

LYCÉE FRANÇAIS DE TORONTO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

INDEX

	Page
Independent Auditor's Report	1
Balance Sheet	2
Statement of Revenues and Expenses	3
Statement of Changes in Fund Balances	4
Schedule of Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 to 12

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, 2016 and the statements of revenues and expenses, statements of changes in fund balances and statement of 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 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 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 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, the organization derives some of its revenue from donations and from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donations, revenues from fundraising activities, excess of revenues over expenses, current assets and fund balances.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Lycée Français de Toronto as at August 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

DBK Accounting Professional Corporation

Hamilton, Ontario
November 9, 2016

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

LYCÉE FRANÇAIS DE TORONTO

BALANCE SHEET AS AT AUGUST 31, 2016

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 1,458,431	\$ 597,582
Short term investments (note 3)	6,590,259	8,081,238
Accounts receivable	2,936,008	2,658,612
GST/ HST recoverable	59,985	43,970
Prepaid expenses and supplies	<u>592,455</u>	<u>524,436</u>
	11,637,138	11,905,838
CAPITAL ASSETS (note 4)	<u>205,365</u>	<u>346,893</u>
RESTRICTED ASSETS - Short term investments (note 3)	<u>4,049,283</u>	<u>2,007,695</u>
	<u>\$ 15,891,786</u>	<u>\$ 14,260,426</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 702,131	\$ 1,018,168
Provisional deposits	105,960	148,659
Deferred revenue (note 5)	8,515,004	7,587,781
Current portion of obligations under capital leases (note 6)	<u>26,075</u>	<u>93,806</u>
	9,349,170	8,848,414
LONG TERM LIABILITIES		
Obligations under capital leases (note 6)	-	26,075
Deferred capital contributions (note 7)	910,731	621,531
Deferred fundraising revenue (note 8)	<u>118,932</u>	<u>61,804</u>
	<u>1,029,663</u>	<u>709,410</u>
	<u>10,378,833</u>	<u>9,557,824</u>

FUND BALANCES

General Fund - Unrestricted	1,284,379	2,467,892
Invested in Capital Assets (note 9)	179,291	227,015
Internally Restricted - Reserve for Building Fund	<u>4,049,283</u>	<u>2,007,695</u>
	<u>5,512,953</u>	<u>4,702,602</u>
	<u>\$ 15,891,786</u>	<u>\$ 14,260,426</u>

LYCÉE FRANÇAIS DE TORONTO

**STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 2016**

	<i>Investment in Capital Assets</i>	<i>General Fund</i>	<i>Building Fund</i>	<i>Total <u>2016</u></i>	<i>Total <u>2015</u></i>
FUND BALANCE, <i>beginning of year</i>	\$ 227,015	\$ 2,467,892	\$ 2,007,695	\$ 4,702,602	\$ 4,086,612
Excess (deficiency) of revenues over expenses (note 9)	(216,858)	1,008,525	18,684	810,351	615,990
Interfund transfers (note 13)	-	(2,000,000)	2,000,000	-	-
Interfund transfer - Fundraising revenue (note 13)	-	(22,904)	22,904	-	-
Payment of obligations under capital lease	99,555	(99,555)	-	-	-
Net investment in capital assets	<u>69,579</u>	<u>(69,579)</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, <i>end of year</i>	<u>\$ 179,291</u>	<u>\$ 1,284,379</u>	<u>\$ 4,049,283</u>	<u>\$ 5,512,953</u>	<u>\$ 4,702,602</u>

