

**LYCÉE FRANÇAIS DE TORONTO**

**FINANCIAL STATEMENTS**

AUGUST 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Lycée Français de Toronto

We have audited the accompanying financial statements of Lycée Français de Toronto, which comprise the balance sheet as at August 31, 2018, and the statements of changes in fund balances, revenue and expenses 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 organization'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 organization'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 qualified audit opinion.

### *Basis for Qualified Opinion*

In common with many charitable organizations, Lycée Français de Toronto derives a material amount of revenue from donations and fundraising activities. We were not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts for accounts receivable, donation and fundraising revenue, revenue in excess of expenses and changes to fund balances because there is no direct relationship between assets or services given up in exchange for amounts received or receivable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

### *Qualified Opinion*

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at August 31, 2018 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.

*DBK Accounting Professional Corporation*

**DBK Accounting Professional Corporation**  
Authorized to practice public accounting by the  
Chartered Professional Accountants of Ontario

Hamilton, Ontario  
November 13, 2018

# LYCÉE FRANÇAIS DE TORONTO

## BALANCE SHEET AS AT AUGUST 31, 2018

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 710,506	\$ 927,687
Short term investments (Note 3)	7,916,441	7,776,516
Accounts receivable	3,020,791	3,230,719
Prepaid expenses	602,164	582,590
GST/HST recoverable	<u>126,006</u>	<u>69,375</u>
	12,375,908	12,586,887
Capital assets (Note 4)	230,420	249,005
Restricted assets - short term investments (Note 3)	<u>6,702,569</u>	<u>5,104,609</u>
	<u>\$ 19,308,897</u>	<u>\$ 17,940,501</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 836,638	\$ 1,115,961
Deferred revenue (Note 5)	8,689,639	8,581,721
Provisional deposits	<u>86,960</u>	<u>86,960</u>
	9,613,237	9,784,642
Long term accrued liabilities	-	54,601
Deferred capital contributions (Note 6)	1,499,622	1,186,731
Deferred contributions - fundraising (Note 7)	<u>184,586</u>	<u>173,675</u>
	<u>11,297,445</u>	<u>11,199,649</u>
<b>FUND BALANCES</b>		
Investment in Capital Assets (Note 8)	230,420	249,005
General Fund	1,078,463	1,387,238
Building Fund	<u>6,702,569</u>	<u>5,104,609</u>
	<u>8,011,452</u>	<u>6,740,852</u>
	<u>\$ 19,308,897</u>	<u>\$ 17,940,501</u>

Approved on behalf of the Board:

\_\_\_\_\_  
Director  
See accompanying notes to the financial statements

\_\_\_\_\_  
Director  
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**LYCÉE FRANÇAIS DE TORONTO**

**STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED AUGUST 31, 2018**

	Investment in Capital Assets (Note 8)	General Fund	Building Fund (Note 8)	Total 2018	Total 2017
Balance, beginning of year	\$ 249,005	\$ 1,387,238	\$ 5,104,609	\$ 6,740,852	\$ 5,512,952
Excess (deficiency) of revenues over expenses	(124,559)	1,297,199	97,960	1,270,600	1,227,900
Interfund transfer (Note 15)	-	(1,500,000)	1,500,000	-	-
Net investment in capital assets	105,974	(105,974)	-	-	-
Balance, end of year	<u>\$ 230,420</u>	<u>\$ 1,078,463</u>	<u>\$ 6,702,569</u>	<u>\$ 8,011,452</u>	<u>\$ 6,740,852</u>

