

**FONDATION LA CLÉ**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**Table of contents**

	<b>Page</b>
Independent auditor's report	2 - 5
Results	6
Changes in net assets	7
Statement of financial position	8
Cash flows	9
Supplementary notes	10 - 16
Supplementary information	17



## INDEPENDENT AUDITOR'S REPORT

To the directors of Fondation La Clé

### Qualified opinion

We have audited the financial statements of Fondation La Clé (the "Foundation"), which comprise the statement of financial position as at June 30, 2022, the statements of operations, changes in net assets and cash flows for the year then ended and the related notes, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the paragraph entitled "Basis for qualified opinion" in our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2022, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for qualified opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were unable to determine whether any adjustments might be necessary to donations revenue, excess of revenues over expenditures and cash flows from operations for the year ended June 30, 2022, current assets as at June 30, 2022, and net assets as at July 1, 2021, and June 30, 2022. Consequently, we have expressed a qualified opinion on the financial statements for the fiscal year ended June 30, 2022, because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the section of our report entitled "Auditor's responsibilities for the audit of the financial statements." We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Other information**

Other information is the responsibility of management. Other information consists of the information contained in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not extend to the other information and we do not express any assurance whatsoever on such information.

As for our audit of the financial statements, our responsibility is to read the other information and, in so doing, to assess whether there is any material inconsistency between that information and the financial statements or the knowledge that we obtained over the course of the audit, or whether the other information would otherwise appear to contain a material misstatement. Should we conclude that there is a material misstatement in the other information based on our work, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern and for disclosing, as applicable, matters related to going concerns and use the going concern basis of accounting unless management intends to liquidate the Foundation or to cease operations or unless it has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also carry out these activities:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than it would be for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Gareau-Rinfret CPA inc.<sup>1</sup>*

Longueuil, Quebec  
September 21, 2022

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<sup>1</sup> By CPA Auditor, CA, public accountancy permit No. A125715

**FONDATION LA CLÉ**  
**RESULTS**  
**YEAR ENDED JUNE 30, 2022**

Page 6

	<b>2022</b>	<b>2021</b>
<b>Income</b>		
Income – Unrestricted (Schedule A)	\$658,899	\$364,353
OMHM donations (note 11)	34,781	35,000
Investment revenues (Schedule B)	3,035	(233)
	<b>696,715</b>	<b>399,120</b>
<b>Expenses</b>		
Salaries and benefits	129,432	25,467
Scholarships and financial aid	142,527	110,162
Professional fees related to the major fundraising campaign	52,844	61,026
Public relations expenses	38,264	12,978
Professional fees in human resources	25,250	57,094
Professional fees	15,631	15,271
Office supplies	4,917	3,466
Training	3,417	-
Amortization of intangible assets	2,895	-
Insurance	2,403	2,924
Credit card fees	1,438	1,136
Expenses associated with other activities	1,173	-
Telecommunications	1,020	180
Administration fees	2,835	2,835
Taxes and permits	55	123
Silent auction fees	-	20,229
	<b>424,101</b>	<b>312,891</b>
<b>Excess of revenues over expenditures</b>	<b>\$272,614</b>	<b>\$86,229</b>

The supplementary notes and information form an integral part of the financial statements.

**FONDATION LA CLÉ**  
**CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2022**

Page 7

	<b>Net assets invested in intangible assets</b>	<b>Restricted net assets</b>	<b>Unrestricted net assets</b>	<b>2022 Total</b>	<b>2021 Total</b>
<b>Balance at the beginning of the year</b>	\$7,900	\$56,835	\$215,535	\$280,270	\$194,041
Excess of revenues over expenditures	(2,895)	(39,335)	314,844	272,614	86,229
Internally restricted (note 9)	-	46,835	(46,835)	-	-
Assets restricted to intangible assets	3,676	-	(3,676)	-	-
<b>Balance at end of year</b>	<b>\$8,681</b>	<b>\$64,335</b>	<b>\$479,868</b>	<b>\$552,884</b>	<b>\$280,270</b>

Supplementary notes form an integral part of the financial statements.