LYCÉE FRANÇAIS DE TORONTO

**STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>2016</u>	<u>2015</u>
REVENUES		
Tuition fees	\$ 7,470,557	\$ 6,842,201
Bursaries granted	<u>(29,950)</u>	<u>(31,440)</u>
Net tuition fees	7,440,607	6,810,761
Clubs, camp, and extra curricular fees	277,956	203,617
Transportation	167,597	129,878
CVL income	53,721	85,472
Supervised studies and day care	66,768	55,955
Registrations	60,143	45,718
Fundraising income (net of expense \$53,081)	22,904	-
Year book income	15,050	12,020
Book sales	71,800	70,998
Interest income	268,661	264,950
Other income	<u>8,442</u>	<u>7,837</u>
	8,453,649	7,687,206
EXPENSES		
Academic (page 5)	5,627,648	5,301,688
Administrative (page 5)	1,768,122	1,595,894
Amortization of capital assets	<u>211,110</u>	<u>209,629</u>
	<u>7,606,880</u>	<u>7,107,211</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER REVENUE (EXPENSE)	846,769	579,995
OTHER REVENUE (EXPENSE)		
Exchange gain (loss)	<u>(36,418)</u>	<u>35,995</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 810,351</u>	<u>\$ 615,990</u>

LYCÉE FRANÇAIS DE TORONTO

**SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>2016</u>	<u>2015</u>
ACADEMIC		
AEFE fees	\$ 414,800	\$ 383,432
Book purchases	52,613	49,440
Clubs and camps (note 10)	65,068	52,586
CVL expenses	53,721	85,472
Educational materials (note 10)	90,673	84,841
Employee benefits	558,729	517,705
Nursery assistants	258,400	194,912
Study hall and day care attendant	20,046	19,285
Supervisor's salary	158,763	162,923
Teaching salaries	3,664,774	3,472,809
Training and conferences	38,305	35,323
Travel expenses	25,327	15,394
Transportation	214,170	217,891
Yearbook	<u>12,259</u>	<u>9,675</u>
	<u>\$ 5,627,648</u>	<u>\$ 5,301,688</u>
ADMINISTRATIVE		
Administration salaries	\$ 658,121	\$ 572,312
Advertising	89,885	48,246
Bad debts	4,398	7,020
Bank charges and interest	4,288	3,530
Communications	44,629	35,858
Computer maintenance and supplies	37,390	40,786
Entertainment and promotion	17,872	22,651
Insurance	44,700	42,927
Interest on capital lease obligations	5,748	12,414
Moving expenses	7,542	4,213
Office and general	96,350	83,569
Occupancy costs	536,733	530,592
Professional fees	89,706	61,027
Repairs and maintenance	<u>130,760</u>	<u>130,749</u>
	<u>\$ 1,768,122</u>	<u>\$ 1,595,894</u>

LYCÉE FRANÇAIS DE TORONTO

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 810,351	\$ 615,990
Add (deduct): charges to income not involving cash		
Amortization	<u>211,110</u>	<u>209,629</u>
	<u>1,021,461</u>	<u>825,619</u>
Net change in non-cash working capital balances		
Short term investments	(550,609)	(1,552,857)
Accounts receivable	(277,396)	(201,359)
GST/HST recoverable	(16,018)	7,411
Prepaid expenses	(68,019)	58,155
Accounts payable and accrued liabilities	(316,037)	306,415
Provisional deposits	(42,699)	(57,181)
Deferred revenue	<u>927,223</u>	<u>512,033</u>
	677,906	(101,764)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease principal payments	(93,806)	(87,140)
Deferred capital contributions	<u>346,328</u>	<u>284,652</u>
	252,522	197,512
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital asset additions	<u>(69,579)</u>	<u>(50,093)</u>
INCREASE IN CASH	860,849	45,655
CASH, <i>beginning of year</i>	<u>597,582</u>	<u>551,927</u>
CASH, <i>end of year</i>	<u><u>\$ 1,458,431</u></u>	<u><u>\$ 597,582</u></u>

LYCÉE FRANÇAIS DE TORONTO

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2016

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Fund Accounting

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. Revenues and expenses are translated at the rates of exchange in effect at their transactions dates. The resulting gains or losses are included in the statement of revenues and expenses.