# LYCÉE FRANÇAIS DE TORONTO

## STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED AUGUST 31, 2018

	2018	2017
<b>Revenues</b>		
Tuition fees (Note 9)	\$ 8,460,766	\$ 8,304,563
Clubs, camp, and extra curricular fees	259,924	257,004
Interest income	259,450	171,272
Transportation	170,715	168,942
Book sales	159,221	101,812
CVL income	95,626	86,675
Registrations & assessments	59,925	69,054
Supervised studies and day care	50,757	51,121
Gala dinner (Note 10)	-	25,033
Other income	16,930	8,792
Year book income	14,600	12,484
	9,547,914	9,256,752
<b>Expenses</b>		
Academic, Schedule 1	6,239,476	6,072,710
Administrative, Schedule 1	1,927,660	1,774,972
Amortization of capital assets	124,558	165,885
	8,291,694	8,013,567
Excess of revenues over expenses before other item	1,256,220	1,243,185
Other income (expense)		
Gain (loss) on foreign exchange	14,380	(15,285)
Excess of revenues over expenses for the year	\$ 1,270,600	\$ 1,227,900

## LYCÉE FRANÇAIS DE TORONTO

**SCHEDULE OF EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Academic</b>		
AEFE fees	\$ 500,086	\$ 491,271
Book purchases	137,437	97,577
Clubs and camps	72,242	72,334
CVL expenses (Note 11)	95,626	86,675
Educational materials (Note 12)	116,684	97,845
Employee benefits	634,331	720,146
Nursery assistants	295,324	219,307
Study hall and day care attendant	20,748	17,894
Supervisor's salary	134,577	142,147
Teaching salaries	3,920,978	3,818,381
Training and conferences	72,593	60,303
Transportation	212,190	213,146
Travel expenses	16,051	25,550
Yearbook	10,609	10,134
	<u>6,239,476</u>	<u>6,072,710</u>
<b>Administrative</b>		
Administration salaries	773,866	665,475
Advertising	42,207	54,521
Bank charges and interest	8,506	5,702
Communications	22,653	35,580
Computer maintenance and supplies	55,208	65,276
Entertainment and promotion	25,149	33,425
Insurance	43,499	41,324
Interest on capital lease obligations	-	1,055
Moving expenses	30,496	25,315
Occupancy costs	544,287	557,577
Office and general	123,613	93,943
Professional fees	126,475	69,241
Repairs and maintenance	131,701	126,538
	<u>1,927,660</u>	<u>1,774,972</u>
	<u>\$ 8,167,136</u>	<u>\$ 7,847,682</u>

**LYCÉE FRANÇAIS DE TORONTO**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>2018</u>	<u>2017</u>
Operating activities		
Excess of revenues over expenses	\$ 1,270,600	\$ 1,227,900
Adjustment for		
Amortization	<u>124,558</u>	<u>165,885</u>
	1,395,158	1,393,785
Net Change in non-cash working capital items		
Short term investments	(139,925)	(1,186,257)
Accounts receivable	209,928	(294,713)
Prepaid expenses	(19,574)	9,865
GST/HST recoverable	(56,631)	(9,390)
Accounts payable and accrued liabilities	(279,322)	413,830
Deferred revenue	107,918	66,718
Provisional deposits	<u>-</u>	<u>(19,000)</u>
	<u>1,217,552</u>	<u>374,838</u>
Investing activities		
Purchase of capital assets	(105,974)	(209,525)
Restricted assets - short term investments	<u>(1,597,960)</u>	<u>(1,055,326)</u>
	<u>(1,703,934)</u>	<u>(1,264,851)</u>
Financing activities		
Increase (decrease) in long term accrued liabilities	(54,601)	54,601
Repayment of capital lease obligation	-	(26,075)
Deferred capital contributions	312,891	276,000
Deferred contributions - fundraising	<u>10,911</u>	<u>54,743</u>
	<u>269,201</u>	<u>359,269</u>
Decrease in cash	(217,181)	(530,744)
Cash, beginning of year	<u>927,687</u>	<u>1,458,431</u>
Cash, end of year	<u>\$ 710,506</u>	<u>\$ 927,687</u>

# LYCÉE FRANÇAIS DE TORONTO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

### 1. Purpose of the Organization

The Lycée Français de Toronto ("Lycée") was incorporated by letters patent under the Canada Corporations Act on February 28, 1995. The organization is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met. The organization is accredited by l'Agence pour l'Enseignement Français à l'Étranger ("AEFE"), an agency of the Government of France.

