

FONDATION LA CLÉ
FINANCIAL STATEMENTS
JUNE 30, 2024

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SUMMARY

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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, 2024, the statements of operations, changes in net assets and cash flows for the year then ended, and the supplementary notes, including the summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the "Basis for qualified opinion" paragraph of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2024 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

Like many not-for-profit organizations, the Foundation derives income from donations and the annual fundraising event, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this income 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 the donations revenue, the annual fundraising event, the excess of revenues over expenditures, the cash flows from operations for the years ended June 30, 2024 and 2023, current assets as at June 30, 2024 and 2023, and net assets as at July 1, 2024 and 2023, and June 30, 2024 and 2023. Consequently, we have expressed a qualified opinion on the financial statements for the fiscal year ended June 30, 2023, 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 the internal controls which management determines are necessary for the preparation of financial statements that are free of 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; management must also use the going concern basis of accounting, unless management intends to liquidate the Foundation or cease operations, or if there is 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 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:

- 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 the attention of those reading our report to the related disclosures in the financial statements about that uncertainty or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on evidence obtained up to the date of our report. 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 in the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair representation.

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.

[signature] ¹

Brossard
September 18, 2024

¹ By CPA auditor, public accountancy permit no. A125715

FONDATION LA CLÉ

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 2024

	2024 \$	2023 \$
INCOME		
Unrestricted contributions (Appendix A)	421,301	630,702
Annual fundraising event (Note 10)	99,255	-
OMHM donations (Note 11)	50,000	35,000
Énergir subsidy	40,050	52,860
Net income from investments (Appendix B)	35,950	21,560
	<u>646,556</u>	<u>740,122</u>
ADMINISTRATIVE EXPENSES		
Wages and benefits	161,488	141,799
Public relations expenses	42,075	38,199
Expenses associated with the annual fundraising event (Note 10)	31,391	
Management fees for awarding scholarships	5,085	1,350
Professional fees	4,719	8,481
Office supplies	3,532	3,791
Insurance	2,843	2,143
Telecommunications	1,478	1,683
Taxes and permits	38	37
Banking and credit card fees	1,881	874
Amortization of intangible assets	2,895	2,895
	<u>257,425</u>	<u>201,252</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE ALLOCATION OF FUNDS	389,131	538,870
LESS: ALLOCATION OF FUNDS – SCHOLARSHIPS AND FINANCIAL ASSISTANCE (Appendix C)	263,039	196,461
EXCESS OF REVENUES OVER EXPENDITURES	<u>126,092</u>	<u>342,409</u>

FONDATION LA CLÉ
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2024

	Invested in intangible assets \$	Internally restricted \$	Unrestricted \$	2024 Total \$	2023 Total \$
BALANCE AT BEGINNING OF YEAR	5,786	889,912	(405)	895,293	552,884
EXCESS OF REVENUES OVER EXPENDITURES	(2,895)	(263,039)	(392,026)	126,092	342,409
INCREASE IN INTERNAL RESTRICTIONS (Note 3)	-	384,353	(384,353)	-	-
BALANCE AT END OF YEAR	2,891	1,011,226	7,268	1,021,385	895,293

FONDATION LA CLÉ
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

	2024 \$	2023 \$
ASSETS		
CURRENT ASSETS		
Cash on hand	-	14,012
Restricted cash (Note 3)	361,476	251,349
Accounts receivable (Note 4)	49,729	6,999
Prepaid expenses	26,498	4,795
	437,703	277,155
RESTRICTED CASH (Note 3)	649,750	638,563
INVESTMENTS (Note 6)	67,680	66,055
INTANGIBLE ASSETS (Note 7)	2,891	5,786
LIABILITIES	1,158,024	987,559
CURRENT LIABILITIES		
Bank overdraft	18,330	-
Accounts payable (Note 8)	63,251	44,287
Deferred contributions (Note 9)	55,058	47,979
	136,639	92,266
NET ASSETS		
INVESTED IN INTANGIBLE ASSETS	2,891	5,786
INTERNALLY RESTRICTED (Note 3)	1,011,226	889,912
UNRESTRICTED	7,268	(405)
	1,021,385	895,293
	1,158,024	987,559

