

University Club of Montreal
Financial Statements
January 31, 2017

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Raymond Chabot Grant Thornton

Independent Auditor's Report

To the Directors of
University Club of Montreal

Raymond Chabot Grant Thornton LLP

Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec H3B 4L8

Telephone: 514-878-2691
Fax: 514-878-2127
www.rcgt.com

We have audited the accompanying financial statements of University Club of Montreal, which comprise the statement of financial position as at January 31, 2017 and the statements of operations, changes in net assets 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.

Auditor's 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 auditor's 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 auditor considers 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of University Club of Montreal as at January 31, 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.

Raymond Chabot Grant Thornton LLP¹

Montréal
April 28, 2017

¹ CPA auditor, CA public accountancy permit no. A117472

University Club of Montreal Operations

Year ended January 31, 2017

			<u>2017</u>	<u>2016</u>
	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$
Revenues				
Membership dues	690,073		690,073	744,142
Entrance fees		53,603	53,603	46,433
Club services (Note 3)	1,661,882		1,661,882	1,584,641
Other revenues	37,151		37,151	46,319
Amortization of the deferred provincial capital grant		727	727	
	<u>2,389,106</u>	<u>54,330</u>	<u>2,443,436</u>	<u>2,421,535</u>
Expenses				
Club services (Note 3)	1,414,343		1,414,343	1,373,941
Interest on bank loan				12
Interest on long-term debt	104,794	9,818	114,612	91,759
Administrative expenses (Schedule)	1,255,327		1,255,327	1,161,229
Amortization of tangible capital assets		104,150	104,150	100,423
	<u>2,774,464</u>	<u>113,968</u>	<u>2,888,432</u>	<u>2,727,364</u>
Deficiency of revenues over expenses	<u>(385,358)</u>	<u>(59,638)</u>	<u>(444,996)</u>	<u>(305,829)</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, 2017

	<u>2017</u>		<u>2016</u>
	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>
	\$	\$	\$
Net assets (negative), beginning of year	(1,447,049)	1,726,608	279,559
Deficiency of revenues over expenses	(385,358)	(59,638)	(444,996)
Net assets (negative), end of year	<u>(1,832,407)</u>	<u>1,666,970</u>	<u>(165,437)</u>
			585,388
			(305,829)
			279,559

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

University Club of Montreal

Cash Flows

Year ended January 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	(444,996)	(305,829)
Non-cash items		
Amortization of tangible capital assets	104,150	100,423
Amortization of the deferred provincial capital grant	(727)	
Amortization of transaction costs related to long-term debt	18,750	25,000
Net change in working capital items	<u>(25,839)</u>	<u>22,762</u>
Cash flows from operating activities	<u>(348,662)</u>	<u>(157,644)</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets and cash flows from investing activities	<u>(205,243)</u>	<u>(25,445)</u>
FINANCING ACTIVITIES		
Obligation under a capital lease	(4,252)	(4,252)
Long-term debt	1,266,000	202,000
Repayment of long-term debt	(850,000)	(150,000)
Provincial capital grant	<u>7,271</u>	
Cash flows from financing activities	<u>419,019</u>	<u>47,748</u>
Net decrease in cash and cash equivalents	(134,886)	(135,341)
Cash and cash equivalents, beginning of year	<u>207,246</u>	<u>342,587</u>
Cash and cash equivalents, end of year	<u>72,360</u>	<u>207,246</u>
CASH AND CASH EQUIVALENTS		
Cash	72,360	157,246
Term deposits		50,000
	<u>72,360</u>	<u>207,246</u>

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

University Club of Montreal

Financial Position

January 31, 2017

			<u>2017</u>	<u>2016</u>
	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$
ASSETS				
Current				
Cash	45,354	27,006	72,360	157,246
Term deposits				50,000
Amounts receivable from members and other receivables (Note 5)	388,141	18,296	406,437	334,593
Prepaid expenses	16,439		16,439	21,422
Inventory	81,120		81,120	81,702
	<u>531,054</u>	<u>45,302</u>	<u>576,356</u>	644,963
Long-term				
Advances to the General Fund, without interest or repayment terms		492,666		
Tangible capital assets (Note 6)		1,353,546	1,353,546	1,229,918
	<u>531,054</u>	<u>1,891,514</u>	<u>1,929,902</u>	<u>1,874,881</u>

University Club of Montreal

Financial Position

January 31, 2017

			2017	2016
	General Fund	Capital Fund	Total	Total
	\$	\$	\$	\$
LIABILITIES				
Current				
Trade payables and other operating liabilities (Note 7)	303,898		303,898	269,931
Deferred revenues	32,125		32,125	3,117
Current portion of long-term debt				831,250
Current portion of the obligation under a capital lease	1,772		1,772	2,911
	337,795		337,795	1,107,209
Long-term				
Advances from the Capital Fund, without interest or repayment terms	492,666			
Long-term debt (Note 8)	1,533,000	218,000	1,751,000	485,000
Obligation under a capital lease (Note 9)				3,113
Deferred provincial capital grant		6,544	6,544	
	2,363,461	224,544	2,095,339	1,595,322
NET ASSETS (NEGATIVE)				
Invested in capital assets		1,353,546	1,353,546	1,229,918
Unrestricted (negative)	(1,832,407)	313,424	(1,518,983)	(950,359)
	(1,832,407)	1,666,970	(165,437)	279,559
	531,054	1,891,514	1,929,902	1,874,881

The accompanying notes and the schedule 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, 2017

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.