**FONDATION LA CLÉ**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022**

Page 8

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets		
Cash balance	\$420,201	\$216,417
Reserved cash balance (note 9)	64,335	56,835
Accounts receivable (note 3)	62,549	29,356
Prepaid expenses	3,200	2,825
	550,285	305,433
Investments (note 5)	64,397	64,065
Intangible assets (note 6)	8,681	7,900
	73,078	71,965
	\$623,363	\$377,398
<b>Liabilities</b>		
Current liabilities		
Accounts payable (note 7)	\$55,479	\$22,128
Deferred contributions (note 8)	15,000	75,000
	70,479	97,128
<b>Net assets</b>		
Net assets restricted as intangible assets	8,681	7,900
Restricted net assets (note 9)	64,335	56,835
Unrestricted net assets	479,868	215,535
	552,884	280,270
	\$623,363	\$377,398

Supplementary notes form an integral part of the financial statements.

Contractual commitments (note 12)

**For the Board of Directors,**

\_\_\_\_\_, director

\_\_\_\_\_, director

**FONDATION LA CLÉ**  
**CASH FLOWS**  
**YEAR ENDED JUNE 30, 2022**

Page 9

	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Excess of revenues over expenditures	\$272,614	\$86,229
Items not affecting cash:		
Unrealized gains (losses) on investments	(161)	(338)
Reinvested dividend income	(171)	(128)
Amortization of intangible assets	2,895	-
	<b>275,177</b>	<b>85,763</b>
 Net change in non-cash working capital:		
Accounts receivable	(33,193)	(19,237)
Prepaid expenses	(375)	(53)
Accounts payable	33,351	2,758
Deferred contributions	(60,000)	-
	<b>(60,217)</b>	<b>(16,532)</b>
Cash flows from operating activities	<b>214,960</b>	<b>69,231</b>
 <b>Investment activities</b>		
Purchase of intangible assets	(3,676)	(7,900)
Decrease (increase) in reserved cash balance	(7,500)	1,445
Cash flows from investment activities	<b>(11,176)</b>	<b>(6,455)</b>
 <b>Increase in cash and cash equivalents</b>	<b>203,784</b>	<b>62,776</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>216,417</b>	<b>153,641</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$420,201</b>	<b>\$216,417</b>

Cash and cash equivalents consist of the cash balance.  
Supplementary notes form an integral part of the financial statements.

## 1. Purpose and legal form of the Foundation

Fondation La Clé (the “Foundation”) was incorporated as a non-profit organization under part III of Quebec’s *Companies Act* on March 7, 2007, and is a charitable organization within the meaning of the *Income Tax Act*.

The mission of the Foundation is to help young people living in the low-cost housing of the Office municipal d’habitation de Montréal to persevere in their studies and reach their full potential. It promotes academic perseverance, increased self-esteem and the development of these young people’s initiative.

## 2. Significant accounting policies

The Foundation follows the Canadian accounting standards for not-for-profit organizations.

### Use of estimates

The preparation of financial statements requires that management make estimates and assumptions that affect the amounts reported as assets and liabilities and the amounts recognized as revenues and expenses during the relevant fiscal years. Actual results may differ from these estimates. The main estimates relate to the depreciation of financial assets and the useful life of intangible amortizable assets.

### Revenue recognition

The Foundation 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 received or receivable if the amount to be received can be reasonably estimated and receipt is reasonably assured. Endowment contributions are recognized as a direct increase in net assets.

Investment transactions are recorded on the date that they occur and the resulting revenue is recognized according to an accrual basis of accounting.

Interest income is recognized on the basis of time elapsed while dividend income is recognized on the date of declaration. Gains on investments are recognized when they occur.

### Pledge recognition

As the receipt of pledged amounts is uncertain, the Foundation recognizes as pledges only those amounts actually received at the date of completion of the financial statements.

## 2. Significant accounting policies (continued)

### Contributed services

The Office municipal d'habitation de Montréal ("OMHM") provides the Foundation with administrative support from the Executive Committee, the Secretariat General and the Finance Department, consulting from the Social and Community Development Department, collaboration from the Communications Department and volunteer participation from OMHM employees. Because of the difficulty in determining the fair value of the contributions received in the form of services, they are not recognized in the financial statements. In addition, the Foundation operates in spaces that are offered to it free of charge by the OMHM. It does not recognize this service contribution in its financial statements.

