102,873	17,065,615	1,507,709	(3,534,031)	15,039,293
Liabilities								
Current								
Short term debt under credit facilities [note 7]	3,821,537	—	—	3,821,537	2,402,400	—	—	2,402,400
Accounts payable and accrued liabilities [note 11]	1,436,152	945,483	—	2,381,635	1,264,273	659,315	—	1,923,588
Government remittances payable	27,990	342,031	—	370,021	65,835	370,160	—	435,995
Accounts payable – General Fund	—	4,020,694	(4,020,694)	—	—	3,534,031	(3,534,031)	—
Deferred revenues	67,029	348,599	—	415,628	12,015	355,400	—	367,415
Current portion of long-term debt [note 9]	293,333	—	—	293,333	293,340	—	—	293,340
Due to the Greek State [note 8]	7,053,897	—	—	7,053,897	7,053,897	—	—	7,053,897
	12,699,938	5,656,807	(4,020,694)	14,336,051	11,091,760	4,918,906	(3,534,031)	12,476,635
Deferred revenues – emphyteutic lease	1,117,413	—	—	1,117,413	1,149,091	—	—	1,149,091
Deferred capital contributions	831,745	—	—	831,745	931,314	—	—	931,314
Long-term debt [note 9]	3,064,733	—	—	3,064,733	3,347,505	—	—	3,347,505
	5,013,891	—	—	5,013,891	5,427,910	—	—	5,427,910
	17,713,829	5,656,807	(4,020,694)	19,349,942	16,519,670	4,918,906	(3,534,031)	17,904,545
Fund balances (deficit)								
Unrestricted	1,102,302	(4,349,371)	—	(3,247,069)	545,945	(3,411,197)	—	(2,865,252)
	1,102,302	(4,349,371)	—	(3,247,069)	545,945	(3,411,197)	—	(2,865,252)
	18,816,131	1,307,436	(4,020,694)	16,102,873	17,065,615	1,507,709	(3,534,031)	15,039,293

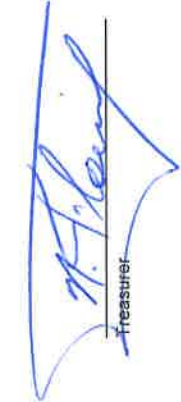
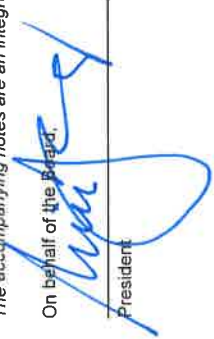
Commitments and guarantees, contingencies [notes 13 and 14]

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, 2018

	General fund \$	Socrates Démosthène fund \$	Total \$
Fund deficit, June 30, 2016	(663,908)	(3,027,200)	(3,691,108)
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>
Deficiency of revenues over operating expenses	(306,833)	(74,984)	(381,817)
Interfund transfer for rent [a]	1,107,268	(1,107,268)	—
Interfund transfer – other	(244,078)	244,078	—
Fund balances (deficit), June 30, 2018	<u>1,102,302</u>	<u>(4,349,371)</u>	<u>(3,247,069)</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

Statement of operations

[Going concern uncertainty – note 1]

