

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.

Financial Statements

December 31, 2010

**SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.**

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# *Amstutz Mackenzie & associé*

*comptables agréés / Chartered Accountants*

## INDEPENDENT AUDITORS' REPORT

To the Directors of  
SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.

We have audited the accompanying financial statements of SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC. which comprise the balance sheet as at December 31, 2010, and the statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements* - Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

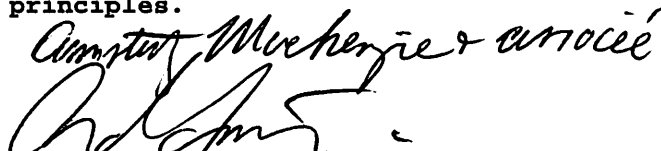
*Auditor's Responsibility* - Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 judgement, 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 qualified audit opinion.

*Basis For Qualified Opinion* - In common with many non-profit organizations, the organization derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the organization's records and we were not able to determine whether any adjustments might be necessary to donations, excess of revenue over expenses, current assets and net assets.

*Qualified Opinion* - In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations referred to in the previous paragraphs, the financial statements present fairly, in all material respects, the financial position of SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC. as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

  
By R. Amstutz CA auditor  
February 4, 2011  
Montreal, Quebec

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.  
 BALANCE SHEET  
 as at December 31, 2010

	<u>2 0 1 0</u>	<u>2 0 0 9</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 250,322	\$ 340,213
Term deposit (Note 3)	23,515	23,515
Accounts receivable (Note 4)	77,936	127,855
Prepaid expenses	<u>5,941</u>	<u>4,997</u>
	357,714	496,580
<b>CAPITAL ASSETS (Note 5)</b>	2,863,872	4,210
<b>DEFERRED COSTS</b>	<u>-</u>	<u>1,409,324</u>
	<b>\$ <u>3,221,586</u></b>	<b>\$ <u>1,910,114</u></b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank credit lines (Note 6)	\$ 285,075	\$ -
Accounts payable (Note 7)	11,934	100,421
Deferred contributions (Note 8)	63,835	106,666
Current portion of long-term debt (Note 10)	<u>17,622</u>	<u>86,448</u>
	378,466	293,535
<b>DEFERRED CONTRIBUTIONS</b>	-	1,031,700
<b>DEFERRED GRANTS FOR CAPITAL ASSETS (Note 9)</b>	1,858,403	1,041
<b>LONG-TERM DEBT (Note 10)</b>	<u>820,710</u>	<u>442,044</u>
	<u>3,057,579</u>	<u>1,768,320</u>
<b>NET ASSETS</b>		
<b>NET ASSETS</b>		
Invested in capital assets	167,137	3,169
Unrestricted	<u>(3,130)</u>	<u>138,625</u>
	<u>164,007</u>	<u>141,794</u>
	<b>\$ <u>3,221,586</u></b>	<b>\$ <u>1,910,114</u></b>

ON BEHALF OF THE BOARD

.....,director

.....,director

The accompanying notes form an integral part of the financial statements

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.  
 STATEMENT OF CHANGES IN NET ASSETS  
 year ended December 31, 2010

	<u>Invested in capital assets</u>	<u>Un- restricted</u>	<u>2 0 1 0</u> <u>Total</u>	<u>2 0 0 9</u> <u>Total</u>
Balance, beginning of year	\$ 3,169	\$ 138,625	\$ 141,794	\$ 132,529
Excess of revenues over expenses	-	22,213	22,213	9,265
Acquisition of capital assets	177,457	(177,457)	-	-
Amortization - capital assets	(53,007)	53,007	-	-
Amortization of deferred grants for capital assets	<u>39,518</u>	<u>(39,518)</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>167,137</u>	\$ <u>(3,130)</u>	\$ <u>164,007</u>	\$ <u>141,794</u>

The accompanying notes form an integral part of the financial statements

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.  
STATEMENT OF OPERATIONS  
year ended December 31, 2010