The purpose of Lycée is to operate an educational establishment where students will be taught in all preparatory studies for superior education in accordance with the official instructions from the national education bodies of France.

### 2. Significant accounting policies

The organization applies the Canadian accounting standards for not-for-profit organizations.

#### (a) Fund accounting restricted

All revenues, expenses, assets and liabilities relating to the day to day operations of the organization are reported in the organization's General Fund.

The Reserve for Building Fund is maintained to provide a source of funds for the organization's future building purchase.

#### (b) Revenue recognition

The organization follows the deferral method of revenue recognition. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized. Tuition fees for the forthcoming academic year (commencing in September) are invoiced prior to year-end. The revenue is recognized on a straight line basis as the school year progresses.

Contributions received for the purchase of capital assets are deferred and recognized as revenue over the useful life of the corresponding assets, commencing in the year the assets are put into use.

All other revenue sources are recognized as revenue upon completion of the related services.

#### (c) Foreign exchange

Monetary assets and liabilities of the organization which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in the statement of revenues and expenses.

#### (d) Short term investments

Investments are recorded at fair value. Unrealized gains and losses as a result of fair value adjustments at year end are recognized in the statement of revenues and expenses.



# LYCÉE FRANÇAIS DE TORONTO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

### 2. Significant accounting policies, continued

#### (e) Capital assets

Capital assets are recorded at cost. The organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Library	5 years
Office furniture and fixtures	5 years
Leasehold improvements	5 years
Website improvements	3 years
Computer software and hardware	3 years
Computer cables	5 years

#### (f) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses during the reporting year. Items requiring the use of significant estimates include the estimated useful lives of capital assets, amortization of deferred capital contributions, scholarships and bursaries receivable from the AEFÉ for the balance of the year and amounts payable to the AEFÉ for the partial reimbursement of teachers' salaries and employee benefits for the balance of the year. Actual results could differ from management's best estimates, as additional information becomes available in the future.

#### (g) Financial instruments

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, GST/HST recoverable and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

At the end of reporting period, the organization assesses whether there are any indications that a financial asset may be impaired. When there is an indication of impairment, the carrying amount of the asset is reduced and the amount of the reduction is recognized as an impairment loss in the statement of revenues and expenses.

# LYCÉE FRANÇAIS DE TORONTO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

### 2. Significant accounting policies, continued

#### (h) Rebates, discounts and scholarships in tuition fees

The organization provides a 50% discount in tuition fees to students who have a parent who is a teacher at the school.

In addition, for families who have three or more children attending the school, the organization provides a 25% discount in tuition fees to these students (the discount is calculated on the tuition fees due from the third or fourth child, etc).

The organization also provided varying levels of scholarship to six students based on specific criteria. The scholarships are as follows:

	<u>2018</u>	<u>2017</u>
Scholarships	<u>\$ 45,000</u>	<u>\$ 45,000</u>

#### (i) Provisional deposits

Prior to the 2012/13 school year provisional deposits were received from students on enrolment and were to be returned to students on departure. Provisional deposits unclaimed two years subsequent to departure are included in other income. Starting with the 2012/13 school year, the provisional deposit was no longer required as the organization requested that a capital contribution be made from students on enrolment. Capital contributions are non-refundable and will be used for future capital asset purchases.

#### (j) Contributed services

Directors, committee members and volunteers give of their time to assist in the organization's activities. While these services benefit the organization considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

### 3. Short term investments

Term deposits are recorded at cost plus the interest earned to date. The interest rates range from 1.75% to 2.05% and maturity dates between October 2018 and May 2019.

