

Citadel Foundation

Financial Statements
December 31, 2020



Independent auditor's report

To the Members of Citadel Foundation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Citadel Foundation (the Foundation) as at December 31, 2020 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.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of changes in net assets for the year then ended;
- the statement of revenue and expenditure for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



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, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or 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 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 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.

PricewaterhouseCoopers LLP¹

Québec, Quebec
April 13, 2021

¹ CPA auditor, CA, public accountancy permit No. A112256

Citadel Foundation
Statement of Financial Position
As at December 31, 2020

	2020 \$	2019 \$
Assets		
Cash	205,282	464,159
Interest and dividends receivable	16,779	19,596
Accounts receivable	2,809	5,679
Marketable investments (note 5)	12,893,519	12,429,440
	<u>13,118,389</u>	<u>12,918,874</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	<u>13,483</u>	<u>7,845</u>
Net assets		
Externally restricted (note 3)	2,502,031	2,507,207
Unrestricted	<u>10,602,875</u>	<u>10,403,822</u>
	<u>13,104,906</u>	<u>12,911,029</u>
	<u>13,118,389</u>	<u>12,918,874</u>
Commitment (note 4)		

Approved by the Board of Directors

_____ Director _____ Director

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

Citadel Foundation

Statement of Changes in Net Assets

For the year ended December 31, 2020

			2020	2019
	Restricted \$	Unrestricted \$	Total \$	Total \$
Balance – Beginning of year	2,507,207	10,403,822	12,911,029	11,082,305
Excess of revenue over expenditure for the year	(5,176)	199,053	193,877	1,828,724
Balance – End of year	2,502,031	10,602,875	13,104,906	12,911,029

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

Citadel Foundation

Statement of Revenue and Expenditure

For the year ended December 31, 2020

	2020 \$	2019 \$
Revenue		
Revenue from marketable investments		
Bond interest	9,960	16,570
Dividends	400,205	376,003
Change in interest and dividends receivable	(2,817)	4,376
Exchange gain (loss)	12,363	(7,331)
Revenue – Frank Ross Trust	5,127	5,063
Revenue – McGill Project	16,250	29,000
Donations	12,109	56,005
Miscellaneous income	27	2,175
	<hr/> 453,224	<hr/> 481,861
Expenditure		
Management fees	37,729	33,888
Professional fees	8,384	7,954
General expenses	1,749	10,188
	<hr/> 47,862	<hr/> 52,030
	<hr/> 405,362	<hr/> 429,831
Grants		
Bursaries	79,125	80,125
Educational activities	54,402	89,500
Donations to charitable organizations	239,333	223,073
	<hr/> 372,860	<hr/> 392,698
Excess of revenue over expenditure before net profit on sales or redemptions and change in fair value of marketable investments	32,502	37,133
Net profit on sales or redemptions and change in fair value of marketable investments (note 6)	<hr/> 161,375	<hr/> 1,791,591
Excess of revenue over expenditure for the year	<hr/> 193,877	<hr/> 1,828,724

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

Citadel Foundation

Statement of Cash Flows

For the year ended December 31, 2020

	2020 \$	2019 \$
Cash flows from		
Operating activities		
Excess of revenue over expenditure for the year	193,877	1,828,725
Net profit on sales or redemptions and change in fair value of marketable investments not affecting cash (note 6)	(161,375)	(1,791,591)
	<u>32,502</u>	<u>37,134</u>
Changes in non-cash working capital items		
Interest and dividends receivable	2,817	(4,376)
Accounts receivable	2,870	(2,090)
Accounts payable and accrued liabilities	5,638	645
	<u>11,325</u>	<u>(5,821)</u>
	<u>43,827</u>	<u>31,313</u>
Investing activities		
Purchase of marketable investments	(2,385,880)	(3,088,828)
Proceeds from sales or redemptions of marketable investments	2,098,714	3,320,125
Gain (loss) on change in marketable investments	(15,538)	3,680
	<u>(302,704)</u>	<u>234,977</u>
Net change in cash during the year	(258,877)	266,290
Cash – Beginning of year	<u>464,159</u>	<u>197,869</u>
Cash – End of year	<u>205,282</u>	<u>464,159</u>

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

Citadel Foundation

Notes to Financial Statements

December 31, 2020

1 Statutes and nature of activities

Citadel Foundation (the Foundation), incorporated as a not-for-profit organization in 1972 under Part II of the Canada Business Corporations Act and, since 2014, the Canada Not-for-profit Corporations Act, is a registered charity under the Income Tax Act (Canada) and is exempt from tax. The Foundation's major purpose is to receive and manage funds, the income of which is to be used for charitable purposes.

2 Summary of significant accounting policies

Basis of presentation

The Foundation prepares its financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations (ASNPO) issued by the Canadian Accounting Standards Board.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenditure during the year. Actual results could differ from those estimates.

The impact the COVID-19 pandemic on the Foundation's financial statements for the year ended December 31, 2020 has been limited. While the long-term impact of the global COVID-19 pandemic cannot be fully determined or quantified at this time, the marketable investments of the Foundation may be subject to market fluctuations and may continue to experience significant volatility as the situation evolves. Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these financial statements, the Foundation is not aware of any specific event or circumstance that would require the Foundation to update its estimates, assumptions and judgments or revise the carrying value of its assets or liabilities. These estimates may change as new events occur and additional information is obtained and are recognized in the financial statements as soon as they become known.

