

Corporation Katimavik – Opcan
Financial Statements
March 31, 2011

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Raymond Chabot Grant Thornton

Independent Auditor's Report

To the Directors of
Corporation Katimavik – Opcan

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We have audited the accompanying financial statements of Corporation Katimavik – Opcan, which comprise the statement of financial position as at March 31, 2011 and the statements of revenues, expenses and 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 generally accepted accounting principles 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 Corporation Katimavik – Opcan as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter

As required by Part II of the Canada Corporations Act, we report that, in our opinion, the accounting principles mentioned above have been applied on a basis consistent with that of the preceding year.

Raymond Chabot Grant Thornton LLP¹

Montréal
June 11, 2011

¹ Chartered accountant auditor permit no. 18779

Corporation Katimavik – Opcan Revenues, Expenses and Net Assets

Year ended March 31, 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
Revenues		
Contributions for activities (Note 6)	15,296,831	20,659,916
Services rendered (Note 4)	10,749,518	13,271,064
Amortization of deferred contributions related to capital assets (Note 11)	162,565	166,883
Contributed supplies and services (Note 5)	248,377	117,770
Participant revenues	283,719	24,219
Interest revenue	16,330	
Other	8,957	
Katimavik Youth Services contribution	81,908	
Katimavik Fund contribution	4,099	188,278
	<u>26,852,304</u>	<u>34,428,130</u>
Operating expenses		
Salaries and benefits	6,201,067	8,249,129
Services rendered (Note 4)	10,749,518	13,271,064
Travel expenses	3,081,624	3,366,674
Rent	2,580,426	2,675,537
Daily allowances and incentive bonuses	781,457	1,373,169
Food	1,248,680	1,644,960
Training, recruiting and development	398,662	1,703,946
Office expenses	604,172	835,593
Learning program	400,369	647,127
Professional fees	332,915	318,626
Medical fees	88,111	124,001
Interest on bank loan	5,296	4,804
Bank charges	50,126	46,617
Amortization of capital assets	162,565	166,883
	<u>26,684,988</u>	<u>34,428,130</u>
Excess of revenues over expenses and net assets, end of year	<u>167,316</u>	<u>-</u>

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

Corporation Katimavik – Opcan

Cash Flows

Year ended March 31, 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	167,316	
Non-cash items		
Amortization of capital assets	162,565	166,883
Amortization of deferred contributions related to capital assets	(162,565)	(166,883)
Changes in working capital items		
Accounts receivable	242,200	(105,019)
Advances to employees	47,811	(751)
Prepaid expenses	(810,106)	32,378
Contributions receivable from the Department of Canadian Heritage	1,236,265	108,578
Accounts payable	591,873	(366,170)
Incentive bonuses payable	(345,000)	(136,637)
Cash flows from operating activities	<u>1,130,359</u>	<u>(467,621)</u>
INVESTING ACTIVITIES		
Term deposit	(1,100,000)	
Capital assets	(41,904)	(68,931)
Cash flows from investing activities	<u>(1,141,904)</u>	<u>(68,931)</u>
FINANCING ACTIVITIES		
Bank loan	(625,000)	280,000
Deferred contributions related to capital assets	41,904	68,931
Cash flows from financing activities	<u>(583,096)</u>	<u>348,931</u>
Net decrease in cash	(594,641)	(187,621)
Bank overdraft, beginning of year	<u>(418,047)</u>	<u>(230,426)</u>
Bank overdraft, end of year	<u>(1,012,688)</u>	<u>(418,047)</u>

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

Corporation Katimavik – Opcan

Financial Position

March 31, 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
ASSETS		
Current assets		
Term deposit, 1%, maturing in December 2011	1,100,000	
Accounts receivable (Note 7)	196,338	438,538
Advances to employees	21,089	68,901
Prepaid expenses	1,257,017	446,910
Contributions receivable from the Department of Canadian Heritage	<u>132,555</u>	<u>1,368,820</u>
	<u>2,706,999</u>	<u>2,323,169</u>
Capital assets (Note 8)	<u>268,199</u>	<u>388,860</u>
	<u>2,975,198</u>	<u>2,712,029</u>
LIABILITIES		
Current liabilities		
Bank overdraft	1,012,688	418,047
Bank loan (Note 9)	25,000	650,000
Accounts payable (Note 10)	1,501,995	910,122
Incentive bonuses payable		<u>345,000</u>
	<u>2,539,683</u>	<u>2,323,169</u>
Deferred contributions related to capital assets (Note 11)	<u>268,199</u>	<u>388,860</u>
	<u>2,807,882</u>	<u>2,712,029</u>
NET ASSETS - UNRESTRICTED	<u>167,316</u>	
	<u>2,975,198</u>	<u>2,712,029</u>

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

On behalf of the Board,

Director

Director

Corporation Katimavik – Opcan

Notes to Financial Statements

March 31, 2011

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Corporation was incorporated under Part II of the Canada Corporations Act for the purpose of promoting the personal development of young adults aged 17 to 21 through an enriching program involving volunteer community work, training and group interaction. The Corporation is a non-profit organization under the Income Tax Act.