### Intangible assets

Intangible assets are recorded at cost. They are amortized on a straight-line basis over the periods indicated below:

	Method	Period
Website	Straight-line amortization	4 years

### Translation of transactions and items denominated in foreign currencies

The Foundation uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate on the closing date. Other assets and liabilities are translated at the exchange rate prevailing on the transaction date. Revenues and expenses are translated at the exchange rate prevailing on the transaction date. Exchange gains and losses are included in results for the fiscal year.

### Cash and cash equivalents

It is the Foundation's policy to report bank balances and term deposits with maturities of three months or less from the date of acquisition as cash and cash equivalents.

### Financial instruments

#### *Initial measurement*

The Foundation initially measures its financial assets and financial liabilities created or exchanged in arm's length transactions at fair value. Financial assets and financial liabilities that have been created or exchanged in related party transactions, except for parties who have no other relationship with the Foundation than in their capacity as members of management, are initially measured at cost.

## 2. Significant accounting policies (continued)

### Financial instruments (continued)

#### *Subsequent measurement*

The Foundation subsequently values all of its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments listed on an active market, which are measured at fair value. Variations in the fair value of these financial instruments are recorded in the financial results for the period in which they occur.

Financial assets measured at amortized cost on a straight-line basis consist of the cash balance, restricted cash balance and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis consist of accounts payable and accrued liabilities.

Financial assets measured at fair value consist of shares of publicly traded companies and mutual funds and equivalents.

## 3. Accounts receivable

	2022	2021
Énergir subsidy receivable	\$58,350	-
Donations from OMHM receivable	-	20,000
OMHM employee donations receivable	-	1,969
Sales tax receivable	4,199	7,387
	<u>\$62,549</u>	<u>\$29,356</u>

## 4. Pledges

As part of its major fundraising campaign, the Foundation has secured pledges totalling \$1,747,000 as at June 30, 2022. In accordance with the Foundation's policy in this regard as disclosed in note 2, only \$382,500 (\$68,000 as at June 30, 2021) has been recognized as revenue in the fiscal year. Over the next few years, the organization expects to receive the following amounts: \$412,000 in 2023, \$324,500 in 2024, \$314,500 in 2025, \$229,500 in 2026 and \$16,000 in 2027.

**5. Investments**

	<b>2022</b>	<b>2021</b>
Shares of publicly traded companies, measured at fair value (cost of \$4,782)	\$4,745	\$4,585
Mutual funds and equivalents, measured at fair value (cost of \$59,480)	59,652	59,480
	<b>\$64,397</b>	<b>\$64,065</b>

**6. Intangible assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2022 Net value</b>	<b>2021 Net value</b>
Website	\$11,576	\$2,895	\$8,681	\$7,900

**7. Accounts payable**

	<b>2022</b>	<b>2021</b>
Accounts payable	\$5,157	\$3,931
Accrued liabilities	50,322	18,197
	<b>\$55,479</b>	<b>\$22,128</b>

**8. Deferred contributions**

	<b>2022</b>	<b>2021</b>
Lucie and André Chagnon Foundation	\$ -	\$75,000
Office municipal d'habitation de Montréal	15,000	-
	<b>\$15,000</b>	<b>\$75,000</b>
	<b>2022</b>	<b>2021</b>
Balance at the beginning of the year	75,000	\$ -
Plus amount received for subsequent fiscal years	15,000	75,000
	<b>\$90,000</b>	<b>\$75,000</b>
Less amount recognized as revenue in the fiscal year	(75,000)	(75,000)
Balance at end of year	<b>\$15,000</b>	<b>\$75,000</b>

**9. Restricted net assets**

The Foundation's Board of Directors has resolved to restrict the amounts to be disbursed in accordance with agreements with its partners. The Foundation may not use such internally restricted amounts for any other purpose without the prior consent of the Board of Directors. As at June 30, 2022, the Foundation has restricted \$46,835 (\$46,835 in 2021) of its funds to programs associated with its partners. Accordingly, as at June 30, 2022, the balance of internally restricted net assets under an agreement with Educaid is \$34,335 (\$34,335 in 2021) and the balance of internally restricted net assets under an agreement with the Fondation du Collège de Montréal is \$30,000 (\$22,500 in 2021) for a total of \$64,335 (\$56,835 in 2021). A cash balance of \$64,335 (\$56,835 in 2021) has been reserved for these purposes. An expense of \$39,335 (\$48,280 in 2021) was recorded in the Foundation's statement of operations under these agreements.