# LYCÉE FRANÇAIS DE TORONTO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

### 4. Capital assets

	Cost	Accumulated amortization	2018 Net	2017 Net
Library	\$ 66,047	\$ 60,091	\$ 5,956	\$ 5,296
Office furniture and fixtures	388,760	323,924	64,836	39,859
Leasehold improvements	435,352	425,165	10,187	18,303
Website improvements	83,252	67,663	15,589	5,236
Computer software and hardware	358,903	225,051	133,852	175,676
Computer cables	46,347	46,347	-	4,635
	\$ 1,378,661	\$ 1,148,241	\$ 230,420	\$ 249,005

### 5. Deferred revenue

	2018	2017
Tuition fees for the forthcoming academic year	\$ 8,484,149	\$ 8,344,500
Textbooks for the forthcoming academic year	102,896	135,276
Deferred CVL income	42,837	50,409
Extra-curricular programs paid in advance	41,776	31,415
APA parent dues	12,180	12,300
Transportation for the forthcoming academic year	3,700	5,720
Deferred donations	2,101	2,101
	\$ 8,689,639	\$ 8,581,721

### 6. Deferred capital contributions

	2018	2017
Balance, beginning of year	\$ 1,186,731	\$ 910,731
Capital donations	258,199	276,000
Special project donations	54,692	-
	\$ 1,499,622	\$ 1,186,731

# LYCÉE FRANÇAIS DE TORONTO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

### 7. Deferred contributions - fundraising

	2018	2017
Balance, beginning of year	\$ 173,675	\$ 118,932
Fundraising capital donations	10,911	54,743
Balance, end of year	\$ 184,586	\$ 173,675

### 8. Net assets in capital assets

(a) Net assets invested in capital assets are as follows:

	2018	2017
Cash	\$ 1,684,210	\$ 1,360,406
Capital assets	1,378,660	1,598,948
Accumulated amortization	(1,148,240)	(1,349,944)
Deferred revenue #3	(54,692)	-
Deferred capital contributions	(1,444,931)	(1,186,731)
Deferred contributions - fundraising	(184,586)	(173,675)
	\$ 230,421	\$ 249,004

(b) Deficiency of revenues over expenses relating to capital assets is as follows:

	2018	2017
Amortization of capital assets	\$ (124,558)	\$ (165,885)
Interest on capital lease obligations	-	(1,055)
	\$ (124,558)	\$ (166,940)

(c) A percentage of the interest income earned from the short term investments is allocated to the Building Fund. The percentage used is based on the restricted short-term investment balance at year end.

	2018	2017
Interest income	\$ 97,960	\$ 30,293

### 9. Tuition fees

	2018	2017
Tuition fees	\$ 8,611,221	\$ 8,474,603
Bursaries granted	(45,000)	(45,000)
Discounts given for early payment	(105,455)	(125,040)
	\$ 8,460,766	\$ 8,304,563

# LYCÉE FRANÇAIS DE TORONTO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

### 10. Gala dinner

	2018	2017
Gala income	\$ 45,424	\$ 74,428
Gala expenses	(21,067)	(49,395)
Transfer to deferred capital contributions	(24,357)	-
	\$ -	\$ 25,033

### 11. Clubs and camps

Salaries and benefits have been included in the clubs and camps expenses. These salaries are disclosed below:

	2018	2017
External clubs and camps personnel	\$ 66,622	\$ 67,316
Internal personnel for camps	2,300	4,208
Internal personnel for clubs	3,320	810
	\$ 72,242	\$ 72,334

### 12. Educational materials

Community Care Access Centres reimburses the organization for different services provided. The expenses for these services are included into educational materials expenditures. The revenue has also been included in the educational materials expenditures as shown below:

	2018	2017
Educational materials expenses	\$ 116,684	\$ 107,446
CCAC revenue	-	(9,601)
	\$ 116,684	\$ 97,845

### 13. Transactions with the French Government

The AEFÉ is an agency of the Government of France responsible for monitoring and supporting French schools in the Lycée network abroad.