	<u>2 0 1 0</u>	<u>2 0 0 9</u>
<b>REVENUES</b>		
Foundations and organizations (Note 11)	\$ 278,523	\$ 278,233
Individual donations	77,018	71,955
Private company donations	44,199	34,433
Amortization -deferred grants for capital assets	39,518	446
Net contributions from clients - meals on wheels revenues	75,745	75,575
Grants		
Federal programs		
Human Resources and Skills Development Canada		
New Horizons for Seniors Program	14,123	5,351
Canada Summer Jobs	3,821	6,174
Youth Employment	4,659	-
Other programs	3,351	-
Provincial programs		
Ministre de l'Emploi et de la Solidarité sociale		
Fonds de développement du marché du travail	9,979	20,700
Secrétariat à l'action communautaire autonome et aux initiatives sociales	17,500	-
Agence de la santé et de services sociaux de Montréal		
Programme d'aide aux personnes âgées en perte d'autonomie	19,071	18,780
Programme de soutien aux organismes communautaires	65,551	64,359
Municipal programs		
Lutte contre la pauvreté et l'exclusion sociale	8,760	10,000
Aide financière aux OBNL locataires	755	2,482
Benefits and fund raising events	30,077	41,693
Miscellaneous revenues	<u>2,769</u>	<u>1,275</u>
	<u>695,419</u>	<u>631,456</u>
<b>EXPENSES</b>		
Program costs		
Meals on Wheels project - Appendix I	100,832	108,478
Community and intergenerational project - Appendix I	7,361	20,018
The Rooftop Garden project - Appendix I	5,462	5,864
Salaries, allowances and social contributions - Appendix II	413,112	401,662
Operating and administrative expenses - Appendix II	93,432	84,512
Amortization - capital assets	<u>53,007</u>	<u>1,657</u>
	<u>673,206</u>	<u>622,191</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 22,213</u>	<u>\$ 9,265</u>

The accompanying notes form an integral part of the financial statements

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.  
NOTES TO FINANCIAL STATEMENTS  
as at December 31, 2010

1. STATUS AND PURPOSE OF THE ORGANIZATION

The organization was incorporated under the Canada Corporations Act and is a registered charity. Its main goal is to prepare and deliver healthy meals to individuals dealing with a temporary or permanent loss of autonomy. It also organizes recreational and social activities for its clients.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the organization are the following:

Accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Self-financing

Revenues from self-financing activities are recognized when the services are rendered or when the events have taken place.

Term deposits

Term deposits are recorded at cost.

Capital assets

Capital assets are recorded at cost. They are amortized over their estimated useful lives using the declining-balance method at the following annual rate:

Building	5%
Office and kitchen equipment	20%
Computer equipment	30%
Vehicles and bikes	30%

Benefit and fund raising events

The revenues from benefit and fund raising events includes contributions considered as donations.

3. TERM DEPOSIT

The term deposit matures June 2, 2011 and bears interest at the rate of 0.15% per annum.

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.  
 NOTES TO FINANCIAL STATEMENTS  
 as at December 31, 2010

4. ACCOUNTS RECEIVABLE	<u>2 0 1 0</u>	<u>2 0 0 9</u>
Accounts receivable	\$ 14,144	\$ 24,610
Allowance for doubtful accounts	<u>(5,773)</u>	<u>(18,700)</u>
	8,371	5,910
Grants, foundations, organizations and private companies	35,000	29,392
Sales taxes receivable	34,565	90,278
Miscellaneous	<u>-</u>	<u>2,275</u>
	\$ <u>77,936</u>	\$ <u>127,855</u>

5. CAPITAL ASSETS	<u>2 0 1 0</u>	<u>2 0 0 9</u>
	Accumulated	
	Amort-	
	ization	
	Net Book	Net Book
	Value	Value
	<u>Cost</u>	
Land	\$ 425,000	\$ -
Building	2,467,783	51,412
Office and kitchen equipment	40,617	20,487
Computer equipment	13,104	13,104
Vehicles and bikes	27,847	25,476
Leasehold improvements	<u>4,394</u>	<u>4,394</u>
	\$ <u>2,978,745</u>	\$ <u>114,873</u>
		\$ 425,000
		2,416,371
		20,130
		-
		2 371
		-
		-
		3,387
		-
		-
		\$ <u>4,210</u>

As part of the Organization's long-term plans, a building was purchased in 2008. This building was renovated and the Organization moved in during the year. The goal being to use the new space, to further the work of the Organization and to grow its programs and impact on society.

Funds raised towards the cost of the building are included in deferred grants for capital assets and are being amortized at the same rate and method as the building (see Note 9).

6. BANK CREDIT LINES

The Organization has the following authorized credit lines:

Caisse d'économie solidaire Desjardins - maximum \$500,000 at prime rate plus 2.0%. The line of credit is guaranteed by a second mortgage on the land and building as well as a floating charge on all assets present and future. The credit agreement includes a covenant whereby the ratio of interest coverage and the current portion of long-term debt of 1.25:1 be maintained. The Organization satisfied this requirement.

