

Corporation Katimavik - Opcan

Financial Statements

March 31, 2007

Auditors' Report	2
Financial Statements	
Operations and changes in net assets	3
Cash Flows	4
Balance Sheet	5
Notes to Financial Statements	6 - 10
Supplementary Information	11 - 13

Auditors' Report

To the Directors of
Corporation Katimavik - Opcan

We have audited the balance sheet of Corporation Katimavik - Opcan as at March 31, 2007 and the statements of operations and changes in 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, 2007 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.

Raymond Chabot Grant Thornton LLP

Chartered Accountants

Montréal
May 18, 2007

Corporation Katimavik - Opcan

Operations and changes in net assets

Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
Revenues		
Contributions for activities (Note 4)	17,702,464	19,377,885
Rendered services (Note 5)	11,630,000	11,870,000
Amortization of deferred contributions related to capital assets	221,528	220,453
Contributed supplies and services (Note 6)	332,000	294,000
Other	10,869	110,404
	<u>29,896,861</u>	<u>31,872,742</u>
Expenses		
Salaries and benefits	7,256,126	7,795,779
Rendered services (Note 5)	11,630,000	11,870,000
Travel expenses	3,263,035	3,776,444
Rent	2,251,509	2,347,009
Daily allowances and incentive bonuses	1,406,273	1,644,695
Food	1,523,246	1,647,685
Training, recruiting and development	886,876	913,784
Office expenses	665,068	811,250
Learning program	438,738	527,710
Amortization of capital assets	221,528	220,453
Other	354,462	317,933
	<u>29,896,861</u>	<u>31,872,742</u>
Excess of revenues over expenses and changes in net assets, end of year	<u><u>-</u></u>	<u><u>-</u></u>

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

Corporation Katimavik - Opcan

Cash Flows

Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
OPERATING ACTIVITIES		
Non-cash items		
Amortization of capital assets	221,528	220,453
Amortization of deferred contributions related to capital assets	(221,528)	(220,453)
Changes in working capital items		
Contributions receivable from the Department of Canadian Heritage	(318,539)	(454,373)
Accounts receivable	(81,476)	63,707
Advances to employees	15,232	(5,528)
Prepaid expenses	59,593	6,384
Accounts payable and accrued liabilities	127,505	(183,063)
Incentive bonuses payable	(104,663)	19,442
Deferred contributions related to subsequent year expenses		(3,860,336)
Net cash used	<u>(302,348)</u>	<u>(4,413,767)</u>
INVESTING ACTIVITIES		
Capital assets and net cash used	(47,564)	(293,065)
FINANCING ACTIVITIES		
Deferred contributions related to capital assets and net cash generated	47,564	824,392
Net decrease in cash	<u>(302,348)</u>	<u>(3,882,440)</u>
Cash, beginning of year	<u>251,981</u>	<u>4,134,421</u>
Cash (bank overdraft), end of year	<u>(50,367)</u>	<u>251,981</u>

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

Corporation Katimavik - Opcan

Balance Sheet

March 31, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
ASSETS		
Current assets		
Cash		251,981
Contributions receivable from the Department of Canadian Heritage (Note 4)	772,912	454,373
Accounts receivable (Note 7)	321,142	239,666
Advances to employees	60,043	75,275
Prepaid expenses	217,258	276,851
	1,371,355	1,298,146
Capital assets (Note 8)	711,053	885,017
	2,082,408	2,183,163
LIABILITIES AND NET ASSETS		
Current liabilities		
Bank overdraft	50,367	
Accounts payable and accrued liabilities	909,856	782,351
Incentive bonuses payable	411,132	515,795
	1,371,355	1,298,146
Deferred contributions related to capital assets (Note 9)	711,053	885,017
	2,082,408	2,183,163

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, 2007

1 - GOVERNING STATUTES AND PURPOSE OF THE CORPORATION

Corporation Katimavik - Opcan (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 ongoing 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 contribution for the period from April 1, 2006 to August 31, 2006 amounts to \$8,331,994 according to the agreement signed with the Department of Canadian Heritage on June 29, 2006.