2 - FINANCING OF ACTIVITIES

These financial statements are prepared on the basis of the going concern assumption, which means the Corporation will discharge its obligations in the normal course of operations. Application of the going concern assumption depends on the Corporation's ability to obtain ongoing financial support by way of government subsidies. If the assumption is not maintained, significant adjustments to the value of assets and liabilities in the financial statements might be required.

The current contribution agreement was signed September 16, 2009 and amended August 31, 2010 between the Department of Canadian Heritage and the Corporation. This agreement is set from September 1, 2009 to March 31, 2011 for a maximum contribution of \$28,119,615 detailed as follows:

	\$
September 2009 to March 2010	11,119,615
April 2010 to August 2010	8,656,385
September 2010 to March 2011	8,343,615
	<u>28,119,615</u>

In March 2011, the Department of Canadian Heritage renewed the program for a period of two years until March 31, 2013. The contribution of \$28,000,000 for this period is of \$14,000,000 a year.

The Corporation receives the contributions in accordance with the terms of the agreement and according to the disbursement schedule prepared for the period.

The Corporation is required to comply with certain terms as defined in the agreement in exchange for such contributions.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Actual results may differ from these estimates.

Corporation Katimavik – Opcan

Notes to Financial Statements

March 31, 2011

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities

The Corporation has chosen to apply the recommendations of Section 3861, "Financial Instruments – Disclosure and Presentation", of the *Canadian Institute of Chartered Accountants' Handbook* with respect to the presentation and disclosure of financial instruments.

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Transaction costs from held-for-trading financial assets are recognized in the statement of revenues, expenses and net assets and presented with interest. Transaction costs from loans and receivables increase the carrying amount of the related financial assets. Transaction costs from other financial liabilities reduce the carrying amount of the related financial liabilities.

Subsequently, financial assets and liabilities are measured and recognized as follows.

Held-for-trading financial assets

Held-for-trading financial assets are measured at their fair value and changes in fair value are recognized in the statement of revenues, expenses and net assets. Term deposits have been designed as held-for-trading financial assets by the Corporation.

Loans and receivables, and other financial liabilities

Loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method (including any impairment in the case of financial assets). Interest calculated using the effective interest method is presented in the statement of revenues, expenses and net assets under Interest on bank loan. The accounts receivable, with the exception of consumption taxes receivable, the contributions receivable from the Department of Canadian Heritage and the advances to employees are classified as loans and receivables, and the bank overdraft, the bank loan and the accounts payable are classified as other financial liabilities.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and term deposits maturing in less than three months from the date of acquisition.

Revenue recognition and deferred contributions

The Corporation follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenues in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed capital assets are reported at the fair value of the capital assets or at the nominal value of \$1 if the fair value cannot be reasonably determined. A capital asset and a deferred contribution are then recognized in the statement of financial position and amortized on a straight-line basis, at a rate corresponding to the amortization rate of the related capital asset.

Corporation Katimavik – Opcan

Notes to Financial Statements

March 31, 2011

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Participant revenues are recognized when the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Services have been rendered;
- The price is fixed or determinable;
- Collection is reasonably assured.

Participant revenues are recognized at the time of registration of candidates and the time of their selection, as appropriate. The deposits for transportation are recognized as revenues only if the participant does not complete his engagement.

Contributed supplies and services

The Corporation recognizes contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Amortization

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

	<u>Periods</u>
Computer equipment, furniture and fixtures	3 years
Leasehold improvements	Duration of leases, from 1 to 5 years

4 - SERVICES RENDERED

Contributed supplies and services represent the value of the non-remunerated contribution provided by the volunteer participants. According to a study conducted during the year, a total of 572,392 hours of community work were performed in 2011 (721,253 in 2010). The value of the contribution for the year totaled \$10,749,518 (\$13,271,064 in 2010). The hours worked during 2011 were valued at an average rate of \$18.78/h (\$18.40/h in 2010). The average hourly rate was calculated on the basis of data established by Statistics Canada, representing the economic value of volunteer work based on job estimates, the average hourly remuneration and the hours of salaried employees in the other services category, not including public services in Canada.