(d) Capital Assets

Capital assets are recorded at cost. Amortization is provided annually using rates and methods calculated to write-off the assets over their estimated useful lives as follows:

Computer hardware	3 years	straight line
Computer cables	5 years	straight line
Office furniture and equipment	5 years	straight line
Library	5 years	straight line
Leasehold improvements	5 years	straight line
Website improvements	3 years	straight line

LYCÉE FRANÇAIS DE TORONTO

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Equipment under Capital Leases

Leases of assets that effectively transfer substantially all of the risks and rewards of ownership to the organization are capitalized at the present value of the minimum lease payments under the lease with a corresponding liability for the related obligations. Charges to expenses are made for amortization on the leased assets and interest on the lease obligations.

(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, short-term investments, GST/HST recoverable and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and obligations under capital lease.

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.

(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 a varying levels of scholarship to six students based on specific criteria. The amount of the scholarship came to \$29,950 (2015 - \$31,440)

(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

The organization would not be able to carry out its administrative activities without the services of many volunteers who donate a considerable number of hours. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

LYCÉE FRANÇAIS DE TORONTO

**NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

3. SHORT TERM INVESTMENTS

Term deposits are recorded at cost plus the interest earned to date. The interest rates dates range from 1% to 1.12% and maturity dates between September 14, 2016 and April 17, 2017.

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2016</u>	<u>Net 2015</u>
Computer hardware	\$ 132,061	\$ 78,141	\$ 53,920	\$ 55,032
Computer cables	46,347	32,443	13,904	23,173
Office furniture and equipment	330,881	289,106	41,775	49,118
Library	61,523	54,886	6,637	7,241
Leasehold improvements	425,699	\$ 395,443	30,256	61,891
Website improvements	<u>66,651</u>	<u>48,561</u>	<u>18,090</u>	<u>28,090</u>
	1,063,162	898,580	164,582	224,545
Computer equipment under capital lease	<u>326,261</u>	<u>285,478</u>	<u>40,783</u>	<u>122,348</u>
	<u>\$ 1,389,423</u>	<u>\$ 1,184,058</u>	<u>\$ 205,365</u>	<u>\$ 346,893</u>

5. DEFERRED REVENUE

	<u>2016</u>	<u>2015</u>
Tuition fees for the forthcoming academic year	\$ 8,240,886	\$ 7,353,506
Transportation for the forthcoming academic year	105,678	107,745
Deferred CVL income	38,585	17,914
Deferred donations	4,922	2,072
Extra-curricular programs paid in advance	37,190	48,002
APA parent dues	12,198	11,496
Textbooks for the forthcoming academic year	<u>75,545</u>	<u>47,046</u>
	<u>\$ 8,515,004</u>	<u>\$ 7,587,781</u>

6. OBLIGATIONS UNDER CAPITAL LEASES

The following represents the obligations under capital leases for computer hardware and software based on the original terms of the leases:

	<u>2016</u>	<u>2015</u>
2016	-	99,555
2017	<u>26,646</u>	<u>26,646</u>
	26,646	126,201
Less amount representing interest, ranging from 7.3% to 7.8%	<u>571</u>	<u>6,320</u>
	26,075	119,881
Less current portion	<u>26,075</u>	<u>93,806</u>
	<u>\$ -</u>	<u>\$ 26,075</u>

Interest charges on obligations under capital leases for the year amounted to \$5,748 (2015 - \$12,414) and is recorded in the statement of revenues and expenses.

LYCÉE FRANÇAIS DE TORONTO

**NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

7. DEFERRED CAPITAL CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>
Balance, <i>beginning of year</i>	\$ 621,531	\$ 398,683
Capital donations	<u>289,200</u>	<u>222,848</u>
Balance, <i>end of year</i>	<u>\$ 910,731</u>	<u>\$ 621,531</u>

8. DEFERRED FUNDRAISING REVENUE

	<u>2016</u>	<u>2015</u>
Balance, <i>beginning of year</i>	\$ 61,804	\$ -
Fundraising capital donations	<u>57,128</u>	<u>61,804</u>
Balance, <i>end of year</i>	<u>\$ 118,932</u>	<u>\$ 61,804</u>

This revenue is received in the form of donations which are restricted for future capital projects.

