

Corporation Katimavik - Opcan
Financial Statements
March 31, 2009

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Raymond Chabot Grant Thornton

Auditors' Report

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To the Directors of
Corporation Katimavik - Opcan

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We have audited the statement of financial position of Corporation Katimavik - Opcan as at March 31, 2009 and the statements of revenues, expenses and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by Part II of the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year with the exception of the accounting changes that are described in Note 3.

Raymond Chabot Grant Thornton LLP¹

Montréal, May 15, 2009

¹ Chartered accountant auditor permit no. 18779

Corporation Katimavik - Opcan

Revenues, Expenses and Net Assets

Year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
Revenues		
Contributions for activities (Note 7)	19,897,421	18,095,508
Rendered services (Note 5)	12,792,510	11,150,000
Amortization of deferred contributions related to capital assets (Note 11)	178,846	201,729
Contributed supplies and services (Note 6)	119,895	179,427
Other	16,035	19,319
	<u>33,004,707</u>	<u>29,645,983</u>
Operating expenses		
Salaries and benefits	7,861,338	7,224,041
Rendered services (Note 5)	12,792,510	11,150,000
Travel expenses	3,350,859	3,218,563
Rent	2,681,815	2,366,892
Daily allowances and incentive bonuses	1,427,634	1,355,871
Food	1,578,941	1,375,275
Training, recruiting and development	1,360,961	1,200,642
Office expenses	723,011	789,598
Learning program	658,913	515,938
Interest on bank loan	3,176	4,969
Amortization of capital assets	178,846	201,729
Other	386,703	242,465
	<u>33,004,707</u>	<u>29,645,983</u>
Excess of revenues over expenses and net assets, end of year	<u>-</u>	<u>-</u>

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

Corporation Katimavik - Opcan

Cash Flows

Year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
OPERATING ACTIVITIES		
Non-cash items		
Amortization of capital assets	178,846	201,729
Amortization of deferred contributions related to capital assets	(178,846)	(201,729)
Changes in working capital items		
Contributions receivable from the Department of Canadian Heritage	(363,032)	(341,454)
Accounts receivable	58,771	(71,148)
Advances to employees	(1,800)	(6,307)
Prepaid expenses	(259,251)	(2,779)
Accounts payable and accrued liabilities	198,310	168,126
Incentive bonuses payable	21,067	49,438
Net cash used	<u>(345,935)</u>	<u>(204,124)</u>
INVESTING ACTIVITIES		
Capital assets and net cash used	<u>(66,857)</u>	<u>(89,477)</u>
FINANCING ACTIVITIES		
Bank loan	335,000	35,000
Deferred contributions related to capital assets	66,857	89,477
Net cash generated	<u>401,857</u>	<u>124,477</u>
Decrease in cash	(10,935)	(169,124)
Bank overdraft, beginning of year	<u>(219,491)</u>	<u>(50,367)</u>
Bank overdraft, end of year	<u>(230,426)</u>	<u>(219,491)</u>

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

Corporation Katimavik - Opcan

Financial Position

March 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
ASSETS		
Current assets		
Contributions receivable from the Department of Canadian Heritage (Note 7)	1,477,398	1,114,366
Accounts receivable (Note 8)	333,519	392,290
Advances to employees	68,150	66,350
Prepaid expenses	<u>479,288</u>	<u>220,037</u>
	2,358,355	1,793,043
Capital assets (Note 9)	<u>486,812</u>	<u>598,801</u>
	<u>2,845,167</u>	<u>2,391,844</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Bank overdraft	230,426	219,491
Bank loan (Note 10)	370,000	35,000
Accounts payable and accrued liabilities	1,276,292	1,077,982
Incentive bonuses payable	<u>481,637</u>	<u>460,570</u>
	2,358,355	1,793,043
Deferred contributions related to capital assets (Note 11)	<u>486,812</u>	<u>598,801</u>
	<u>2,845,167</u>	<u>2,391,844</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, 2009

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 based on 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 on-going 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 25, 2008 between the Department of Canadian Heritage and the Corporation. This agreement is set from September 1, 2008 to August 31, 2009 and sets a maximum contribution of \$19,976,000 detailed as follows:

	\$
September 2008 to March 2009	11,119,615
April 2009 to August 2009	8,656,385
	<u>19,776,000</u>

In December 2008, the Department of Canadian Heritage announced that the program would be extended for the period from September 1, 2009 to August 31, 2010. However, the contribution of \$19,776,000 has to be confirmed by a contribution agreement to be signed by the parties.