The current contribution agreement was signed October 20, 2006 between the Department of Canadian Heritage and the Corporation. This agreement is for a maximum contribution of \$10,391,816 for the seven-month period ending March 31, 2007 and \$8,656,385 for the five-month period ending August 31, 2007. In December 2006, the Department of Canadian Heritage announced that the program would be extended until August 2008. The amount of the contribution for the period from September 1, 2007 to August 31, 2008 has yet to be determined.

The Corporation received 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 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. Actual results may differ from these estimates.

Corporation Katimavik - Opcan

Notes to Financial Statements

March 31, 2007

3 - ACCOUNTING POLICIES (Continued)

Revenue recognition and deferred contributions

The Corporation uses the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue 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 balance sheet 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.

Investment income

Investment income is recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Interest income is recognized based on the number of days the investment was held during the year.

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

4 - CONTRIBUTIONS FOR ACTIVITIES AND CONTRIBUTIONS RECEIVABLE

	<u>2007</u>	<u>2006</u>
	\$	\$
Contributions for activities (receivable), beginning of year	(454,373)	3,860,336
Contributions received from the Department of Canadian Heritage	17,431,489	15,887,568
Portion of capital assets recorded in the balance sheet	(47,564)	(824,392)
Contributions for activities included in the statement of operations	<u>(17,702,464)</u>	<u>(19,377,885)</u>
Contributions receivable, end of year	<u>(772,912)</u>	<u>(454,373)</u>

Corporation Katimavik - Opcan

Notes to Financial Statements

March 31, 2007

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 743,997 hours of community work were performed in 2007 (824,029 hours in 2006). The value of the contribution for the year totalled \$11,630,000 (\$11,870,000 in 2006). The hours worked during 2007 were valued at an average rate of \$15.62/hour (\$14.41/hour in 2006). 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>2007</u>	<u>2006</u>
	\$	\$
Rent	119,000	119,000
Advertising expenses	38,000	
Automotive rentals	175,000	175,000
	332,000	294,000

7 - ACCOUNTS RECEIVABLE

	<u>2007</u>	<u>2006</u>
	\$	\$
Taxes receivable	182,162	187,517
Accounts receivable - Katimavik Fund (a)	23,789	23,638
Accounts receivable - Katimavik Youth Services (a)	25,705	25,705
Municipal taxes receivable	88,672	
Other	814	2,806
	321,142	239,666

(a) These transactions were concluded in the normal course of operations and are measured at the exchange amount, which is the amount established and accepted by the parties.

Corporation Katimavik - Opcan

Notes to Financial Statements

March 31, 2007

8 - CAPITAL ASSETS

	2007		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
	\$	\$	\$
Computer equipment	1,199,633	1,114,297	85,336
Leasehold improvements	932,513	363,222	569,291
Furniture and fixtures	236,487	180,061	56,426
	<u>2,368,633</u>	<u>1,657,580</u>	<u>711,053</u>
			2006
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
	\$	\$	\$
Computer equipment	1,154,848	1,040,972	113,876
Leasehold improvements	932,513	267,411	665,102
Furniture and fixtures	233,708	127,669	106,039
	<u>2,321,069</u>	<u>1,436,052</u>	<u>885,017</u>

9 - DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	<u>2007</u>	<u>2006</u>
	\$	\$
Balance, beginning of year	885,017	281,078
Deferred contributions related to acquisitions during the year		
Acquisitions financed by the Department of Canadian Heritage subsidy	47,564	824,392
Contributions recorded in the statement of operations	<u>(221,528)</u>	<u>(220,453)</u>
Balance, end of year	<u>711,053</u>	<u>885,017</u>

10 - BANK LOAN

The authorized bank loan of \$350,000 bears interest at the prime rate plus 0.75% (prime rate plus 0.75% as at March 31, 2006), that is 6.75 % as at March 31, 2007 (6.25% as at March 31, 2006), and is renegotiable on July 31, 2007. As at March 31, 2007, the loan is not used.