For the Board of Directors,

[signature] , director

[signature] , director

FONDATION LA CLÉ

CASH FLOW STATEMENT

YEAR ENDED JUNE 30, 2024

	2024 \$	2023 \$
OPERATING ACTIVITIES		
Excess of revenues over expenditures	126,092	342,409
Non-cash items:		
Amortization of intangible assets	2,895	2,895
Unrealized losses on change in fair market value of investments	1,207	214
Reinvested interest income	(2,832)	(1,872)
	127,362	343,646
Net change in non-cash working capital:		
Accounts receivable	(42,730)	(55,550)
Restricted cash	(110,127)	(250,959)
Prepaid expenses	(21,703)	(1,595)
Accounts payable	18,964	(11,192)
Deferred contributions	7,079	32,979
	(148,517)	(175,217)
	(21,155)	(168,429)
INVESTMENT ACTIVITIES		
Decrease (increase) in restricted cash	(11,187)	(574,618)
DECREASE IN CASH AND CASH EQUIVALENTS	(32,342)	(406,189)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,012	420,201
CASH AND CASH EQUIVALENTS (DEFICIENCY) AT END OF YEAR	(18,330)	14,012

Cash and cash equivalents consist of cash on hand and bank overdrafts.

FONDATION LA CLÉ

SUPPLEMENTARY NOTES

JUNE 30, 2024

1. ARTICLES OF INCORPORATION AND OBJECTIVES

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

The Foundation's mission is to help young people living in the Office municipal d'habitation de Montréal's low-cost housing to stay in school and reach their full potential. It encourages them to build self-esteem and develop a sense of 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 management to make estimates and assumptions that affect the amounts reported as assets and liabilities and the amounts recorded as income and expenditures during the relevant reporting periods. 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.

INCOME RECOGNITION

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as income in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as income when received or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as a direct increase in net assets.

Investment transactions are recognized on the transaction date and the resulting income is recorded using accrual accounting.

Interest income is recognized on a time apportionment basis whereas dividend income is recognized when it is declared. Gains on investments are recognized when they occur.

CONTRIBUTIONS RECEIVED IN THE FORM OF GOODS AND SERVICES

The Foundation receives contributions in the form of goods and services from donors. Contributions in the form of goods and services used in the normal course of operations, which would have had to be acquired by the Foundation in the absence of a contribution and whose fair value can be reasonably estimated, are measured at their fair value. Other contributions in the form of goods and services are not recorded in the financial statements.

FONDATION LA CLÉ

SUPPLEMENTARY NOTES

JUNE 30, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Income and expenditures are translated at the exchange rate in effect 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, including overdrafts when balances fluctuate frequently between positive and negative, as cash and cash equivalents.

FINANCIAL INSTRUMENTS

Initial measurement

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

Subsequent measurement

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

The financial assets measured at amortized cost consist of cash on hand, restricted cash and accounts receivable, with the exception of taxes on commercial transactions.

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

FONDATION LA CLÉ

SUPPLEMENTARY NOTES

JUNE 30, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**FINANCIAL INSTRUMENTS (continued)***Impairment*

With regard to financial assets measured at amortized cost, the Foundation determines whether there are any indicators of impairment. If so, and if the Foundation determines that there has been a significant adverse change in the expected timing or amount of future cash flows, a provision for impairment is recorded in results for the fiscal year. If the impairment indicators diminish or disappear, the previously recognized impairment loss must be reversed to the extent of the improvement. The carrying value of the financial asset cannot exceed the amount that would have been reported at the date of reversal had the impairment loss never been recorded. The reversal is recorded in results for the fiscal year.

Transaction costs

Transaction costs attributable to financial instruments subsequently measured at fair value and to those created or exchanged in a related-party transaction are recorded in the results for the fiscal year in which they are incurred. Transaction costs relating to financial instruments created or exchanged on an arm's length basis that are subsequently measured at amortized cost are recorded at the instrument's initial cost. When the instrument is measured at amortized cost, transaction costs are then recorded in results for the fiscal year over the life of the instrument using the straight-line method.

RECOGNITION OF PLEDGES

As the collection of pledged amounts is uncertain, pledges received prior to the date of the financial statements are recorded only if they have been collected prior to the date of completion of the financial statements.

INTANGIBLE ASSETS

The website is recorded at cost. It is amortized based on its estimated useful life using the straight-line method over a period of four years.