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 committed to complying with certain terms as defined in the agreement in exchange for such contributions. Furthermore, the surplus from a period of contribution is automatically deducted in the following period.

3 - ACCOUNTING CHANGES

Recently adopted standards

On April 1, 2008, in accordance with the applicable transitional provisions, the Corporation applied the new recommendations of Section 1400, "General Standards of Financial Statement Presentation", of the *Canadian Institute of Chartered Accountants' Handbook (CICA Handbook)*, dealing with the going concern assumption. The new recommendations, which are effective for fiscal years beginning on or after January 1, 2008, require management to make an assessment of the Corporation's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. The new requirements only address disclosures and have no impact on the Corporation's financial results.

Corporation Katimavik - Opcan

Notes to Financial Statements

March 31, 2009

3 - ACCOUNTING CHANGES (Continued)

On April 1, 2008, in accordance with the applicable transitional provisions, the Corporation applied the recommendations of Section 1535, "Capital Disclosures", of the *CICA Handbook* relating to non-publicly accountable enterprises. The new chapter, effective for fiscal years beginning on or after October 1, 2007, establishes standards for disclosing information about the Corporation's capital and how it is managed. The new accounting standard only addresses disclosures and has no impact on the Corporation's financial results.

Future accounting standards

As at May 15, 2009, certain new primary sources of Canadian generally accepted accounting principles (standards) have been published but are not yet in effect. The Corporation has not early adopted any of these standards. The new standard which could potentially impact the Corporation's financial statements is detailed as follows:

- In September 2008, the Canadian Institute of Chartered Accountants (CICA) amended the introduction to accounting standards that apply only to not-for-profit organizations and several sections in the 4400 series as well as consequential changes to other sections of the *CICA Handbook*. The main changes affect the following, in particular:
 - * Inclusion of not-for-profit organizations within the scope of sections 1540, "Cash Flow Statements", and 1751, "Interim Financial Statements";
 - * Amendments to clarify that revenues and expenses must be recognized and presented on a gross basis when the not-for-profit organization is acting as a principal in the transactions in question.

The CICA also published new section 4470, "Disclosure of Allocated Expenses by Not-for-profit Organizations", which establishes disclosure standards for the not-for-profit organization that classifies its expenses by function and allocates expenses to a number of functions to which the expenses relate.

These changes are effective for fiscal years beginning on or after January 1, 2009 and the Corporation will implement them as of April 1, 2009. The Corporation's management is not able to measure the impact that the application of these changes will have on the financial statements.

Other new standards have been published, but they should not have a significant impact on the Corporation's financial statements.

4 - ACCOUNTING POLICIES

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. The main estimates relate to the useful lives of property and equipment and certain accruals. Actual results may differ from these estimates.

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Notes to Financial Statements

March 31, 2009

4 - 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 *CICA 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 under financial expenses. 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 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. Cash is classified as held-for-trading financial assets.

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 Other expenses. The contributions receivable from the Department of Canadian Heritage and advances to employees are classified as loans and receivables and the accounts payable and accrued liabilities as well as the salaries, vacations and employee benefits payable are classified as other financial liabilities.

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.

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.

Corporation Katimavik - Opcan

Notes to Financial Statements

March 31, 2009

4 - ACCOUNTING POLICIES (Continued)

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 3 to 10 years

5 - RENDERED SERVICES

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 711,094 hours of community work were performed in 2009 (667,730 in 2008). The value of the contribution for the year totaled \$12,792,510 (\$11,150,000 in 2008). The hours worked during 2009 were valued at an average rate of \$17.99/hour (\$16.69/hour in 2008). 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.

6 - 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>2009</u>	<u>2008</u>
	\$	\$
Rent	119,895	121,715
Advertising expenses		57,712
	<u>119,895</u>	<u>179,427</u>

Corporation Katimavik - Opcan

Notes to Financial Statements

March 31, 2009

7 - CONTRIBUTIONS FOR ACTIVITIES AND CONTRIBUTIONS RECEIVABLE

	<u>2009</u>	<u>2008</u>
	\$	\$
Contributions receivable, beginning of year	1,114,366	772,912
Contributions received from the Department of Canadian Heritage	(19,601,246)	(17,843,531)
Portion of capital assets recorded in the statement of financial position	66,857	89,477
Contributions for activities included in the statement of revenues and expenses	<u>19,897,421</u>	<u>18,095,508</u>
Contributions receivable, end of year	<u>1,477,398</u>	<u>1,114,366</u>