**10. Gifts in kind**

During the last fiscal year, the Foundation received and recorded equity investments given by major donors for a total of \$97,364 (\$64,967 in 2020) and gifts of various goods for the silent auction for a total of \$17,231 (\$ - in 2020). These gifts were recorded at their fair values at the date of receipt of the gift.

## 11. Transactions with the OMHM

The OMHM Board of Directors approved a resolution of support for the Foundation. Under the resolution, annual expenses including communication expenses and professional fees up to a maximum of \$15,000 are assumed by the OMHM's community and social development reserves. This amount is authorized until December 31, 2022. As at June 30, 2022, \$14,781 (\$15,000 in 2021) in expenses have been assumed by the OMHM.

The OMHM Board of Directors approved a resolution of support for the Foundation. Under the resolution, half (50%) of the annual human resources and management expenses incurred by the Foundation up to a maximum of \$20,000 are assumed by the OMHM. This amount is authorized until December 31, 2022. As at June 30, 2022, \$20,000 (\$20,000 in 2021) in expenses have been assumed by the OMHM.

## 12. Contractual commitments

The Foundation's undertakings under agreements with partners total \$64,335 and the payments to be made over the next five years are as follows:

2023	\$30,390
2024	18,945
2025	7,500
2026	5,000
2027	2,500
	<hr/>
	\$64,335

## 13. Financial instruments

### Financial risks

The significant risks associated with financial instruments to which the Foundation is exposed as at June 30, 2022, are set out below.

### Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulties in meeting obligations associated with its financial liabilities. The Foundation is exposed to this risk primarily with its accounts payable and accrued liabilities.

### Credit risk

Credit risk is the risk that a party to a financial asset will default on an obligation and cause the Foundation to incur a financial loss. The Foundation's credit risk is primarily related to accounts receivable.



### 13. Financial instruments (continued)

#### Credit risk (continued)

For grants receivable, the Foundation assesses, on an ongoing basis, amounts receivable based on amounts it is virtually certain to receive based on their estimated realizable value.

As for pledges, the Foundation only records amounts at the end of the fiscal year at the date of completion of the financial statements.

#### Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of variations in foreign exchange rates.

The Foundation makes sales and purchases in foreign currencies. As a result, certain assets and liabilities are exposed to currency fluctuations. As at June 30, 2022, assets and liabilities denominated in foreign currencies and translated into Canadian dollars are as follows:

	2022	2021
Cash balance (in US currency)	\$39,279	\$39,279

#### 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 variations in interest rates. The Foundation is exposed to interest rate risk with its fixed and variable interest rate financial instruments. Fixed interest rate instruments make the Foundation subject to fair value risk as fair value varies inversely with variations in market interest rates. Variable rate instruments make the Foundation subject to fluctuations in related future cash flows.

#### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of variations in market prices other than those arising from interest rate risk and currency risk, whether such variations are caused by factors specific to the instrument itself or its issuer, or by factors affecting all similar financial instruments traded on the market. The Foundation is mainly exposed to other price risk with its investments in publicly traded stocks, the value of which fluctuates with the stock market.

	<b>2022</b>	<b>2021</b>
<b>Schedule A – Income – Unrestricted</b>		
Major campaign donations	\$382,500	\$68,000
Énergir subsidy	128,790	-
Corporate donations	89,704	110,216
Donations from individuals	31,198	28,920
Charity challenge donations	14,647	11,360
OMHM employee donations	12,060	16,676
Gifts in kind	-	114,594
Silent auction	-	14,587
	<b>\$658,899</b>	<b>\$364,353</b>
<b>Schedule B – Investment revenues</b>		
Unrealized foreign exchange gains	\$1,826	\$449
Interest income	610	-
Dividend income	438	476
Unrealized gains (losses) on investments	161	338
Realized gains (losses) on investments	-	258
Realized foreign exchange losses	-	(1,754)
	<b>\$3,035</b>	<b>(\$233)</b>