Corporation Katimavik - Opcan

Notes to Financial Statements

March 31, 2007

11 - RELATED ORGANIZATION

Katimavik Fund, Katimavik Foundation and Katimavik Youth Services, incorporated under Part II of the Canada Corporations Act, have as their objective to receive donations, endowments and other contributions, to manage and distribute these funds to the Corporation or any other organization designated by their respective Board of Directors. Their financial statements are not consolidated with those of the Corporation. The Corporation controls these organizations by the fact that certain members of its Board of Directors represent the majority of the members of the Boards of Directors of these organizations. As at March 31, 2007, the financial position of these organizations is as follows:

	<u>2007</u>	<u>2006</u>
	\$	\$
Total assets	158,762	56,300
Total liabilities	116,160	60,279
Total of revenues	55,778	31,186
Total of expenses	9,197	75,715

12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Short-term financial instruments

The fair value of the short-term financial assets and liabilities approximates their carrying amount given that they will mature shortly.

13 - COMMITMENTS

The Corporation has entered into long-term lease agreements maturing on various dates until May 2013, which call for lease payments of \$3,334,601 for premises, vehicles and equipment. Minimum lease payments for the next five years are detailed as follows:

	<u>Premises</u>	<u>Vehicles and equipment</u>	<u>Total</u>
	\$	\$	\$
2008	837,668	449,741	1,287,409
2009	382,057	16,453	398,510
2010	332,359	3,452	335,811
2011	302,065	3,452	305,517
2012	303,052	1,438	304,490

14 - CONTINGENCY

A claim has been filed against the Corporation concerning an employment bond. A mediation will be held in the fall of 2007. Since the directors are of the opinion that this claim is unwarranted, no provision has been recorded in this respect.

Corporation Katimavik - Opcan Supplementary Information

Year ended March 31, 2007

(Unaudited)

	<u>2007</u>	<u>2006</u>
	\$	\$
TRAVEL EXPENSES		
Participant transportation expenses	1,423,334	1,624,038
Vehicle rental and insurance	1,102,016	1,240,676
Employee travel expenses	384,446	536,184
On-site transportation	353,239	375,546
	<u>3,263,035</u>	<u>3,776,444</u>
TRAINING, RECRUITING AND DEVELOPMENT		
Training expenses	291,112	353,545
Employee recruiting expenses	116,436	50,776
Participant recruiting and project development	479,328	509,463
	<u>886,876</u>	<u>913,784</u>
OFFICE EXPENSES		
Communications	323,057	335,175
Office supplies	192,106	238,528
Postal expenses	65,583	82,769
Other	84,322	154,778
	<u>665,068</u>	<u>811,250</u>
OTHER EXPENSES		
Professional fees	196,402	141,476
Medical expenses	92,170	116,584
Bank charges and interest	59,948	53,592
Other	5,942	6,281
	<u>354,462</u>	<u>317,933</u>

Corporation Katimavik - Opcan Supplementary Information

Year ended March 31, 2007

(Unaudited)

	From April 1 to August 31, 2006
EARNINGS	<u>\$</u>
Revenues	
Contributions for activities	7,515,068
Amortization of deferred contributions related to capital assets	89,177
Other	3,480
	<u>7,607,725</u>
Expenses	
Salaries and benefits	3,100,979
Travel expenses	1,395,678
Rent	1,033,119
Daily allowances and incentive bonuses	601,087
Food	498,110
Training, recruiting and development	212,169
Office expenses	257,389
Learning program	215,564
Amortization of capital assets	89,177
Other	204,453
	<u>7,607,725</u>
Excess of revenues over expenses	<u><u>-</u></u>

Corporation Katimavik - Opcan

Supplementary Information

Year ended March 31, 2007

(Unaudited)

	<u>August 31, 2006</u>
	\$
<i>BALANCE SHEET</i>	
Assets	
Current assets	
Cash	470,202
Accounts receivable	46,307
Taxes receivable	305,654
Advances to employees	36,124
Prepaid expenses	<u>164,362</u>
	1,022,649
Capital assets	<u>798,383</u>
	<u><u>1,821,032</u></u>
Liabilities and nets assets	
Current liabilities	
Accounts payable and accrued liabilities	507,639
Deferred contributions related to activities	<u>515,010</u>
	1,022,649
Deferred contributions related to capital assets	<u>798,383</u>
	<u><u>1,821,032</u></u>