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 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.

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, 2017

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund accounting

General Fund

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

Capital Fund

Assets, liabilities, revenues and expenses relating to the tangible capital assets of the Organization 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. Revenue is 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.

Deferred provincial capital grant

The deferred provincial capital grant on tangible capital assets is accounted for as a liability when the tangible capital asset is purchased and the grant is received. The deferred grant is amortized according to the straight-line method over the same period as the subsidized tangible capital asset.

Deferred annual dues

Amounts billed and received in advance of the applicable fiscal year are recorded as deferred annual dues.

Cash and cash equivalents

The Organization's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the financial position date.

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.

University Club of Montreal

Notes to Financial Statements

January 31, 2017

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Amortization

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

	<u>Periods</u>
Building	Fully amortized
Building improvements	5, 10, 20 or 25 years
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 net carrying amount of the tangible capital asset over its residual value is recognized as an expense in the statement of operations.

3 - CLUB SERVICES

	<u>2017</u>	<u>2016</u>
	\$	\$
Revenues		
Food sales	905,890	862,854
Wine sales	223,852	234,307
Liquor sales	93,941	96,441
Room rental, administrative expenses and other revenues	438,199	391,039
	<u>1,661,882</u>	<u>1,584,641</u>
Expenses		
Cost of food	354,757	348,974
Cost of wine	89,276	94,696
Cost of liquor	14,774	22,837
Salaries and employee benefits	869,720	821,113
Repairs and maintenance supplies	27,839	28,361
Other	57,977	57,960
	<u>1,414,343</u>	<u>1,373,941</u>
	<u>247,539</u>	<u>210,700</u>

University Club of Montreal

Notes to Financial Statements

January 31, 2017

4 - INFORMATION INCLUDED IN OPERATIONS

	<u>2017</u>	<u>2016</u>
	\$	\$
Amortization of building improvements	65,722	66,530
Amortization of furniture and equipment	38,428	33,893
Amortization of the deferred provincial capital grant	727	-
Cost of inventory expensed	458,806	466,507

5 - AMOUNTS RECEIVABLE FROM MEMBERS AND OTHER RECEIVABLES

	<u>2017</u>	<u>2016</u>
	\$	\$
General Fund		
Amounts receivable from members (a)	389,067	312,265
Other amounts receivable	(926)	3,342
Capital Fund		
Amounts receivable from members (a)	18,296	18,986
	<u>406,437</u>	<u>334,593</u>

(a) The amounts receivable from members are presented in the financial statements net of an allowance for doubtful accounts of \$45,491 (\$36,107 as at January 31, 2016). The amount of the expense for doubtful accounts related to the amounts receivable from members is \$26,346 for the year (\$11,588 in 2016), including the recognition of a loss previously recognized for an amount of \$3,881 (none in 2016).

6 - TANGIBLE CAPITAL ASSETS

Capital Fund

	<u>2017</u>			<u>2016</u>
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Land	23,805		23,805	23,805
Building	244,463	244,463		
Building improvements	3,196,715	2,198,756	997,959	883,452
Furniture and equipment	1,841,971	1,522,068	319,903	313,731
Works of art	5,500		5,500	
Leased tangible capital assets				
Furniture and equipment	12,757	6,378	6,379	8,930
	<u>5,325,211</u>	<u>3,971,665</u>	<u>1,353,546</u>	<u>1,229,918</u>

As at January 31, 2017, tangible capital assets include \$22,535 of unpaid tangible capital asset acquisitions.

University Club of Montreal

Notes to Financial Statements

January 31, 2017

7 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

General Fund

	<u>2017</u>	<u>2016</u>
	\$	\$
Trade payables and accrued liabilities	179,171	131,972
Salaries, vacations and employee benefits payable	91,743	82,511
Consumption taxes payable	<u>32,984</u>	<u>55,448</u>
	<u>303,898</u>	<u>269,931</u>

Government remittances total \$32,984 as at January 31, 2017 (\$55,448 as at January 31, 2016).

