

**Fondation du Cégep Héritage
/ Heritage College Foundation**

**Financial Statements
June 30, 2021**

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Independent Auditor's Report

To the Board Directors of
Fondation du Cégep Héritage / Heritage College Foundation

**Raymond Chabot
Grant Thornton LLP**
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Qualified opinion

We have audited the financial statements of Fondation du Cégep Héritage / Heritage College Foundation (hereafter "the Organization"), which comprise the statement of financial position as at June 30, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies, and the schedules.

In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2021, 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.

Basis for qualified opinion

In common with many not-for-profit organizations, the Organization derives revenue from general contributions from individuals, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these contributions was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to the general individuals contributions, excess of revenues over expenses and cash flows from operating activities for the year ended June 30, 2021 and current assets and net assets as at June 30, 2021. The predecessor auditor expressed a qualified opinion on the financial statements for the year ended June 30, 2020 because of the possible effects of the similar 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 "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Organization 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 matter – Comparative information audited by a predecessor auditor

The financial statements of the Organization for the year ended June 30, 2020 were audited by another auditor who expressed, in respect of those financial statements on December 14, 2020, a qualified opinion for the reason described in the "Basis for qualified opinion" section.

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 Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 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 Organization'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 Organization'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 Organization 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.

Raymond Chabot Grant Thornton LLP¹

Gatineau
March 8, 2022

¹ CPA auditor, CA, MBA public accountancy permit no. A134381

Fondation du Cégep Héritage / Heritage College Foundation

Operations

Year ended June 30, 2021

	<u>2021</u>	<u>2020</u>
	\$	\$
Revenues		
Government grants (Schedule A)	37,500	20,000
Partnerships	15,000	2,000
General contributions - Individual	9,029	12,581
General contributions - Business	12,700	17,170
General contributions - Non-for-profit organization	53,505	41,611
	<u>127,734</u>	<u>93,362</u>
Expenses		
Charitable activities (Schedule B)	113,453	59,655
Operating expenses (Schedule C)	3,659	4,473
Fundraising expenses (Schedule D)	7,771	8,514
	<u>124,883</u>	<u>72,642</u>
Excess of revenues over expenses before net investment income	2,851	20,720
Net investment income	11,281	3,141
Excess of revenues over expenses	14,132	23,861

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

Fondation du Cégep Héritage / Heritage College Foundation

Changes in Net Assets

Year ended June 30, 2021

	<u>2021</u>	<u>2020</u>
	\$	\$
Net assets, beginning of year		
As previously reported	381,956	364,580
Accounting changes (Note 2)	<u>(15,384)</u>	<u>(21,869)</u>
As restated	366,572	342,711
Excess of revenues over expenses	<u>14,132</u>	<u>23,861</u>
Net assets, end of year	<u>380,704</u>	<u>366,572</u>

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

Fondation du Cégep Héritage / Heritage College Foundation

Cash Flows

Year ended June 30, 2021

	<u>2021</u>	<u>2020</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	14,132	23,861
Net change in working capital items		
Trade and other receivables	5,319	(1,613)
Prepaid expenses	4,787	(5,500)
Bursaries payables	55,857	1,572
Cash flows from operating activities	80,095	18,320
INVESTING ACTIVITIES		
Purchase of investments	(96,035)	
Disposal of investments	3,000	183,748
Cash flows from investing activities	(93,035)	183,748
FINANCING ACTIVITIES		
Net change in payable to Heritage College and cash flows from financing activities	38,677	39,771
Net increase in cash	25,737	241,839
Cash, beginning of year	277,502	35,663
Cash, end of year	303,239	277,502
CASH		
Cash	40,204	18,448
Low-interest cash	263,035	259,054
	303,239	277,502

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

Fondation du Cégep Héritage / Heritage College Foundation
Financial Position
June 30, 2021

	<u>2021</u>	<u>2020</u>
	\$	\$
ASSETS		
Current		
Cash	40,204	18,448
Low-interest cash	263,035	259,054
Trade and other receivables (Note 4)	13,501	18,821
Prepaid expenses	714	5,500
	<u>317,454</u>	<u>301,823</u>
Long-term		
Investments (Note 5)	236,207	143,171
	<u>553,661</u>	<u>444,994</u>
LIABILITIES		
Current		
Bursaries payable	57,429	1,571
Payable to Heritage College, without interest	115,528	76,851
	<u>172,957</u>	<u>78,422</u>
UNRESTRICTED NET ASSETS	<u>380,704</u>	<u>366,572</u>
	<u>553,661</u>	<u>444,994</u>

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

On behalf of the Board,

Director

Director

Fondation du Cégep Héritage / Heritage College Foundation

Notes to Financial Statements

June 30, 2021

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization is incorporated under the Part III of the Companies Act (Québec) for the purpose of raising funds in order to enhance Heritage College's student services, increase its resources allocated to bursaries, student projects, improve accessibility of special needs students and to replace and upgrade teaching technology and equipment. The Organization is a registered charitable organization within the meaning of the Income Tax Act and, as such, is exempt from income tax.

2 - ACCOUNTING CHANGES

During the year, the Organization retrospectively amended its accounting method for the market-linked investments for greater precision. Previously, the Organization subsequently measured the market-linked investments at fair value. For the year ended, these are measured at amortized cost, showing interest of market-linked investments only at maturity. As at June 30, 2020 and for the year then ended, this change led to adjustments such as an increase in net investment income and excess of revenues over expenses of \$6,486, net assets and investments of \$15,384 and a decrease in the opening balance of net assets of \$21,869.