Canadian Imperial Bank of Commerce - maximum \$21,000 at prime rate plus 1.5%, secured by a term deposit in the amount of \$23,515.



SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.  
 NOTES TO FINANCIAL STATEMENTS  
 as at December 31, 2010

7.	ACCOUNTS PAYABLE	<u>2 0 1 0</u>	<u>2 0 0 9</u>
	Suppliers	\$ 5,312	\$ 9,902
	Sales taxes payable	-	89,350
	Salaries and fringe benefits	<u>6,622</u>	<u>1,169</u>
		<u>\$ 11,934</u>	<u>\$ 100,421</u>

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent funds not yet spent that, under funding agreements with partners, are allocated to cover costs for activities in a subsequent year.

9.	DEFERRED GRANTS FOR CAPITAL ASSETS	<u>2 0 1 0</u>	<u>2 0 0 9</u>
		Accumulated	
	<u>Grants</u>	<u>Amort- ization</u>	<u>Net Book Value</u>
	Building	\$ 39,206	-
	Vehicles	<u>758</u>	<u>1,041</u>
		<u>\$ 1,896,880</u>	<u>\$ 1,857,674</u>
		<u>\$ 1,898,367</u>	<u>\$ 1,858,403</u>

Deferred grants for capital assets are amortized at the same rates as the assets to which they relate (buildings at 5% and vehicles at 30%).

10.	LONG-TERM DEBT	<u>2 0 1 0</u>	<u>2 0 0 9</u>
	Term loan, interest at the Caisse d'économie solidaire Desjardins' prime rate plus 1.9% per annum, interest and principal payable in equal monthly instalments of \$3,070. The loan is amortized over 20 years with an initial term of 3 years, secured by a mortgage on land and building.	\$ 488,332	\$ -
	Unsecured loan, non-interest bearing and without fixed maturity.	350,000	-
	Balance of sale, refinanced during the year.	-	432,242
	Second mortgage with Canadian Alternative Investments Cooperative, refinanced during the year.	<u>-</u>	<u>96,250</u>
		838,332	528,492
	Current portion	<u>17,622</u>	<u>86,448</u>
		<u>\$ 820,710</u>	<u>\$ 442,044</u>

Long-term debt principal repayments to be made during the next five years are as follows: 2011 - \$18,284; 2012 - \$19,029; 2013 - \$19,804; 2014 - \$20,611, 2015 - \$21,450.

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.  
NOTES TO FINANCIAL STATEMENTS  
as at December 31, 2010

11.	REVENUES - Foundations and organizations	<u>2 0 1 0</u>	<u>2 0 0 9</u>
	Centraide du Grand Montréal		
	Regular funding	\$ 70,000	\$ 70,000
	Special funding	5,000	-
	EJLB Foundation	20,000	20,000
	Foundation Marcelle et Jean Coutu	15,000	15,000
	Foundation of Greater Montréal	14,936	10,000
	George W. Hogg Family Foundation	15,000	15,000
	Hamilton Community Foundation	-	25,000
	Lindsay Memorial Foundation	15,000	-
	L'Oeuvre Léger	11,000	10,000
	Zeller Family Foundation	10,000	10,000
	Vancouver Foundation	5,000	-
	Peacock Family Foundation	10,000	-
	Others	<u>87,587</u>	<u>103,233</u>
		<u>\$ 278,523</u>	<u>\$ 278,233</u>

12. CONTRIBUTION OF GOODS AND SERVICES

The organization benefits of the right to use a car for a period of three years. The cost to the organization is less than the true value of the automobile. The excess which is assumed by the Nissan Foundation is accounted for in revenue from foundations and organizations.

In addition, the organization receives donations of packaging materials and food for its Meals on Wheels activities. This type of donation is accounted for at its true value in revenue from private companies.

The organization could not fulfill its mission without the gift of a great deal of time and energy from volunteers. Due to the complexity involved in counting these hours, volunteer services are not accounted for in these financial statements. If it were possible to determine the monetary value of these services, the amounts would have been recorded in the appropriate revenue and expense captions.

13. FINANCIAL INSTRUMENTS

The organization's financial assets and financial liabilities are held for trading.

Fair Value

The fair value of short term assets and short term liabilities is approximately equal to their carrying value due to their short-term maturity date. Fair values are based on estimates, and as such, the financial instruments may not be realizable at the amounts indicated if they were settled immediately.