Foreign currency translation

The Foundation follows the temporal method of accounting for translation of foreign currency amounts into Canadian dollars. According to this method, monetary assets and liabilities are translated at the year-end exchange rate. All other assets and liabilities are translated at rates prevailing at the transaction date. During the year, revenue and expenditure are translated at monthly average exchange rates. Exchange gains or losses are included in the statement of revenue and expenditure.

Citadel Foundation

Notes to Financial Statements

December 31, 2020

Revenue recognition

Contributions and donations are accounted for using the deferral method. Restricted contributions are recognized as revenue in the year in which the related expenditure is incurred. Unrestricted contributions and donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Investment transactions and revenue recognition

Investment transactions are accounted for on the purchase or sale date of the investments. Investment income is recognized on an accrual basis. Investment revenue is accrued as earned and dividend revenue is recognized on the ex-dividend date. Realized gains and losses from sales of investments as well as the unrealized appreciation or depreciation in value are calculated using the average cost of investments.

Financial instruments – Recognition and measurement

The Foundation initially measures its financial assets and financial liabilities at fair value.

Subsequently, the Foundation measures all of its financial assets and financial liabilities at amortized cost, except for marketable investments, which are measured at fair value. Changes in fair value are recognized in the statement of revenue and expenditure in the period incurred.

Financial assets measured at amortized cost are cash, interest and dividends receivable and accounts receivable. Financial liabilities measured at amortized cost are accounts payable and accrued liabilities.

Financial assets measured at cost are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized in the statement of revenue and expenditure. An impairment loss that has already been recognized can be reversed directly or by adjusting the allowance account only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognized if no impairment had taken place. Such reversal is recognized in the statement of revenue and expenditure.

Valuation of marketable investments

The Foundation's marketable investments are recorded at fair value, which is determined as follows:

- Bonds are valued based on closing prices obtained from recognized securities dealers.
- Managed funds are recorded at the closing price.
- Equity securities are recorded at the closing price of the accredited stock exchange on which the corresponding security is principally traded.

Citadel Foundation

Notes to Financial Statements

December 31, 2020

3 Restriction on net assets

The Foundation will permanently manage the following allocations received from other organizations and use or distribute the revenues derived from the capital according to the mission of these organizations:

	2020	2019
	\$	\$
Bishop Mountain Fund	198,814	206,381
Community Christmas Hamper Fund	81,675	81,924
Frank Carrel Fund	68,667	68,983
Mark Jackson Memorial Fund	92,062	88,862
Matthew Ralph Kane Fund	712,625	716,808
Moe Rosenhek Fund	10,831	11,420
QHS Montminy – Wolff Bursary Fund	525,568	526,723
Quebec City Women's Club	103,936	105,149
SLC Bursary Fund	660,330	653,300
Friends of Holland School	21,393	21,422
Bill and Marie Ray Fund	26,130	26,235
	<hr/>	<hr/>
	2,502,031	2,507,207

The initial endowment related to those restrictions on net assets is \$1,997,862.

4 Commitment

The Foundation has agreed to fund the Jeffery Hale Community Partners for an amount of \$75,000 per year for the next five years starting in 2021.

5 Financial instruments

Market risk

The Foundation's investments are subject to market risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. In practice, the actual results may differ, and the differences could be material.

Citadel Foundation

Notes to Financial Statements

December 31, 2020

Marketable investments

Marketable investments consist of:

	2020		2019	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Bonds	154,155	169,805	315,482	321,545
Managed funds	2,638,068	2,860,194	2,843,236	2,945,491
Equities	7,031,440	9,863,520	6,246,075	9,162,404
	<u>9,823,663</u>	<u>12,893,519</u>	<u>9,404,793</u>	<u>12,429,440</u>

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

As at December 31, 2020, the Foundation's exposure to interest rate risk is summarized as follows:

Cash	Variable interest rate
Interest and dividends receivable	Non-interest bearing
Accounts receivable	Non-interest bearing
Marketable investments (bonds, maturing on various dates from June 2020 to March 2024) *	Effective interest rate of 5.04%
Accounts payable and accrued liabilities	Non-interest bearing

* The short-term portion of the marketable investments as at December 31, 2020 is \$77,654 (\$305,415 in 2019).

Currency risk

The Foundation is exposed to foreign currency risk due to its cash and marketable investments denominated in US dollars. Amounts denominated in US dollars as at December 31, 2020 correspond to CA\$6,812,163 (CA\$6,169,802 in 2019).

Citadel Foundation

Notes to Financial Statements

December 31, 2020

Credit risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of investments, cash and accounts receivable. Cash is held with or issued by high-credit-quality financial institutions. Credit risk associated with marketable investments arises mainly from the possibility that the issuer of securities may be unable to fulfill payment obligations. The Foundation mitigates its exposure to issuer's risk by investing only in products having a high-quality investment grade rating. The Foundation also ensures to achieve a broad diversification of investments. Exposure to this risk is closely monitored and maintained within the limits stated in the investment policy of the Foundation, which is revised regularly.

Liquidity risk

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

6 Additional information

	2020 \$	2019 \$
Net profit on sales or redemptions of marketable investments	116,166	348,930
Change in fair value of marketable investments	45,209	1,442,661
Net profit on sales or redemptions and change in fair value of marketable investments	161,375	1,791,591

7 Comparative figures

Certain comparative figures have been reclassified to ensure consistency with the current year's presentation.