9. NET ASSETS IN CAPITAL ASSETS

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

	<u>2016</u>	<u>2015</u>
Cash	\$ 1,029,662	\$ 621,534
Capital assets, net of accumulated amortization	205,365	346,893
Obligations under capital leases	(26,075)	(119,881)
Deferred capital contributions	<u>(1,029,662)</u>	<u>(621,531)</u>
Net revenue	<u>\$ 179,290</u>	<u>\$ 227,015</u>

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

Amortization of capital assets	\$ (211,110)	\$ (209,629)
Interest on capital lease obligations	<u>(5,748)</u>	<u>(12,414)</u>
	<u>\$ (216,858)</u>	<u>\$ (222,043)</u>

(c) A percentage of the interest income earned from the short term investments is allocated to the Reserve for Building Fund.

10. ALLOCATION OF EXPENSES

Salaries and benefits expenses of \$7,552 (2015 - \$5,902) have been included in the clubs and camps expenditures. Community Care Access Centres reimburses the organization for different services provided. The revenue of \$27,444 (2015 - \$24,096) have been included in the educational materials expenditures.

11. 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 provides scholarships and bursaries to cover a portion of the tuition of some students meeting specific criteria. The scholarships and bursaries paid to the Lycée on behalf of the parents who qualified for assistance are \$244,729 (2015 - \$280,616).
- (b) The Lycée is required to reimburse the AEFÉ 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:

	<u>2016</u>	<u>2015</u>
Academic salaries for the year	\$ 1,494,867	\$ 1,354,692
Adjustment for prior years' academic salaries	<u>58,646</u>	<u>67,877</u>
	<u>\$ 1,553,513</u>	<u>\$ 1,422,569</u>

LYCÉE FRANÇAIS DE TORONTO

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2016

11. TRANSACTIONS WITH THE FRENCH GOVERNMENT - continued

- (c) In addition, the AEFÉ paid all of the salaries and travel expenses for the principal and one expat teacher. Also, AEFÉ pays 40% of the salary for twelve resident teachers. These amounts are not recorded in the financial statements.
- (d) The AEFÉ charges the Lycée an administration fee based on the number of students enrolled in the year. The administration fee was \$414,800 (2015 - \$383,432).

12. COMMITMENTS

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: 2017 - \$453,204 and 2018 - \$381,409. The organization will also be required to make annual minimum payments for services of \$336,491 in 2017. The organization will also be required to make annual minimum payments for software as follows: 2017 - \$52,409; 2018 - \$71,064; 2019 - \$44,772 and 2020 - \$18,655.

13. RESTRICTIONS ON FUND BALANCES

In the 2015 year the Organization's board of directors internally restricted \$2,000,000 of the General Fund Balance to the Reserve for Building Fund. The board also decided to restrict the excess funds of \$22,904 raised in the gala to the Reserve for the Building Fund. In the 2014 year the Organization's board of directors internally restricted \$2,000,000 of the General Fund Balance to the Reserve for Building Fund.

14. 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.

Credit Risk

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

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 term deposits.

Currency Risk

Currency risk is the risk to the organization's excess of revenues over expenditures that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. A portion of the organization's revenues and expenditures are denominated in Euros. This results in a net debit being reflected in the cash, prepaid expenses, accounts receivable and accounts payable and accrued liabilities of €217,867. (2015 - net credit of €28,940)

LYCÉE FRANÇAIS DE TORONTO

**NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

15. 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%.

During the fiscal year, the organization contributed \$182,700 (2015 - \$140,413) to the plan based on the collective employment contracts.

16. COMPARATIVE FIGURES

Certain comparative figures on the balance sheet and statement of revenues and expenses have been reclassified to comply with the current year's presentation. The changes do not affect the prior year's excess of revenues over expenses.