Interest rate risk

The organization manages its temporary investments according to its cash requirements and in order to maximize its interest revenues. The average interest rate earned on the temporary investments during the year was 0.2%.

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.  
NOTES TO FINANCIAL STATEMENTS  
as at December 31, 2010

13. FINANCIAL INSTRUMENTS (continued)

Credit Risk

The organization continuously evaluates all of its accounts receivable and records a provision for doubtful accounts when the accounts are considered unrecoverable.

14. RELATED PARTY

Santropol Roulant Inc. is the sole member of Santropol Roulant (Québec) Inc., a non-profit organization incorporated under the laws of Québec, and elects all of its officers and directors. Santropol Roulant (Québec) Inc. has appointed Santropol Roulant Inc. as its exclusive agent to carry out all of its obligations under any grants awarded to it. This year and the previous year, no grant has been awarded to Santropol Roulant (Québec) Inc., and it has no other activities.

15. CASH FLOWS

A cash flow statement has not been presented as it would not provide any additional useful information in understanding the cash flows for the year.

16. FUTURE ACCOUNTING CHANGES

Financial statement concepts

CICA Handbook Section 1000, "Financial Statement Concepts," was amended to take into account the capitalization of costs that substantially satisfy the definition of an asset, with less focus on the matching principle.

17. CAPITAL DISCLOSURES

The organization defines capital as being comprised of balances invested in capital assets restricted and unrestricted balances. The organization is not subject to externally imposed requirements on capital.

The organization manages its financial resources to achieve its objectives with respect to the services provided to its members. Management's objectives in managing capital are to hold sufficient unrestricted assets to enable it to withstand unexpected financial events, in order to maintain stability in the financial structure. The organization seeks to minimize reliance on financial leverage and to maintain sufficient liquidity to enable it to meet its obligations as they become due.

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.  
**EXPENSES**  
 year ended December 31, 2010

APPENDIX I

	<u>2 0 1 0</u>	<u>2 0 0 9</u>
<b>PROGRAM COSTS</b>		
 <b>MEALS ON WHEELS PROJECT</b>		
Food	\$ 62,673	\$ 68,158
Food packaging	9,367	10,372
Transportation, delivery and vehicle insurance	9,289	10,042
Rent - office and kitchen	5,956	7,272
Equipment - maintenance and repairs	3,922	5,834
Electricity	1,702	1,930
Office expenses and licenses	1,229	1,745
Bad debts	5,952	2,421
Telecommunications	<u>742</u>	<u>704</u>
	<b>\$ <u>100,832</u></b>	<b>\$ <u>108,478</u></b>
 <b>COMMUNITY AND INTERGENERATIONAL PROJECT</b>		
Rent - office and community space	\$ 5,290	\$ 8,519
Electricity	1,209	2,267
Social activities	<u>862</u>	<u>9,232</u>
	<b>\$ <u>7,361</u></b>	<b>\$ <u>20,018</u></b>
 <b>ROOFTOP GARDEN PROJECT</b>		
Garden supplies and equipment	\$ <u>5,462</u>	\$ <u>5,864</u>
	<b>\$ <u>5,462</u></b>	<b>\$ <u>5,864</u></b>

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.  
EXPENSES  
year ended December 31, 2010

APPENDIX II

	<u>2 0 1 0</u>	<u>2 0 0 9</u>
<b>SALARIES, ALLOWANCES AND SOCIAL CONTRIBUTIONS</b>		
Salaries and social contributions non-subsidized	\$ 376,657	\$ 356,861
Salaries and social contributions subsidized	<u>36,455</u>	<u>44,801</u>
	<u>\$ 413,112</u>	<u>\$ 401,662</u>
 <b>OPERATING AND ADMINISTRATIVE EXPENSES</b>		
Fundraising activities	\$ 13,259	\$ 15,050
Interest and bank charges	13,318	4,703
Interest on long-term debt	10,273	-
Taxes	9,494	2,617
Office expenses	9,264	6,016
Office insurance	8,276	4,359
Professional fees	4,608	11,613
Professional training and development	4,850	3,056
Telecommunications	4,759	3,930
Other expenses	3,299	7,115
Advertising and promotion	3,233	3,439
Computer expenses	3,106	3,756
Calendars and news letters	2,227	2,443
Electricity	1,495	2,089
Meeting and transportation expenses	1,121	2,228
Maintenance and repairs	850	47
Rent - office	<u>-</u>	<u>12,051</u>
	<u>\$ 93,432</u>	<u>\$ 84,512</u>