8 - ACCOUNTS RECEIVABLE

	<u>2009</u>	<u>2008</u>
	\$	\$
Loans and receivables		
Accounts receivable – Katimavik Fund	363	6,680
Accounts receivable – Katimavik Youth Services	53,588	25,744
Municipal taxes receivable	18,561	195,677
Other	1,173	345
Consumption taxes receivable	<u>259,834</u>	<u>163,844</u>
	<u>333,519</u>	<u>392,290</u>

9 - CAPITAL ASSETS

	<u>2009</u>		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Leasehold improvements	932,513	554,032	378,481
Computer equipment	600,834	512,737	88,097
Furniture and fixtures	<u>129,444</u>	<u>109,210</u>	<u>20,234</u>
	<u>1,662,791</u>	<u>1,175,979</u>	<u>486,812</u>
			<u>2008</u>
	Cost	Accumulated amortization	Net
	\$	\$	\$
Leasehold improvements	932,513	458,628	473,885
Computer equipment	1,273,299	1,179,051	94,248
Furniture and fixtures	<u>252,298</u>	<u>221,630</u>	<u>30,668</u>
	<u>2,458,110</u>	<u>1,859,309</u>	<u>598,801</u>

10 - BANK LOAN

The authorized bank loan of \$650,000 bears interest at the prime rate plus 0.75% (3.25% as at March 31, 2009; 5.25% as at March 31, 2008). As at March 31, 2009, the amount of loan used is \$370,000.

Corporation Katimavik - Opcan

Notes to Financial Statements

March 31, 2009

11 - DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	<u>2009</u>	<u>2008</u>
	\$	\$
Balance, beginning of year	598,801	711,053
Deferred contributions related to acquisitions during the year		
Acquisitions financed by the Department of Canadian Heritage subsidy	66,857	89,477
Amortization of deferred contributions related to capital assets recorded in the statement of revenues and expenses	<u>(178,846)</u>	<u>(201,729)</u>
Balance, end of year	<u>486,812</u>	<u>598,801</u>

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

Financial risk management objectives and policies

The Corporation is exposed to various financial risks resulting from both its operations and its investments activities. The Corporation's management manages financial risks.

The Corporation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

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, by those actions, the Corporation's exposure to doubtful accounts is not significant.

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.

13 - RELATED ORGANIZATION

Katimavik Fund, incorporated under Part II of the Canada Corporations Act, has as its objective 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 significant influence over this organization by the fact that, during the year, Katimavik Fund has obtained a donation of \$100,000 from a supplier of the Corporation.

Corporation Katimavik - Opcan

Notes to Financial Statements

March 31, 2009

14 - COMMITMENTS

The Corporation has entered into long-term lease agreements maturing on various dates until May 2013 which call for lease payments of \$3,225,829 for premises, vehicles and equipment. Minimum lease payments for the next five years are detailed as follows:

	Premises	Vehicles and equipment	Total
	\$	\$	\$
2010	922,076	577,657	1,499,733
2011	411,741	534,775	946,516
2012	391,030	26,609	417,639
2013	316,430	-	316,430
2014	45,511	-	45,511

15 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

- To preserve the Corporation's ability to continue its activities;
- To meet its financial obligations.

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 of its activities.

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

Corporation Katimavik - Opcan Supplementary Information

Year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
TRAVEL EXPENSES		
Participant transportation expenses	1,715,604	1,583,147
Vehicle rental and insurance	795,946	784,434
Employee travel expenses	489,525	435,916
On-site transportation	349,784	415,066
	<u>3,350,859</u>	<u>3,218,563</u>
TRAINING, RECRUITING AND DEVELOPMENT		
Training expenses	589,540	444,442
Employee recruiting expenses	47,881	193,455
Participant recruiting and project development	723,540	562,745
	<u>1,360,961</u>	<u>1,200,642</u>
OFFICE EXPENSES		
Communications	353,308	328,709
Office supplies	279,762	344,422
Postal expenses	68,174	99,643
Equipment rental	21,767	16,824
	<u>723,011</u>	<u>789,598</u>
OTHER EXPENSES		
Professional fees	232,059	87,242
Medical expenses	101,230	104,037
Bank charges	52,389	48,156
Other	1,025	3,030
	<u>386,703</u>	<u>242,465</u>