The Organization amended their accounting method for in-kind services. Per the accounting standards, an organization may choose to recognize in-kind services. Previously, the Organization chose to recognize in-kind services when it was respecting all contributions recognition principles. This change led to a decrease of both revenues and expenses in the amount of \$39,771.

3 - SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements, notes to financial statements and schedules. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities from transactions not concluded with related parties are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs.

Fondation du Cégep Héritage / Heritage College Foundation

Notes to Financial Statements

June 30, 2021

3 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

Revenue recognition

Contributions

The Organization follows 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.

Net investment income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Interest income is recognized on a time apportionment basis. Income from market-linked guaranteed investments are recognized when occurs.

Net investment income is not subject to externally imposed restrictions and is recognized in the statement of operations.

In-Kind services

The Organization has decided to not recognize in-kind services.

Pledges

The Organization recognizes the pledge amounts when the amount is received or when its receipt can be reasonably assured.

Fondation du Cégep Héritage / Heritage College Foundation

Notes to Financial Statements

June 30, 2021

3 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Allocation of expenses

The Organization's functions comprise charitable activities, operating expenses and fundraising expenses. The costs of each function includes salary expenses directly related to each function.

The Organization allocates the management salary expenses by identifying the appropriate basis of allocating and applies that basis consistently each year following bases :

- Charitable activities	80%
- Fundraising expenses	20%

4 - TRADE AND OTHER RECEIVABLES

	2021	2020
	\$	\$
Student voluntary contributions receivable	830	1,096
Accrued interest	493	
Payroll deduction from Heritage College employees	2,178	1,554
Pledge amounts receivable	10,000	16,000
Indirect taxes receivable		171
	<u>13,501</u>	<u>18,821</u>

5 - INVESTMENTS

	2021	2020
	\$	\$
Market-linked guaranteed investment, 13.05%, matured during the year.		75,085
Term deposits, 0.55%, maturing between December 2021 and December 2025	171,122	
Market-linked guaranteed investment, maturing on April 19, 2023, with a maximum yield at maturity of 35.10 % (a)	65,085	68,086
	<u>236,207</u>	<u>143,171</u>

(a) This investment, as at June 30, 2021 and 2020, is an investment that is carried at amortized cost, whose capital is guaranteed and the return on investment (the "returns") is based on the appreciation of a diversified portfolio. Since returns can only be known upon maturity, they are not recognized until the maturity date. The benchmark portfolio is comprised of various components with variable returns based on components of sectoral and geographic diversification.

Fondation du Cégep Héritage / Heritage College Foundation

Notes to Financial Statements

June 30, 2021

6 - FINANCIAL RISKS

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are trade and other receivables since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

Moreover, marked-linked guaranteed investment indirectly expose the Organization to credit risk.

Market risk

The Organization's financial instruments expose it to market risk, in particular, interest rate risk, currency risk and other price risk, resulting from its investing activities:

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial assets bearing fixed interest rates.

The high-interest cash and term deposits bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Moreover, marked-linked guaranteed investment indirectly expose the Organization to interest rate risk.

Currency risk

Marked-linked guaranteed investment indirectly expose the Organization to currency risk.

Other price risk

The Organization is exposed to other price risk due to market-linked guaranteed investments since changes in market prices could result in changes in the fair value or cash flows of these instruments. Moreover, the market-linked guaranteed investments indirectly expose the Organization to the other price risk.

Financial risk management objectives and policies

The Organization's investment policy and practices are designed to avoid undue risk of loss and to provide a reasonable expectation of fair return given the nature of investments. Its maximum investment risk is equal to the fair value of the investments whose capital is secured.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized on the statement of financial position.

Fondation du Cégep Héritage / Heritage College Foundation

Notes to Financial Statements

June 30, 2021

7 - ALLOCATION OF EXPENSES

Salary and benefits of \$38,856 (\$39,771 for the year ended June 30, 2020) have been allocated as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Charitable activities	31,085	31,817
Fundraising expenses	<u>7,771</u>	<u>7,954</u>
	<u>38,856</u>	<u>39,771</u>

8 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

The main reclassification for the year ended on June 30, 2020 is the presentation of expenses by function instead of by object.

Fondation du Cégep Héritage / Heritage College Foundation

Schedules

Year ended June 30, 2021

	SCHEDULE A	
	<u>2021</u>	<u>2020</u>
	\$	\$
GOVERNMENT GRANTS		
Federal	11,500	
Provincial	6,000	
Municipal	20,000	20,000
	<u>37,500</u>	<u>20,000</u>
	SCHEDULE B	
	<u>2021</u>	<u>2020</u>
	\$	\$
CHARITABLE ACTIVITIES		
Bursaries	52,550	9,600
Student assistance	29,818	14,238
Salary and benefits expense	31,085	31,817
Project funds		4,000
	<u>113,453</u>	<u>59,655</u>
	SCHEDULE C	
	<u>2021</u>	<u>2020</u>
	\$	\$
OPERATING EXPENSES		
Office expenses	3,659	193
Professional fees		4,280
	<u>3,659</u>	<u>4,473</u>
	SCHEDULE D	
	<u>2021</u>	<u>2020</u>
	\$	\$
FUNDRAISING EXPENSES		
Salary and benefits expense	7,771	7,954
Community outreach		161
Travel expenses		399
	<u>7,771</u>	<u>8,514</u>