IMPAIRMENT OF LONG-LIVED ASSETS

Amortizable intangible assets are tested for recoverability when events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment is recorded when their carrying value exceeds the undiscounted cash flows resulting from their use and eventual disposal. The impairment recorded is measured as the amount by which the asset's carrying value exceeds its fair value.

FONDATION LA CLÉ

SUPPLEMENTARY NOTES

JUNE 30, 2024

3. INTERNAL RESTRICTIONS

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 these internally restricted amounts for any other purpose without the prior consent of the Board of Directors.

As at June 30, 2024, the Foundation had allocated \$384,354 (\$895,439 in 2023) of its funds to programs associated with its various partners and \$263,039 (\$196,461 in 2023) had been used. Accordingly, as at June 30, 2024, the balance of internally restricted net assets under agreements with Educaid was \$177,500 (\$67,035 in 2023), that under agreements with the Fondation du Collège de Montréal was \$71,000 (\$35,000 in 2023), that under an agreement with Videotron was \$610,476 (\$622,877 in 2023), that under agreements with community organizations was \$135,000 (\$165,000 in 2023), and that for the new post-secondary scholarship program was \$17,250, for a total of \$1,011,226 (\$889,912 in 2023).

Short-term cash in the amount of \$361,476 (\$251,349 in 2023) and long-term cash in the amount of \$649,750 (\$638,563 in 2023) for a total of \$1,011,226 (\$889,912 in 2023) have been set aside for these purposes. An expenditure of \$263,039 (\$196,461 in 2023) was recorded in the Foundation's statement of operations under these agreements, and is included under "Scholarships and financial assistance."

	2024	2023
	\$	\$
Details of internal restrictions:		
Educaid	177,500	67,035
Fondation du Collège de Montréal	71,000	35,000
Videotron – Digital divide	610,476	622,877
Community organizations	135,000	165,000
Post-secondary scholarships	17,250	—
	1,011,226	889,912

4. ACCOUNTS RECEIVABLE

	2024	2023
	\$	\$
OMHM donations	35,000	—
Taxes on commercial transactions	5,726	2,621
Énergir subsidy	3,150	—
Accrued interest	2,890	2,725
Other accounts receivable	1,899	—
Other donations	1,064	1,653
	49,729	6,999

FONDATION LA CLÉ

SUPPLEMENTARY NOTES

JUNE 30, 2024

5. PLEDGES

As part of its major fundraising campaign, the Foundation has received pledges totalling \$2,097,541 as at June 30, 2024 (\$2,147,541 as at June 30, 2023). In accordance with the Foundation's policy in this regard as disclosed in Note 2, only \$321,450 (\$624,320 as at June 30, 2023) has been recorded as income in the fiscal year. In future years, the organization expects to receive the following amounts: \$343,579 in 2025, \$213,631 in 2026, \$104,582 in 2027 and \$5,600 in 2028.

6. INVESTMENTS

	2024	2023
	\$	\$
Shares of publicly traded companies, measured at fair value (cost of \$4,782 in 2024 and 2023)	3,323	4,530
Mutual funds and equivalents, measured at fair value (cost of \$64,357; \$61,525 in 2023)	64,357	61,525
	<u>67,680</u>	<u>66,055</u>

7. INTANGIBLE ASSETS

	2024		2023	
	Cost \$	Accumulated amortization \$	Net value \$	Net value \$
Website	11,576	8,685	2,891	5,786

8. ACCOUNTS PAYABLE

	2024	2023
	\$	\$
Accounts payable and accrued liabilities	44,246	32,498
Wages and vacations	19,005	11,789
	<u>63,251</u>	<u>44,287</u>

FONDATION LA CLÉ

SUPPLEMENTARY NOTES

JUNE 30, 2024

9. DEFERRED CONTRIBUTIONS

	2024	2023
	\$	\$
Deferred contributions are broken down as follows:		
Office municipal d'habitation de Montréal	-	15,000
Scotiabank	55,058	32,979
	55,058	47,979
	2024	2023
	\$	\$
Balance at beginning of year	47,979	15,000
Plus: amount received for subsequent years	32,979	47,979
	80,958	62,979
Minus: amount recognized as income for the year	(47,979)	(15,000)
Balance at end of year	55,058	47,979

10. DONATIONS IN KIND

During the fiscal year, the Foundation received various goods for the silent auction held during the annual fundraising event, worth a total amount of \$6,210. These donations were recorded at their fair value on the date of receipt and are included in the income from, and expenses for, the annual fundraising event.

