

**University Club of Montreal  
Financial Statements  
January 31, 2019**



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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, 2019, and the statements of operations, remeasurement gains and losses, 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, 2019, 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.

Montréal



Raymond Chabot  
Grant Thornton

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<sup>1</sup> CPA auditor, CA public accountancy permit no. A

# University Club of Montreal Operations

Year ended January 31, 2019

			2019	2018
	General Fund	Capital Fund	Total	Total
	\$	\$	\$	\$
<b>Revenues</b>				
Membership dues	347,532		347,532	671,734
Entrance fees				38,613
Club services (Note 3)	572		572	1,405,414
Other revenues		22,314	22,314	22,670
Gain on disposal of capital assets		5,270,081	5,270,081	
Amortization of the deferred provincial capital grant				3,410
	<u>348,104</u>	<u>5,292,395</u>	<u>5,640,499</u>	<u>2,141,841</u>
<b>Expenses</b>				
Club services (Note 3)	6,669		6,669	1,264,071
Interest on long-term debt	112,513		112,513	124,589
Administrative expenses (Schedule)	799,387		799,387	1,427,722
Amortization of tangible capital assets		2,551	2,551	114,903
Depreciation of tangible capital assets				135,000
	<u>918,569</u>	<u>2,551</u>	<u>921,120</u>	<u>3,066,285</u>
<b>Deficiency of revenues over expenses</b>	<u>(570,465)</u>	<u>5,289,844</u>	<u>4,719,379</u>	<u>(924,444)</u>

The accompanying notes and the schedule are an integral part of the financial statements and Note 4 provides other information on operations.

# University Club of Montreal

## Changes in Net Assets

Year ended January 31, 2019

			2019	2018
	General Fund	Capital Fund	Total	Total
	\$	\$	\$	\$
Net assets (negative), beginning of year	(2,538,963)	1,449,082	(1,089,881)	(165,437)
Deficiency of revenues over expenses	(570,465)	5,289,844	4,719,379	(924,444)
Net assets (negative), end of year	<u>(3,109,428)</u>	<u>6,738,926</u>	<u>3,629,498</u>	<u>(1,089,881)</u>

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

Raymond Chabot  
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# University Club of Montreal

## Cash Flows

Year ended January 31, 2019

	2019	2018
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	4,719,379	(924,444)
Non-cash items		
Amortization of tangible capital assets	2,551	114,903
Amortization of the deferred provincial capital grant	81,375	(3,410)
Depreciation of tangible capital assets		135,000
Gain on disposal of fixed assets	(5,270,081)	
Net change in working capital items	(266,446)	401,242
Cash flows from operating activities	(733,222)	(276,709)
<b>INVESTING ACTIVITIES</b>		
Disposition (Acquisition) of tangible capital assets and cash flows from investing activities	6,359,140	(76,117)
<b>FINANCING ACTIVITIES</b>		
Reimbursement of obligation under a capital lease		(1,772)
Repayment of long-term debt	(2,181,000)	430,000
Provincial capital grant	(81,375)	78,241
Cash flows from financing activities	(2,262,375)	506,469
<b>Net increase (decrease) in cash</b>	<b>3,363,543</b>	<b>153,643</b>
Cash, beginning of year	226,003	72,360
Cash, end of year	3,589,546	226,003

