

University Club of Montreal
Financial Statements
January 31, 2020



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Independent Auditor's Report

To the Directors of
University Club of Montreal

Opinion

We have audited the financial statements of University Club of Montreal (hereafter "the Organization"), which comprise the statement of financial position as at January 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies, and the schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at January 31, 2020, 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.

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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Montréal
May 4, 2020

 Raymond Chabot
Grant Thornton

¹ CPA auditor, CA public accountancy permit no. A

University Club of Montreal Operations

Year ended January 31, 2020

	2020	2019
	\$	\$
Revenues		
Membership dues	174,607	347,532
Interest	80,190	22,314
Gain on disposal of tangible capital assets		5,270,081
	<u>254,797</u>	<u>5,639,927</u>
Expenses		
Club services	8,707	6,099
Administrative expenses (Schedule A)	285,742	429,053
New club fees (Schedule B)	125,400	
Interest on long-term debt		112,513
Amortization of tangible capital assets	1,276	2,551
Expenses relating to the sale of tangible capital assets		332,788
	<u>421,125</u>	<u>883,004</u>
Excess (deficiency) of revenues over expenses	<u><u>(166,328)</u></u>	<u><u>4,756,923</u></u>

The accompanying notes and the schedules are an integral part of the financial statements



Raymond Chabot
Grant Thornton

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University Club of Montreal Changes in Net Assets

Year ended January 31, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
Net assets (negative), beginning of year	3,667,042	(1,089,881)
Excess (deficiency) of revenues over expenses	(166,328)	4,756,923
Net assets, end of year	<u>3,500,714</u>	<u>3,667,042</u>

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

Raymond Chabot
Grant Thornton

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University Club of Montreal

Cash Flows

Year ended January 31, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	(166,328)	4,756,923
Non-cash items		
Amortization of tangible capital assets	1,276	2,551
Gain on disposal of capital tangible assets		(5,270,081)
Net change in working capital items	<u>20,626</u>	<u>(303,989)</u>
Cash flows from operating activities	<u>(144,426)</u>	<u>(814,596)</u>
INVESTING ACTIVITIES		
Investments	(500,000)	(500,000)
Disposal of tangible capital assets		6,359,140
Cash flows from investing activities	<u>(500,000)</u>	<u>5,859,140</u>
FINANCING ACTIVITIES		
Repayment of long-term debt and cash flows from financing activities		(2,181,000)
Net increase (decrease) in cash and cash equivalents	(644,426)	2,863,544
Cash and cash equivalents, beginning of year	<u>3,089,547</u>	<u>226,003</u>
Cash and cash equivalents, end of year	<u><u>2,445,121</u></u>	<u><u>3,089,547</u></u>

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

University Club of Montreal

Financial Position

January 31, 2020

	2020	2019
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	2,445,121	3,089,547
Investments	1,000,000	500,000
Amounts receivable from members and other receivables (Note 4)	77,685	88,522
Prepaid expenses	9,241	1,829
Inventory	1,788	1,788
	<u>3,533,835</u>	<u>3,681,686</u>
Long-term		
Tangible capital assets (Note 5)	5,500	6,776
	<u>3,539,335</u>	<u>3,688,462</u>
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 6)	38,621	21,420
NET ASSETS		
Unrestricted		
	<u>3,500,714</u>	<u>3,667,042</u>
	<u>3,539,335</u>	<u>3,688,462</u>

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

On behalf of the Board,

Director

Director

University Club of Montreal

Notes to Financial Statements

January 31, 2020

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization, incorporated on November 8, 1907 under Part III of the Companies Act (Quebec), provides quality dining and meeting facilities for its members. It is a registered not-for-profit organization under the Income Tax Act.

2 - ACCOUNTING CHANGES

On February 1, 2019, the Organization applied Section 4433, Tangible Capital Assets Held by Not-for-profit Organizations, of Part III of the *CPA Canada Handbook – Accounting*. This section replaces Section 4431 of the same name. In accordance with this new section, not-for-profit organizations are now required to comply with the guidance in Sections 3061, Property, Plant and Equipment, and 3110, Asset Retirement Obligations, and with the reporting requirements of Section 3063, Impairment of Long-lived Assets, of Part II of the *CPA Canada Handbook – Accounting*, except for the guidance in Section 4433.

Application of Section 3061 by not-for-profit organizations now requires that they consider the guidance on componentization of the cost of an item of property, plant and equipment made up of significant separable component parts. For its part, Section 4433 presents new tangible capital assets impairment standards.

In accordance with the transitional provisions, this new section, applicable to years beginning on or after January 1, 2019, has been applied prospectively.

Application of this new section did not have any impact on the Organization's financial statements.

During the year, the Organization decided to abandon fund accounting for the purpose of simplifying the financial statements' presentation and due to the fact that the capital fund is no longer relevant for the users of the financial statements.

This accounting change has no significant impact on the financial statements other than the results for the current period which are presented under one column instead of being divided between the General Fund and the Capital Fund.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements, notes to financial statements and the schedule. These estimates are based on management's knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

University Club of Montreal

Notes to Financial Statements

January 31, 2020

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

The Organization's policy is to present in cash equivalents bank balances and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in the statement of operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in the statement of operations in the year the reversal occurs.