These contributions, which were received free of charge, are recorded as both revenue and expenses and, therefore, have no impact on the year's excess of revenues over expenses.

Corporation Katimavik – Opcan

Notes to Financial Statements

March 31, 2011

5 - CONTRIBUTED SUPPLIES AND SERVICES

In the normal course of operations, the Corporation receives various supplies and services free of charge. These contributed supplies and services are usually recorded at their fair market value. The following table indicates the amounts included in the Corporation's expenses with respect to such donations:

	<u>2011</u>	<u>2010</u>
	\$	\$
Maintenance and repair of rented properties and monthly rent	<u>248,377</u>	<u>117,770</u>

6 - CONTRIBUTIONS FOR ACTIVITIES AND CONTRIBUTIONS RECEIVABLE

	<u>2011</u>	<u>2010</u>
	\$	\$
Contributions receivable, beginning of year	1,368,820	1,477,398
Write-off of a contribution receivable from the Department of Canadian Heritage	(227,697)	
Contributions received from the Department of Canadian Heritage	(16,575,000)	(20,837,425)
Portion of capital assets recorded in the statement of financial position	41,904	68,931
Contributions for activities included in the statement of revenues, expenses and net assets	<u>15,524,528</u>	<u>20,659,916</u>
Contributions receivable, end of year	<u>132,555</u>	<u>1,368,820</u>

The contributions receivable from the Department of Canadian Heritage on a cash basis amount to \$425,000 as of March 31, 2011.

7 - ACCOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
	\$	\$
Loans and receivables		
Accounts receivable – Katimavik Fund		188,278
Accounts receivable – Katimavik Youth Services	6,588	85,322
Municipal taxes receivable		18,816
Consumption taxes receivable	<u>189,750</u>	<u>146,122</u>
	<u>196,338</u>	<u>438,538</u>

8 - CAPITAL ASSETS

	<u>2011</u>		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Computer equipment	639,318	607,237	32,081
Furniture and fixtures	201,795	153,347	48,448
Leasehold improvements	<u>932,513</u>	<u>744,843</u>	<u>187,670</u>
	<u>1,773,626</u>	<u>1,505,427</u>	<u>268,199</u>

Corporation Katimavik – Opcan

Notes to Financial Statements

March 31, 2011

8 - CAPITAL ASSETS (Continued)

	Cost	Accumulated amortization	2010 Net
	\$	\$	\$
Computer equipment	627,112	566,626	60,486
Furniture and fixtures	172,097	126,799	45,298
Leasehold improvements	932,513	649,437	283,076
	<u>1,731,722</u>	<u>1,342,862</u>	<u>388,860</u>

9 - BANK LOAN

- Authorized bank loan of \$1,300,000 bearing interest at prime rate plus 0.75% (3.75% as at March 31, 2011; 3% as at March 31, 2010). As at March 31, 2011, the amount of loan used is \$25,000 (\$650,000 as at March 31, 2010). The loan is renegotiable in February 2012.
- A credit for the emission of credit cards for a maximum authorized amount of \$220,000 (\$150,000 as at March 31, 2010). As at March 31, 2011, the amount of credit used is \$39,054 (\$37,812 as at March 31, 2010).

10 - ACCOUNTS PAYABLE

	2011	2010
	\$	\$
Other financial liabilities		
Accounts payable and accrued liabilities	901,725	308,182
Salaries, vacation and employees benefits payable	357,326	596,788
Deposits for transportation	242,944	
Accounts payable – Katimavik Fund		5,152
	<u>1,501,995</u>	<u>910,122</u>

11 - DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	2011	2010
	\$	\$
Balance, beginning of year	386,860	486,812
Deferred contributions related to acquisitions during the year		
Acquisitions financed by the Department of Canadian Heritage contribution (Note 6)	41,904	66,931
Amortization of deferred contributions related to capital assets recorded in the statement of revenues, expenses and net assets	<u>(162,565)</u>	<u>(166,883)</u>
Balance, end of year	<u>266,199</u>	<u>386,860</u>

Corporation Katimavik – Opcan

Notes to Financial Statements

March 31, 2011

12 - RELATED PARTY TRANSACTIONS

The objective of Katimavik Fund, incorporated under Part II of the Canada Corporations Act, is to receive donations, endowments and other contributions, and to manage and distribute these funds to the Corporation or to any other related organization. The Corporation exercises control over this organization by the fact that all the board members of Katimavik Fund are also board members of the Corporation.