Year ended June 30, 2018

	2018		2017	
	General fund	Socrates	Total	Total
		Démosthène fund		
	\$	\$	\$	\$
Revenues				
Advertising and calendar	31,200	—	31,200	43,094
Churches	1,566,211	—	1,566,211	1,581,254
Dances and activities	230,690	195,925	426,615	223,825
Donations	395,842	19,736	415,578	239,926
Festival	57,786	—	57,786	135,200
Fund raising campaigns	251,224	51,546	302,770	391,923
Membership fees	106,920	—	106,920	119,010
Rental [a]	729,257	—	729,257	681,316
School fees	431,615	5,335,325	5,766,940	5,813,255
Athletics department	153,560	—	153,560	142,073
Banquet facilities	137,212	—	137,212	174,804
Grants [note 3]	227,094	5,111,678	5,338,772	5,474,863
Other	255,518	398,264	653,782	835,691
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
	4,705,376	11,112,474	15,817,850	16,959,055
Operating expenses				
Advertising, general supplies and texts	24,519	34,322	58,841	49,905
Churches	1,543,103	—	1,543,103	1,408,237
Bussing	—	1,154,731	1,154,731	1,124,701
Computer software and maintenance	1,169	9,816	10,985	83,585
Dances and activities	319,676	85,986	405,662	484,717
Donations	10,933	209,915	220,848	68,584
Athletics department	217,443	—	217,443	210,145
Banquet facilities	205,781	—	205,781	241,404
Electricity, water and gas	138,231	251,462	389,693	377,310
Festival	67,408	—	67,408	83,566
Fundraising campaign fees	136,538	—	136,538	139,465
General and administrative	47,593	401,906	449,499	430,336
Insurance	63,129	70,290	133,419	111,398
Interest and bank charges	122,735	19,737	142,472	122,003
Interest on long-term debt [note 10]	283,394	—	283,394	198,048
Janitorial and cleaning	21,813	348,549	370,362	368,139
Maintenance and repairs	86,749	80,078	166,827	266,642
Office supplies and postage	60,178	—	60,178	60,247
Pedagogical materials and texts	4,506	100,836	105,342	109,041
Professional and consulting fees	83,048	93,380	176,428	215,637
Rent	68,508	—	68,508	65,876
Salaries and benefits	1,028,375	8,017,887	9,046,262	8,948,611
Taxes – municipal and school	24,520	—	24,520	57,250
Telephone	13,631	18,599	32,230	33,241
Gain on reversal of bad debt	(270,000)	—	(270,000)	—
Travel and transportation	39,659	1,194	40,853	43,272
Amortization of property and equipment	669,570	288,770	958,340	831,839
	5,012,209	11,187,458	16,199,667	16,133,199
Excess (deficiency) of revenues over operating expenses	(306,833)	(74,984)	(381,817)	825,856

[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 [2017 – \$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, 2018

	2018		2017	
	General fund	Socrates Démosthène fund	Total	Total
	\$	\$	\$	\$
Operating activities				
(Deficiency) excess of revenues over operating expenses	(306,833)	(74,984)	(381,817)	825,856
Non-cash items				
Amortization of property and equipment	669,570	288,770	958,340	831,839
Amortization of deferred capital contributions	(99,569)	—	(99,569)	(99,569)
Amortization of emphyteutic lease	(31,678)	—	(31,678)	(31,678)
Amortization of financing fees and transaction costs	10,554	—	10,554	10,554
Gain on reversal of bad debt	(270,000)	—	(270,000)	—
Changes in non-cash working capital items	(144,325)	972,998	828,673	504,279
Net cash generated from operating activities	(172,281)	1,186,784	1,014,503	2,041,281
Financing activities				
Increase in short term debt - credit facilities	1,419,137	—	1,419,137	1,438,595
Repayment of long-term debt	(293,333)	—	(293,333)	(268,890)
Interfund transfers	863,537	(863,537)	—	—
Net cash generated from financing activities	1,989,341	(863,537)	1,125,804	1,169,705
Investing activities				
Decrease (increase) in cash – restricted	249,462	—	249,462	(9,318)
Acquisition of property and equipment	(2,200,566)	(276,862)	(2,477,428)	(3,243,524)
Net cash used for investing activities	(1,951,104)	(276,862)	(2,227,966)	(3,252,842)
Net increase (decrease) in cash	(134,044)	46,385	(87,659)	(41,856)
Cash, beginning of year	139,610	102,686	242,296	284,152
Cash, end of year	5,566	149,071	154,637	242,296

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, 2018

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, 2018, 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 suffered a deficiency of revenues over expenses for the year ended June 30, 2018, 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 significant grants from MEES]. It is also dependent on the Greek State not requesting payment of amounts owed to it by the Organization [note 8].

Use of accounting principles based on the going concern assumption is appropriate only if the Organization 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, 2018

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

Artworks, comprised of religious icons, are not amortized.

