

SANTROPOL ROULANT INC. /
SANTROPOL ON WHEELS INC.

Financial Statements

December 31, 2012

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.

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Amstutz Mackenzie & associé (s.e.n.c)

Comptables Professionnels Agréés

INDEPENDENT AUDITORS' REPORT

To the Members 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, 2012, 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 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 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, 2012 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.

Comparative information - Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC. adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2011 and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.



By: R. Amstutz, CPA auditor, CA
February 27, 2013
Montreal, Quebec

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.
BALANCE SHEET
as at December 31, 2012

	<u>Dec 31,</u> <u>2 0 1 2</u>	<u>Dec 31,</u> <u>2 0 1 1</u>	<u>Jan 1,</u> <u>2 0 1 1</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 256,822	\$ 284,184	\$ 250,322
Term deposit	-	-	23,515
Accounts receivable (Note 4)	37,868	22,970	77,936
Prepaid expenses	<u>8,227</u>	<u>10,335</u>	<u>5,941</u>
Total current assets	<u>302,917</u>	<u>317,489</u>	<u>357,714</u>
PROPERTY AND EQUIPMENT (Note 5)	<u>2,686,178</u>	<u>2,786,159</u>	<u>2,863,872</u>
Total long-term assets	<u>2,686,178</u>	<u>2,786,159</u>	<u>2,863,872</u>
Total assets	\$ <u>2,989,095</u>	\$ <u>3,103,648</u>	\$ <u>3,221,586</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank credit line (Note 6)	\$ -	\$ -	\$ 285,075
Accounts payable (Note 7)	21,575	14,645	11,934
Deferred contributions (Note 8)	99,493	134,483	63,835
Current portion of long-term debt (Note 10)	<u>37,108</u>	<u>13,450</u>	<u>12,622</u>
Total current liabilities	<u>158,176</u>	<u>162,578</u>	<u>373,466</u>
DEFERRED GRANTS FOR PROPERTY AND EQUIPMENT (Note 9)	1,996,743	1,943,940	1,858,403
LONG-TERM DEBT (Note 10)	<u>635,225</u>	<u>811,252</u>	<u>825,710</u>
Total long-term liabilities	<u>2,631,968</u>	<u>2,755,192</u>	<u>2,684,113</u>
Total liabilities	<u>2,790,144</u>	<u>2,917,770</u>	<u>3,057,579</u>
NET ASSETS			
NET ASSETS			
Invested in property and equipment	17,102	17,517	167,137
Unrestricted	<u>181,849</u>	<u>168,361</u>	<u>(3,130)</u>
Total net assets	<u>198,951</u>	<u>185,878</u>	<u>164,007</u>
Total liabilities and net assets	\$ <u>2,989,095</u>	\$ <u>3,103,648</u>	\$ <u>3,221,586</u>

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.
 CHANGES IN NET ASSETS
 year ended December 31, 2012

	Invested in property and <u>equipment</u>	Un- restricted	<u>2 0 1 2</u> Total	<u>2 0 1 1</u> Total
Balance, beginning of year	\$ 17,517	\$ 168,361	\$ 185,878	\$ 164,007
Excess of revenues over expenses	-	13,073	13,073	21,871
Acquisition of property and equipment	24,528	(24,528)	-	-
Amortization - property and equipment	(124,509)	124,509	-	-
Amortization - deferred grants for property and equipment	97,197	(97,197)	-	-
Increase in deferred grants for property and equipment	(150,000)	150,000	-	-
Repayment of long-term debt	<u>152,369</u>	<u>(152,369)</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>17,102</u>	\$ <u>181,849</u>	\$ <u>198,951</u>	\$ <u>185,878</u>

The accompanying notes form an integral part of the financial statements

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.
OPERATIONS
year ended December 31, 2012

	<u>2 0 1 2</u>	<u>2 0 1 1</u>
REVENUES		
Foundations and organizations	\$ 211,862	\$ 205,418
Government Grants (Note 11)	296,392	198,877
Centraide	70,000	70,000
L'Oeuvre Léger	14,167	15,500
Individual donations	66,059	60,606
Private company donations	57,495	59,975
Amortization - deferred grants for property and equipment	97,197	103,831
Net contributions from clients - meals on wheels revenues	99,799	96,323
Autofinancing and other fundraising	124,582	54,584
Miscellaneous revenues	<u>4,720</u>	<u>19,192</u>
	<u>1,042,273</u>	<u>884,306</u>
EXPENSES		
Program costs		
Meals on Wheels - Appendix I	110,667	86,752
Community and intergenerational - Appendix I	10,656	10,324
Urban agriculture - Appendix I	32,667	12,878
Salaries and social contributions - Appendix II	593,357	490,218
Operating and administrative expenses - Appendix II	157,344	134,926
Amortization - property and equipment	<u>124,509</u>	<u>127,337</u>
	<u>1,029,200</u>	<u>862,435</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 13,073</u>	<u>\$ 21,871</u>

The accompanying notes form an integral part of the financial statements

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.
CASH FLOWS
year ended December 31, 2012