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

# University Club of Montreal

## Financial Position

January 31, 2019

			2019	2018
	General Fund	Capital Fund	Total	Total
	\$	\$	\$	\$
<b>ASSETS</b>				
Current				
Cash	3,589,546		3,589,546	226,003
Amounts receivable from members and other receivables (Note 5)	50,977		50,977	106,033
Prepaid expenses	1,831		1,831	10,146
Inventory	1,788		1,788	1,788
Land, property, furniture and equipment held for sale				1,170,434
	<u>3,644,142</u>		<u>3,644,142</u>	<u>1,514,404</u>
Long-term				
Advances to the General Fund, without interest or repayment terms		6,732,150		
Tangible capital assets (Note 6)		6,776	6,776	9,327
	<u>3,644,142</u>	<u>6,738,926</u>	<u>3,650,918</u>	<u>1,523,731</u>
<b>LIABILITIES</b>				
Current				
Trade payables and other operating liabilities (Note 7)	21,420		21,420	349,280
Deferred revenues				1,957
Current portion of long-term debt				2,181,000
	<u>21,420</u>		<u>21,420</u>	<u>2,532,237</u>
Long-term				
Advances from the Capital Fund, without interest or repayment terms	6,732,150			
Deferred provincial capital grant				81,375
	<u>6,753,570</u>		<u>21,420</u>	<u>2,613,612</u>
<b>NET ASSETS (NEGATIVE)</b>				
Invested in capital assets				1,010,386
Unrestricted (negative)	(3,109,428)	6,738,926	3,629,498	(2,100,267)
	<u>(3,109,428)</u>	<u>6,738,926</u>	<u>3,629,498</u>	<u>(1,089,881)</u>
	<u>3,644,142</u>	<u>6,738,926</u>	<u>3,650,918</u>	<u>1,523,731</u>

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

On behalf of the Board,

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Director

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Director



# University Club of Montreal

## Notes to Financial Statements

January 31, 2019

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### **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 non-profit organization under the Income Tax Act.

Following a board resolution ratified during a special general assembly, held on October 18, 2017, a decision was made to sell the building and to temporarily transfer the activities to a host club.

### **2 - 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 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.

#### **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.

# University Club of Montreal

## Notes to Financial Statements

January 31, 2019

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Fund accounting**

##### *General Fund*

Assets, liabilities, revenues and expenses relating to the Organization's operations and administration are reported in the General Fund.

##### *Capital Fund*

Assets, liabilities, revenues and expenses relating to the Organization's tangible capital assets are reported in the Capital Fund.

Additions, renewals and major repairs to tangible capital assets are recorded in the Capital Fund.

Amortization of tangible capital assets is recorded in the Capital Fund.

#### **Revenue recognition**

The Organization's principal sources of revenue comprise club services, 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.

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

#### **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.

# University Club of Montreal

## Notes to Financial Statements

January 31, 2019

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### 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Amortization

Tangible capital assets are amortized over their estimated useful lives according to the straight-line method over the following periods:

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

#### Write-down

When the Organization recognizes that a tangible capital asset no longer has any long-term service potential, the excess of the net carrying amount of the tangible capital asset over its residual value is recognized as an expense in the statement of operations. During the year, no write-down was taken against furniture and equipment (\$135,000 in 2018).

### 3 - CLUB SERVICES

	<u>2018</u>	<u>2017</u>
	\$	\$
Revenues		
Food sales	(138)	741,577
Wine sales	(189)	169,372
Liquor sales	(13)	117,548
Room rental, administrative expenses and other revenues	<u>912</u>	<u>376,917</u>
	<u>572</u>	<u>1,405,414</u>
Expenses		
Cost of food	(129)	297,829
Cost of wine		77,966
Cost of liquor	601	15,062
Salaries and employee benefits		806,407
Repairs and maintenance supplies	550	24,955
Other	<u>5,649</u>	<u>41,852</u>
	<u>6,671</u>	<u>1,264,071</u>
	<u>(6,099)</u>	<u>141,343</u>

### 4 - INFORMATION INCLUDED IN OPERATIONS

	<u>2019</u>	<u>2018</u>
	\$	\$
Amortization of building improvements	-	74,610
Amortization of furniture and equipment	2,551	40,293
Amortization of the deferred provincial capital grant	-	3,410
Cost of inventory expensed	-	390,855

# University Club of Montreal

## Notes to Financial Statements

January 31, 2019

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### 5 - AMOUNTS RECEIVABLE FROM MEMBERS AND OTHER RECEIVABLES

	<u>2019</u>	<u>2018</u>
	\$	\$
General Fund		
Amounts receivable from members (a)	49,384	101,471
Other amounts receivable		4,562
Indirect taxes receivable	1,593	
	<u>50,977</u>	<u>106,033</u>

(a) The amounts receivable from members are presented in the financial statements net of an allowance for doubtful accounts of \$51,579 (\$46,655 as at January 31, 2018). The amount of the expense for doubtful accounts related to the amounts receivable from members is \$504 for the year (\$82,328 in 2018).