11. TRANSACTIONS WITH THE OMHM

The Office municipal d'habitation de Montréal ("OMHM") provides the Foundation with support from its General Management, General Secretariat and Finance Department in the form of administration, as well as advice from the Social and Community Development Department, and collaboration from the Communications Department along with the voluntary participation of OMHM employees. In addition, the Foundation operates in premises provided to it free of charge by the OMHM. Because of the difficulty in determining the fair value of the contributions received in the form of services and premises, they are not recognized in the financial statements.

FONDATION LA CLÉ

SUPPLEMENTARY NOTES

JUNE 30, 2024

11. TRANSACTIONS WITH THE OMHM (continued)

Furthermore, during the fiscal year, the OMHM Board of Directors approved a resolution for a collaborative arrangement between the OMHM and the Foundation. Under the arrangement, an amount of \$50,000 for annual operating expenses was paid for the year ended June 30, 2024 (\$35,000 in 2023). This amount is authorized each year.

12. CONTRACTUAL COMMITMENTS

The Foundation's undertakings under agreements with partners total \$1,017,350 and the payments to be made over the course of the upcoming fiscal years are as follows:

	\$
2025	380,916
2026	217,642
2027	209,409
2028	166,588
2029	26,030
Others	16,765
	1,017,350

13. FINANCIAL INSTRUMENTS**14. FINANCIAL RISKS**

The significant risks associated with financial instruments to which the Foundation is exposed as at June 30, 2024, are set out below.

CREDIT RISK

Credit risk is the risk that a party to a financial asset will default on one of its obligations, thereby causing the Foundation to incur a financial loss. The Foundation's credit risk is mainly related to grants receivable, donations receivable and other accounts receivable.

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

MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of variations in market prices. Some of the Foundation's financial instruments expose it to foreign exchange risk, interest rate risk and other price risk.

FONDATION LA CLÉ

SUPPLEMENTARY NOTES

JUNE 30, 2024

13. FINANCIAL INSTRUMENTS (continued)**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, 2024, assets and liabilities denominated in foreign currencies and translated into Canadian dollars are as follows:

	2024	2023
	\$	\$
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 changes in interest rates. The Foundation is exposed to interest rate risk with respect to both its fixed-rate and variable-rate financial instruments. Fixed-rate instruments subject the Foundation to fair value risk, since fair value varies inversely with changes in market interest rates. Variable-rate instruments subject the Foundation to fluctuations in the related future cash flows. The Foundation is indirectly exposed to interest rate risk due to its investments in mutual funds.

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.

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. During the fiscal year, the Foundation's exposure to liquidity risk changed in comparison to the previous fiscal year due to the increase in accounts payable.

FONDATION LA CLÉ

SUPPLEMENTARY NOTES

JUNE 30, 2024

14. COMPARATIVE FIGURES

Certain figures for the 2023 fiscal year have been reclassified to conform to the presentation adopted for 2024.

FONDATION LA CLÉ

SUPPLEMENTARY INFORMATION

JUNE 30, 2024

	2024 \$	2023 \$
APPENDIX A – UNRESTRICTED CONTRIBUTIONS		
Donations related to the major fundraising campaign (Note 5)	321,450	591,341
Corporate donations	33,242	3,572
Charity challenge donations	26,555	7,766
OMHM employee donations	22,705	22,621
Donations from individuals	17,349	5,402
	<u>421,301</u>	<u>630,702</u>
APPENDIX B – NET INCOME FROM INVESTMENTS		
Interest income	35,093	18,191
Unrealized foreign exchange gains	1,772	1,432
Dividend income	292	2,152
Unrealized losses on change in fair market value of investments	<u>(1,207)</u>	<u>(215)</u>
	<u>35,950</u>	<u>21,560</u>
APPENDIX C – ALLOCATION OF FUNDS – SCHOLARSHIPS AND FINANCIAL ASSISTANCE		
Assistance to community organizations	135,000	135,000
High school scholarships	65,096	22,814
Digital divide	62,943	38,647
	<u>263,039</u>	<u>196,461</u>