Impairment

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

Deferred capital contributions

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

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, 2018

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, 2018

3. Grants

The following grants were recorded as income:

	2018	2017
	\$	\$
General fund		
Federal government	89,009	88,580
Provincial government	42,713	44,305
Other	95,372	59,966
	<u>227,094</u>	<u>192,851</u>
Socrates Démosthène fund		
MEES	5,111,678	5,282,012
Total grants	<u>5,338,772</u>	<u>5,474,863</u>

4. Cash – Restricted

As at June 30, 2018, 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:

	2018	2017
	\$	\$
School fees and other receivables	279,817	338,321
Foyer Hellénique pour personnes âgées	383,760	373,416
Government remittances	22,941	170,457
Allowance for doubtful accounts	(238,588)	(516,472)
	<u>447,930</u>	<u>365,722</u>

Subsequent to June 30, 2018, the Organization signed an agreement with the Foyer Hellénique pour personnes âgées for the repayment of their account receivable over 24 months starting July 1, 2020. This resulted in a gain on reversal of a bad debt of \$270,000 in the current year, which represents the discounted notional amount of \$312,000 that became collectible upon the signature of the agreement.

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2018

The accounts receivable of the Socrates Démosthène fund consists of:

	2018 \$	2017 \$
School fees and other receivables	573,654	719,246
Government remittances	156,573	133,933
Allowance for doubtful accounts	(519,260)	(481,187)
	<u>210,967</u>	<u>371,992</u>

6. Property and equipment

	Cost \$	Accumulated amortization \$	Net book value \$
2018			
Land	2,438,683	—	2,438,683
Buildings	24,316,270	13,555,684	10,760,586
Leasehold improvements	1,911,091	1,589,158	321,933
Furniture and equipment	1,385,528	323,756	1,061,772
Artworks	119,102	—	119,102
	<u>30,170,674</u>	<u>15,468,598</u>	<u>14,702,076</u>
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
	<u>28,121,744</u>	<u>14,938,756</u>	<u>13,182,988</u>

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 in income as monies were received in previous years. During the year ended June 30, 2018, nil was received [2017 – \$971,574] from the insurance company and recorded in income under gain on proceeds from insurance – church fire.

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 3.45% as at June 30, 2018 [2017 – 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, 2018

During 2017, the Organization obtained an additional credit facility with the Bank of Montréal of \$2,276,520. As at June 30, 2018, 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 3.45% as at June 30, 2018 [2017 – 2.7%], repayable by monthly installments of \$18,333, 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 \$2,175,773 had been drawn under this facility as at June 30, 2018 [2017 – \$692,771]. 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.

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. In October 2016, management was advised that the proposed amendment has been modified to specifically reference the Hellenic Community of Greater Montreal and the debt amounts to be written off once the motion is passed in the Greek Parliament which is still pending as of June 30, 2018.

9. Long-term debt

	2018	2017
	\$	\$
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.	3,373,332	3,666,664
Less unamortized financing fees and transaction costs	(15,266)	(25,819)
Total long-term debt	3,358,066	3,640,845
Current portion	293,333	293,340
	<u>3,064,733</u>	<u>3,347,505</u>

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, 2018, the Organization was in compliance with these covenants.

Hellenic Community of Greater Montreal

Notes to financial statements

[Going concern uncertainty – note 1]

June 30, 2018

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

	\$
2019	293,333
2020	3,079,999
	<u>3,373,332</u>

10. Interest expense on long-term debt

	2018 \$	2017 \$
Bank of Montréal	272,840	187,494
Amortization of financing fees and transaction costs	10,554	10,554
	<u>283,394</u>	<u>198,048</u>

11. Related party transactions

Included in accounts payable and accrued liabilities is a loan of \$150,000, payable to a board member. The loan bears interest at the bank's prime rate plus 2%, which was 3.45% as at June 30, 2018, and is payable on demand.

12. 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, 2018, no customer accounted for more than 10% of accounts receivable [in 2017, no customer accounted for more than 10% of accounts receivable] and MEES accounted for 34% of total revenues [2017 – 32%].

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[Going concern uncertainty – note 1]

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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 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.

13. Commitments and guarantees

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

The Organization also indemnifies its directors, to the extent permitted by law, against certain claims that may be made against them as a result of 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.

14. 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.

15. 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.

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[Going concern uncertainty – note 1]

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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.