- (a) The AEFÉ charges the organization an administration fee based on the number of students enrolled in the year and the total tuition revenue received. The administration fee was as follows

	2018	2017
Administration fee	\$ 500,086	\$ 491,271

# LYCÉE FRANÇAIS DE TORONTO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

### 13. Transactions with the French Government, continued

- (b) The organization is required to reimburse the AEFE for their payment of a certain portion of some teachers' salaries on a calendar year basis.

The related transactions during the year are as follows:

	2018	2017
Academic salaries for the year	\$ 1,432,235	\$ 1,673,218
Adjustment for prior year's academic salaries	(32,578)	(32,745)
	\$ 1,399,657	\$ 1,640,473

- (c) In addition, the AEFE paid all of the salaries and travel expenses for the principal and director of primary. Also, AEFE pays 40% of the base salary for twelve resident teachers. These amounts are covered by a portion of the AEFE fees that are paid by the organization.

### 14. Commitments

The organization will be required to make annual minimum payments for services of \$118,655 in 2019.

The organization will also be required to make annual minimum payments for software as follows:

2019	\$ 44,772
2020	18,655
	\$ 63,427

Under the terms of a lease agreement with the Toronto District School Board, the organization will be required to make annual minimum payments for rent in the future fiscal years as follows:

2019	\$ 534,579
2020	582,510
2021	509,708
	\$ 1,626,797

### 15. Restrictions on fund balances

In the 2018 year, the organization's board of directors internally restricted \$1,500,000 of the General Fund Balance to the Reserve for Building Fund.

In the 2017 year, the organization's board of directors internally restricted \$1,000,000 of the General Fund Balance to the Reserve for Building Fund. The board also decided to restrict the excess funds of \$25,032 raised in the gala to the Reserve for the Building fund.

# LYCÉE FRANÇAIS DE TORONTO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

### 16. Financial instruments

The organization is exposed to various risks through its financial instruments. The following provides a measure of the organization's exposure to risk.

#### (a) Currency risk

Currency risk is the risk to the organization's excess of revenues over expenses that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. A portion of the organization's revenues and expenses are denominated in Euros and US dollars. The net balances, reflected in their foreign currency, is as follows:

#### (i) Euros

	<u>2018</u>	<u>2017</u>
Cash	56,521	60,705
Prepaid expenses	338,273	311,048
Accounts receivable	78,717	169,399
Accounts payable and accrued liabilities	<u>(298,326)</u>	<u>(279,943)</u>
	<u>175,185</u>	<u>261,209</u>

#### (ii) US dollars

	<u>2018</u>	<u>2017</u>
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ (9,552)</u>

#### (b) Credit risk

The organization's financial assets that are exposed to credit risk consist of accounts receivable. In the normal course of operations, the organization is exposed to credit risk from its donors and parents. The organization assesses the financial strength of its donors and parents and therefore believes its accounts receivable credit risk exposure is limited.

#### (c) Liquidity risk

Liquidity risk arises through having excess financial obligations over available financial assets at any point in time. The organization's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The organization achieves this by attempting to maintain sufficient cash and short term investments.

# LYCÉE FRANÇAIS DE TORONTO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

### 17. Pension plan

As required by the collective employment contracts, the organization has established a defined contribution pension plan under a Funds Policy for all the employees who are members under the collective employment contracts.

The organization is required to contribute 4% of the base salaries of employees. In addition, the organization matches 1% to 4% of contributions if employees contribute an additional 1% to 4%.

The organization made an additional commitment to some employees to contribute to their pension plan for past years of services in the 2017 fiscal year.

During the fiscal year, the organization contributed to the plan based on the collective employment contracts as follows:

	<u>2018</u>	<u>2017</u>
London Life pension contributions	\$ 196,971	\$ 163,999
Additional commitment	<u>-</u>	<u>163,805</u>
	<u>\$ 196,971</u>	<u>\$ 327,804</u>

### 18. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior years excess of revenue over expenses.