During the year, Katimavik Fund has not obtained any donation (\$74,498 in 2010) from a supplier of the Corporation. Furthermore, Katimavik Fund agreed to pay a contribution of \$4,099 (\$188,278 in 2010) to Corporation Katimavik – Opcan and does not have any revenue (\$5,152 in 2010) for promotional goods sales during the current year.

The following is a summary of the financial information of Katimavik Fund:

	<u>2011</u>	<u>2010</u>
	\$	\$
Assets	202,086	395,295
Liabilities		193,278
Net assets	202,086	202,017
Revenues	6,289	104,650
Expenses	6,220	196,218
Cash flows		
Operating activities	(188,057)	95,883
Financing activities		(20,000)

13 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

The Corporation is exposed to various financial risks resulting from its activities. Financial risks are managed by the Corporation's management.

Financial risks

The Corporation's main financial risk exposure and its financial risk management policies are as follows.

Credit risk

The financial instruments that potentially expose the Corporation to credit risk are primarily governmental contributions receivable and accounts receivable. The Corporation's policy is to manage and analyze the account balances on an ongoing basis and, accordingly, the Corporation's exposure to doubtful accounts is not significant.

Additionally, credit risk with respect to cash and term deposit is considered to be negligible because these financial instruments are held by a reputable financial institution with a quality external credit rating.

Interest rate risk

The term deposit of the Corporation is at fixed rate. Accordingly, its exposure to interest rate risk is limited.

Corporation Katimavik – Opcan

Notes to Financial Statements

March 31, 2011

13 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS *(Continued)*

The bank loan is at variable rate and exposes the Corporation to a cash flow risk resulting from interest rates fluctuations.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Corporation has financing sources such as bank loans for a sufficient authorized amount. The Corporation establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

14 - COMMITMENTS

The Corporation has entered into long-term lease agreements maturing on various dates until May 2015 which call for lease payments of \$1,840,225 for premises, vehicles and equipment. Minimum lease payments for the next five years are detailed as follows:

	Premises	Vehicles and equipment	Total
	\$	\$	\$
2012	883,061	413,076	1,296,137
2013	417,216	2,401	419,617
2014	85,462	2,401	87,864
2015	30,520	1,002	31,521
2016	5,087	-	5,087

15 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

In terms of capital management, the objectives of the Corporation are as follows:

- Preserve its ability to continue its activities;
- Fulfil its financial obligations.

The Corporation defines its capital as net assets of \$167,316 and deferred contributions related to capital assets of \$268,199 for a total of \$435,515.

The Corporation manages its capital primarily through contributions from the federal government.

To maintain or adjust its capital structure, the Corporation may need to modify the expenses for the implementation of some activities.

The Corporation is subject to certain rules concerning capital requirements established by the Department of Canadian Heritage.

Corporation Katimavik – Opcan

Notes to Financial Statements

March 31, 2011

16 - SUBSEQUENT EVENT

Subsequent to year-end, the Corporation obtained a registered charitable organization status. The change takes effect as of April 1, 2011.

As of April 1, 2011, the Corporation takes charge of the ÉcoStage Fund accounted for previously in Katimavik Youth Services. The approval process for the ÉcoStage project is well underway with the two decrees required duly adopted. The Corporation only awaits the Quebec Premier letter confirming the approval from April 1 to May 30, 2011. The Corporation has disbursed \$45,566 of ÉcoStage expenses. Furthermore the authorized bank loan was increased to \$1,450,000 subsequent to year-end in order to finance the ÉcoStage Fund.

Corporation Katimavik - Opcan
Supplementary Information
Year ended March 31, 2011

NOTE

The following schedule has been compiled. We have not performed an audit or examination with respect to the supplementary information and, accordingly, we express no assurance thereon.

Corporation Katimavik – Opcan Supplementary Information

Year ended March 31, 2011

	<u>\$</u>
<i>RECONCILIATION OF EXPENSES AS PER CLAIMS FOR DISBURSEMENTS MADE TO THE DEPARTMENT OF CANADIAN HERITAGE</i>	
Expenses as per claims for disbursements made to the Department of Canadian Heritage	17,162,522
Reconciliation with expenses as per financial statements	
Reversal of salaries payables as of March 31, 2010	(251,373)
Reversal of prepaid insurances as of March 31, 2010	110,459
Reversal of incentive bonuses payable as of March 31, 2010	(345,000)
Investments in capital assets	(41,904)
Amortization expense	162,565
Prepaid expenses as of March 31, 2011	(1,257,017)
Deposits from suppliers as of March 31, 2011	60,834
Rendered services	10,749,518
Contributed supplies and services	248,377
Katimavik Youth Services contribution	81,908
Katimavik Fund contribution	4,099
Expenses as per financial statements	<u>26,684,988</u>