	<u>2 0 1 2</u>	<u>2 0 1 1</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 13,073	\$ 21,871
Items not affecting cash		
Amortization - property and equipment	124,509	127,337
Amortization - deferred grants for property and equipment	<u>(97,197)</u>	<u>(103,831)</u>
	40,385	45,377
CHANGES IN NON CASH OPERATING WORKING CAPITAL		
Accounts receivable	(14,898)	54,966
Prepaid expenses	2,108	(4,394)
Accounts payable	6,930	2,711
Deferred contributions	<u>(34,990)</u>	<u>70,648</u>
	<u>(465)</u>	<u>169,308</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(24,528)</u>	<u>(49,624)</u>
	<u>(24,528)</u>	<u>(49,624)</u>
FINANCING ACTIVITIES		
Increase in deferred grants for property and equipment	150,000	189,368
Repayment of long-term debt	<u>(152,369)</u>	<u>(13,630)</u>
	<u>(2,369)</u>	<u>175,738</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(27,362)	295,422
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>284,184</u>	<u>(11,238)</u>
CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u><u>256,822</u></u>	\$ <u><u>284,184</u></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, 2012

1. STATUS AND PURPOSE OF THE ORGANIZATION

The organization was incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. 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. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

These financial statements are the first financial statements for which the organization has applied Canadian accounting standards for not-for-profit organizations. First-time adoption of this new basis of accounting had no impact on the organization's excess of revenue over expenses nor on its net assets at the date of transition, January 1, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Accounting estimates

The preparation of financial statements in conformity with Canadian accounting standards requires management to make estimates and assumptions that affect the reported amount 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.

The revenues from autofinancing and other fundraising includes contributions considered as donations.

Term deposits

Term deposits are recorded at cost.

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.
 NOTES TO FINANCIAL STATEMENTS
 as at December 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and equipment

Property and equipment are recorded at cost. They are amortized over their estimated useful lives using the declining-balance method at the following annual rates:

Building	5%
Rooftop garden and landscaping	10%
Office and kitchen equipment and cold storage room	20%
Computer equipment, vehicles and bikes	30%

Financial instruments

The organization initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable. Financial liabilities measured at amortized cost include the bank credit line, accounts payable, deferred contributions and long-term debt.

4. ACCOUNTS RECEIVABLE	<u>2 0 1 2</u>	<u>2 0 1 1</u>
Accounts receivable	\$ 13,450	\$ 19,306
Allowance for doubtful accounts	<u>(2,079)</u>	<u>(9,499)</u>
	11,371	9,807
Grants, foundations, organizations and private companies	21,271	10,000
Sales taxes receivable	5,126	3,063
Miscellaneous	<u>100</u>	<u>100</u>
	\$ <u>37,868</u>	\$ <u>22,970</u>

5. PROPERTY AND EQUIPMENT	<u>2 0 1 2</u>	<u>2 0 1 1</u>
	Accumulated	
	Amort-	
	ization	
	Net Book	Net Book
	Value	Value
	<u>Cost</u>	
Land	\$ 425,000	\$ 425,000
Building	2,509,193	2,330,487
Rooftop garden	23,452	21,708
Landscaping	11,489	-
Cold storage room	16,682	6,075
Office and kitchen equipment	20,731	526
Computer equipment	14,108	703
Vehicles and bikes	27,847	1,660
Leasehold improvements	<u>4,394</u>	<u>-</u>
	\$ <u>3,052,896</u>	\$ <u>2,786,159</u>

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

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.
 NOTES TO FINANCIAL STATEMENTS
 as at December 31, 2012

6. BANK CREDIT LINE

The organization has an approved bank line of credit in the amount of \$75,000 bearing interest at the prime rate plus 1.50%.

7. ACCOUNTS PAYABLE	<u>2 0 1 2</u>	<u>2 0 1 1</u>
Suppliers	\$ 7,028	\$ 8,522
Salaries and fringe benefits	<u>14,547</u>	<u>6,123</u>
	<u>\$ 21,575</u>	<u>\$ 14,645</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 PROPERTY AND EQUIPMENT	<u>2 0 1 2</u>	<u>2 0 1 1</u>		
	<u>Grants</u>	<u>Accumulated Amort- ization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building	\$ <u>2,236,248</u>	\$ <u>239,505</u>	\$ <u>1,996,743</u>	\$ <u>1,943,940</u>
	<u>\$ 2,236,248</u>	<u>\$ 239,505</u>	<u>\$ 1,996,743</u>	<u>\$ 1,943,940</u>

Deferred grants for property and equipment are amortized at the same rates as the assets to which they relate.