### 6 - TANGIBLE CAPITAL ASSETS

#### Capital Fund

	<u>2019</u>			<u>2018</u>
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Furniture and equipment	12,757	11,481	1,276	3,827
Works of art	5,500		5,500	5,500
	<u>18,257</u>	<u>11,481</u>	<u>6,776</u>	<u>9,327</u>

### 7 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

#### General Fund

	<u>2019</u>	<u>2018</u>
	\$	\$
Trade payables and accrued liabilities	19,973	89,283
Employee severance payments payable		193,985
Salaries, vacations and employee benefits payable	1,447	17,973
Consumption taxes payable		48,039
	<u>21,420</u>	<u>349,280</u>

Government remittances total \$0 as at January 31, 2019 (\$48,039 as at January 31, 2018).

# University Club of Montreal

## Notes to Financial Statements

January 31, 2019

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### 8 - LONG-TERM DEBT

	2019	2018
	\$	\$
Mortgage contracted with a member, 7.5%		1,250,000
Non-redeemable secured bonds with the Organization's members, 4.5%		243,000
Non-redeemable secured bonds with the Organization's members, 7%		425,000
Non-redeemable secured bonds with the Organization's members, 4.5%		6,000
Non-redeemable secured bonds with the Organization's members, 5.5%		34,000
Non-redeemable secured bonds with the Organization's members, 3.21% to 4.5%		178,000
Non-redeemable secured bonds with the Organization's members, 5.5%		20,000
Non-redeemable secured bonds with the Organization's members, 2.93% to 4.5%		(13,000)
Non-redeemable secured bonds with the Organization's members, 3.29%		1,000
Non-redeemable secured bonds with the Organization's members, 3.03% to 3.17%		6,000
Non-redeemable secured bonds with the Organization's members, 3.34%		5,000
		<u>2,181,000</u>
Current portion (b)		<u>2,181,000</u>
	-	-

### 9 - PENSION PLAN

The Organization established a contributory registered Quebec simplified pension plan effective September 1, 2005 for the benefit of its employees. The Organization's contributions to the plan during the year amounted to \$4,161 (\$35,581 in 2018).

# University Club of Montreal

## Notes to Financial Statements

January 31, 2019

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### **10 - 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.

### **11 - COMMITMENTS**

The Organization has entered into long-term lease agreements expiring respectively in March 2019 and December 2021 which call for lease payments of \$6,789 for the rental of equipment and telecommunication services. Minimum lease payments for the next years are \$4,099 in 2020 and \$2,690 in 2021.



Raymond Chabot  
Grant Thornton

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# University Club of Montreal Schedule

Year ended January 31, 2019

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	<u>2019</u>	<u>2018</u>
	\$	\$
<b>ADMINISTRATIVE EXPENSES</b>		
Salaries and employee benefits	135,209	596,656
Employee severance payments		193,985
Property tax	63,329	181,266
Heating and energy	12,187	80,871
Repairs and maintenance	24,904	80,196
Office expenses	5,458	14,709
Insurance	20,485	32,642
Computer systems	9,667	11,346
Bank charges	4,899	9,827
Credit card charges	10,567	37,215
Doubtful accounts	11,647	82,328
Telecommunications	2,301	4,215
Promotional activities	60,117	34,779
Professional fees	438,617	59,914
Other expenses		7,773
	<u>799,387</u>	<u>1,427,722</u>

 Raymond Chabot  
Grant Thornton

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