8 - LONG-TERM DEBT

	<u>General Fund</u>	<u>Capital Fund</u>	<u>2017</u>	<u>2016</u>
	\$	\$	Total	Total
			\$	\$
Mortgage, principal of \$850,000, secured by the land and building, 6% (effective rate of 9%), capital payable at maturity date (a)				831,250
Mortgage contracted with a member, principal of \$1,250,000, secured by the land and building, 7.5%, capital payable at maturity date, maturing during the year ending January 31, 2019, renewable for two years	1,250,000		1,250,000	
Non-redeemable secured bonds with the Organization's members, 4.5%, maturing during the year ending January 31, 2019 (b)	243,000		243,000	243,000
Non-redeemable secured bonds with the Organization's members, 4.5%, maturing during the year ending January 31, 2020 (b)	6,000		6,000	6,000
Non-redeemable secured bonds with the Organization's members, 5.5%, maturing during the year ending January 31, 2024 (b)	34,000		34,000	34,000
Non-redeemable secured bonds with the Organization's members, 3.21% to 4.50%, maturing during the year ending January 31, 2021 (b)		178,000	178,000	178,000

University Club of Montreal

Notes to Financial Statements

January 31, 2017

8 - LONG-TERM DEBT (Continued)

	<u>General Fund</u>	<u>Capital Fund</u>	<u>2017</u> <u>Total</u>	<u>2016</u> <u>Total</u>
	\$	\$	\$	\$
Non-redeemable secured bonds with the Organization's members, 2.93% to 4.5%, maturing during the year ending January 31, 2022 (b)		13,000	13,000	3,000
Non-redeemable secured bonds with the Organization's members, 5.5%, maturing during the year ending January 31, 2026 (b)		20,000	20,000	20,000
Non-redeemable secured bonds with the Organization's members, 3.29%, maturing during the year ending January 31, 2019 (b)		1,000	1,000	1,000
Non-redeemable secured bonds with the Organization's members, 3.03% to 3.17%, maturing during the year ending January 31, 2020 (b)		6,000	6,000	
	<u>1,533,000</u>	<u>218,000</u>	<u>1,751,000</u>	1,316,250
Current portion				831,250
	<u>1,533,000</u>	<u>218,000</u>	<u>1,751,000</u>	<u>485,000</u>

(a) The mortgage is reduced by unamortized transaction costs of \$0 (\$18,750 in 2016).

(b) The non-redeemable secured bonds are guaranteed by a second ranking mortgage on the building. The interest is payable annually and the capital portion is payable at maturity date.

The estimated instalments on long-term debt for the next five years are \$0 in 2018, \$1,494,000 in 2019, \$12,000 in 2020, \$178,000 in 2021 and \$13,000 in 2022.

9 - OBLIGATION UNDER A CAPITAL LEASE

General Fund

	<u>2017</u>	<u>2016</u>
	\$	\$
Obligation under a capital lease relating to leased furniture and equipment, 0.5%, maturing in 2018	1,772	6,024
Current portion	1,772	2,911
	<u>-</u>	<u>3,113</u>

University Club of Montreal

Notes to Financial Statements

January 31, 2017

9 - OBLIGATION UNDER A CAPITAL LEASE (Continued)

The minimum lease payment under the capital lease for the next year and the balance of the obligation are as follows:

	\$
Year ending January 31, 2018	2,711
Interest expense included in the minimum lease payment	939
Balance of the obligation	1,772

10 - 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 \$33,388 (\$35,135 in 2016).

11 - FINANCIAL INSTRUMENTS

Financial risks

The Organization's main financial risk exposure is detailed as follows.

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, resulting from its financing activities:

– Interest rate risk:

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

Liquidity risk

The Organization's liquidity risk represents the risk that Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

Carrying amount of financial assets by category

The Organization's financial assets (mainly amounts receivable from members), totalling \$478,797 (\$541,840 as at January 31, 2016), have all been classified as financial assets measured at amortized cost.

University Club of Montreal

Notes to Financial Statements

January 31, 2017

11 - FINANCIAL INSTRUMENTS (Continued)

Guaranteed financial liabilities

As at January 31, 2017, the total carrying amount of guaranteed financial liabilities is \$1,751,000.

12 - COMMITMENTS

The Organization has entered into long-term lease agreements expiring respectively in March 2019 and December 2021, which call for lease payments of \$18,891 for the rental of equipment and telecommunication services. Minimum lease payments for the next years are \$6,441 in 2018 and 2019, \$3,379 in 2020 and \$2,630 in 2021.

University Club of Montreal Schedule

Year ended January 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
<i>ADMINISTRATIVE EXPENSES</i>		
Salaries and employee benefits	680,010	631,705
Property taxes	202,153	190,000
Heating and energy	82,383	89,625
Repairs and maintenance	64,868	51,763
Office expenses	15,890	13,119
Insurance	29,934	28,597
Computer systems	18,438	26,285
Bank charges	14,256	9,998
Credit card charges	37,314	39,035
Doubtful accounts	26,346	11,588
Telecommunications	4,879	6,132
Promotional activities	51,624	28,987
Professional fees	20,321	24,092
Other expenses	6,909	10,303
	<u>1,255,325</u>	<u>1,161,229</u>