10. LONG-TERM DEBT	<u>2 0 1 2</u>	<u>2 0 1 1</u>		
Term loan, interest at the rate of 3.75% per annum, principal and interest payable in equal monthly instalments of \$2,468. The loan is amortized over 25 years with an initial term of 5 years, secured by a mortgage on land and building.	\$ 472,333	\$ -		
Term loan	-	474,702		
Unsecured loan, non-interest bearing and repayable in eight equal annual instalments of \$25,000 (2011 - without fixed maturity).	<u>200,000</u>	<u>350,000</u>		
	672,333	824,702		
Current portion	<u>37,108</u>	<u>13,450</u>		
	<u>\$ 635,225</u>	<u>\$ 811,252</u>		

Long-term debt principal repayments to be made during the next five years are as follows: 2013 - \$37,108; 2014 - \$37,570; 2015 - \$38,050; 2016 - \$38,548; 2017 - \$39,064.

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.
NOTES TO FINANCIAL STATEMENTS
as at December 31, 2012

11. GOVERNMENT GRANTS	<u>2 0 1 2</u>	<u>2 0 1 1</u>
Federal programs		
Human Resources and Skills Development		
Canada New Horizons for Seniors Program	\$ 13,555	\$ -
Canada Summer Jobs	2,309	-
Youth Employment Services	-	7,585
Agriculture and Agri-Food Canada	8,344	-
Provincial programs		
Ministre de l'Emploi et de la Solidarité sociale		
Fonds de développement du marché du travail	29,669	17,493
Secrétariat à l'action communautaire autonome et aux initiatives sociales	17,500	-
Fonds étudiant solidarité travail du Québec	-	3,888
Agence de la santé et de services sociaux de Montréal		
Programme d'aide aux personnes âgées en perte d'autonomie	19,654	11,290
Programme de soutien aux organismes communautaires	70,521	64,803
Ministère de la santé et des services sociaux		
Plan d'action 2006-2012 sur les changements climatiques (PACC) - Volet santé	49,292	39,412
Ministère de la famille et des aînés	72,208	40,796
Municipal programs		
Lutte contre la pauvreté et l'exclusion sociale	12,100	11,935
Aide financière aux OBNL locataires	1 240	1,675
	<u>\$ 296,392</u>	<u>\$ 198,877</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 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.

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.
NOTES TO FINANCIAL STATEMENTS
as at December 31, 2012

13. FINANCIAL INSTRUMENTS

Risks and concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the balance sheet date, i.e. December 31, 2012.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its bank credit line, accounts payable and long-term debt.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its accounts receivable, grants and other amounts receivable. The organization provides credit to its clients in the normal course of its operations.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its variable-rate bank credit line and its fixed-rate long-term debt. Given the current composition of long-term debt (proportion of debt at a fixed interest rate compared to a floating interest rate), fixed-rate instruments subject the organization to a fair value risk while floating-rate instruments subject it to a cash flow risk.

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.

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.
EXPENSES
year ended December 31, 2012

APPENDIX I

	<u>2 0 1 2</u>	<u>2 0 1 1</u>
PROGRAM COSTS		
 MEALS ON WHEELS		
Food	\$ 71,761	\$ 62,286
Transportation, delivery and vehicle insurance	13,705	12,556
Packaging	13,310	5,509
Professional fees	5,960	-
Equipment - maintenance and repairs	2,765	1,882
Bad debts	1,768	3,726
Workshop costs	951	-
Office expenses and licenses	101	31
Telecommunications	<u>346</u>	<u>762</u>
Community activities	<u>\$ 110,667</u>	<u>\$ 86,752</u>
 COMMUNITY AND INTERGENERATIONAL		
Community workshops and intergenerational activities	\$ 3,816	\$ 4,509
Bike shop	<u>6,840</u>	<u>5,815</u>
	<u>\$ 10,656</u>	<u>\$ 10,324</u>
 URBAN AGRICULTURE		
Senneville farm	\$ 15,743	\$ -
Garden supplies and equipment	<u>16,924</u>	<u>12,878</u>
	<u>\$ 32,667</u>	<u>\$ 12,878</u>

SANTROPOL ROULANT INC. / SANTROPOL ON WHEELS INC.
EXPENSES
year ended December 31, 2012

APPENDIX II

	<u>2 0 1 2</u>	<u>2 0 1 1</u>
SALARIES AND SOCIAL CONTRIBUTIONS		
Salaries and social contributions non-subsidized	\$ 552,287	\$ 448,354
Salaries and social contributions subsidized	<u>41,070</u>	<u>41,864</u>
	<u>\$ 593,357</u>	<u>\$ 490,218</u>
 OPERATING AND ADMINISTRATIVE EXPENSES		
Fundraising activities	\$ 28,003	\$ 7,951
Interest on long-term debt	26,758	23,205
Professional fees	19,834	5,971
Electricity	16,072	13,729
Maintenance and repairs	11,655	36,294
Office expenses	10,034	5,927
Professional training and development	8,737	3,973
Other expenses	5,710	938
Telecommunications	4,672	4,773
Taxes	4,443	3,756
Office insurance	4,404	5,731
Advertising and promotion	4,376	3,476
Interest and bank charges	4,203	12,000
Computer expenses	3,643	1,345
Calendar	2,486	2,342
Meetings	1,708	1,540
Expenses for volunteers	545	1,343
Transportation	<u>61</u>	<u>632</u>
	<u>\$ 157,344</u>	<u>\$ 134,926</u>