Revenue recognition

The Organization's sources of revenue comprise membership dues and entrance fees. Revenues are recognized when persuasive evidence of an arrangement exists, services have been rendered, the price to the member is fixed or determinable and collection is reasonably assured.

Membership dues are recognized on a straight-line basis over the membership period, which is from February 1 to January 31. Investment transactions are recognized at the transaction date and the resulting revenues are recognized in earnings using the accrual basis of accounting. Interest income is recognized on a time proportion basis.

Inventory valuation

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method.

The net realizable value represents the estimated selling price in the normal course of business less the estimated costs necessary to make the sale.

The amount of any write-down of inventory to net realizable value and all losses of inventory are recognized as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventory recognized as an expense in the year in which the reversal occurs.

University Club of Montreal

Notes to Financial Statements

January 31, 2020

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible capital assets

Tangible capital assets acquired are recorded at cost. When the Organization receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date plus all costs directly attributable to the acquisition of the tangible capital assets, or at a nominal value if fair value cannot be reasonably determined.

Amortization

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives at the following periods:

	<u>Periods</u>
Furniture and equipment	5, 10 or 15 years

Write-down

When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the tangible capital asset's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

4 - AMOUNTS RECEIVABLE FROM MEMBERS AND OTHER RECEIVABLES

	<u>2020</u>	<u>2019</u>
	\$	\$
Amounts receivable from members (a)	36,873	39,384
Accrued interest	29,200	
Indirect taxes receivable	11,612	49,138
	<u>77,685</u>	<u>88,522</u>

(a) The amounts receivable from members are presented in the financial statements net of an allowance for impairment of \$97,799 (\$67,799 as at January 31, 2019). The amount of the impairment loss related to the amounts receivable from members is \$30,000 for the year (\$21,647 in 2019).

5 - TANGIBLE CAPITAL ASSETS

	<u>2020</u>			<u>2019</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>	Net carrying amount
	\$	\$	\$	\$
Furniture and equipment	12,757	12,757		1,276
Works of art	5,500		5,500	5,500
	<u>18,257</u>	<u>12,757</u>	<u>5,500</u>	<u>6,776</u>

University Club of Montreal

Notes to Financial Statements

January 31, 2020

6 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2020</u>	<u>2019</u>
	\$	\$
Trade payables and accrued liabilities	37,614	19,973
Salaries, vacations and employee benefits payable	<u>1,006</u>	<u>1,447</u>
	<u>38,620</u>	<u>21,420</u>

There were no government remittances as at January 31, 2020 (nil as at January 31, 2019).

7 - PENSION PLAN

The Organization established a contributory registered provincial simplified pension plan effective September 1, 2005 for the benefit of its employees. The Organization's contributions to the pension plan during the year was nil (\$4,161 in 2019).

8 - FINANCIAL RISKS

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are amounts receivable from members and other receivables since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

Market risk

The Organization's financial instruments expose it to market risk, in particular, to interest rate risk which results from its investing activities.

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial assets bearing fixed interest rates.

The term deposits bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

9 - COMMITMENTS

The Organization entered into a long-term lease agreement expiring in December 2021 which calls for lease payments of \$6,000 for the rental of equipment. Minimum lease payments for the next years are \$3,000 in 2021 and 2022.

University Club of Montreal Notes to Financial Statements

January 31, 2020

10 - SUBSEQUENT EVENTS

Subsequent to year-end, an outbreak of a new strain of coronavirus (COVID-19) resulted in a major global health crisis which continues to have impacts on the global economy and the financial markets at the date of completion of the financial statements.

These events are likely to cause significant changes to the assets or liabilities in the coming year or to have a significant impact on future operations. Following these events, the Organization has taken and will continue to take action to minimize the impact. However, it is impossible to determine the financial implications of these events for the moment.

 Raymond Chabot
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University Club of Montreal Schedules

Year ended January 31, 2020

SCHEDULE A

ADMINISTRATIVE EXPENSES

	<u>2020</u>	<u>2019</u>
	\$	\$
Salaries and employee benefits	30,223	110,209
Employee severance payments		25,000
Property tax		63,329
Heating and energy		12,187
Repairs, maintenance and storage fees	14,062	24,904
Office expenses	4,369	5,458
Insurance	15,586	20,485
Computer systems	6,315	9,667
Bank charges	4,017	4,899
Credit card charges	4,735	10,567
Doubtful accounts	30,000	21,647
Telecommunications	682	2,301
Promotional activities	99,095	60,117
Professional fees	76,658	58,283
	<u>285,742</u>	<u>429,053</u>

SCHEDULE B

NEW CLUB FEES

	<u>2020</u>	<u>2019</u>
	\$	\$
Consulting services for new space	86,400	
Executive search services	17,000	
Public relations	12,000	
Marketing and design	10,000	
	<u>125,400</u>	<u>-</u>

Raymond Chabot
Grant Thornton

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