CHELSEA FOUNDATION

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Independent Auditors' Report
Statement of Financial Position
Statement of Operations
Statement of Changes in Net Assets
Statement of Cash Flows
Notes to Financial Statements

FROUIN GROUP

INDEPENDENT AUDITORS' REPORT

To the Members of:
Chelsea Foundation

Opinion

We have audited the financial statements of Chelsea Foundation, which comprise the statement of financial position as at December 31, 2023, and the statement of operations, statement of changes in net assets and cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Chelsea Foundation as at December 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity 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 audit opinion.

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

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

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Chartered Professional Accountants
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Auditors' Responsibilities for the Audit of 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 auditors' 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 audit 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 controls.
- 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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 matter 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.

Frouin Group

Frouin Group Professional Corporation
Ottawa, Ontario
April 25, 2024

CHELSEA FOUNDATION

AUDITED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	$ 316,115	$ 392,937
Management fee receivable - Municipality of Chelsea	110,046	105,435
Accounts receivable (note 4)	116,709	45,369
Prepaid expenses	835	3,671
Inventories	2,060	4,872
	545,765	552,284
PROPERTY AND EQUIPMENT (notes 2g and 5)	537,131	547,538
TOTAL ASSETS	$ 1,082,896	$ 1,099,822
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 7)	$ 72,443	$ 88,898
Due to Municipality of Chelsea	120,403	119,549
Deferred revenue (note 8)	95,545	78,005
Deferred project contributions (note 9)	41,359	0
Current portion of long-term debt (note 11)	0	41,791
	329,750	328,243
DEFERRED CAPITAL GRANTS (note 10)	0	20,691
LONG-TERM DEBT (note 11)	16,815	64,167
TOTAL LIABILITIES	346,565	413,101
NET ASSETS		
Invested in capital assets	537,131	526,847
Unrestricted net assets	199,200	159,874
	736,331	686,721
TOTAL LIABILITIES AND NET ASSETS	$ 1,082,896	$ 1,099,822

APPROVED ON BEHALF OF THE BOARD:

Director ____________________ Director ____________________

(See accompanying Notes to Financial Statements)

CHELSEA FOUNDATION

AUDITED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
REVENUES		
Management Fees	**$ 1,457,852**	$ 1,210,231
Grants and contributions		
Government of Canada - Summer Jobs Grant	**9,722**	24,140
Amortization of capital grants (note 10)	**20,691**	25,015
Wind Phone revenues	**35**	10,197
Donations and other	**5,297**	4,930
Discounts	**(7,846)**	0
	1,485,751	1,274,513
EXPENSES		
Administration		
Salaries and benefits	**422,892**	319,068
Consulting and professional fees	**33,187**	35,478
Office expenses	**75,024**	59,333
Repairs and maintenance	**35,587**	25,965
Insurance	**7,042**	1,564
Utilities	**39,767**	25,293
Advertising and promotion	**20,850**	6,554
Interest and service charges	**61,604**	42,240
Amortization of capital assets	**30,676**	26,742
Events	**24,130**	579
Wind Phone expenses	**35**	10,197
	750,794	553,013
Programs (note 3)		
Salaries and benefits	**472,141**	408,568
Supplies and other program costs	**183,700**	81,961
Repairs and maintenance	**29,506**	26,429
Interest on long-term debt	**0**	296
	685,347	517,254
TOTAL EXPENSES	**1,436,141**	1,070,267
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	**$ 49,610**	$ 204,246

(See accompanying Notes to Financial Statements)

CHELSEA FOUNDATION

AUDITED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
NET ASSETS INVESTED IN CAPITAL ASSETS		
Balance, beginning of year	**$ 526,847**	$ 527,488
Purchase of capital assets	**20,269**	1,086
Amortization of capital assets	**(30,676)**	(26,742)
Amortization of deferred contributions related to capital assets	**20,691**	25,015
Balance, end of year	**$ 537,131**	$ 526,847
UNRESTRICTED NET ASSETS		
Balance, beginning of year	**$ 159,874**	$ (45,013)
Excess of revenue over expenses	**49,610**	204,246
Purchase of capital assets	**(20,269)**	(1,086)
Amortization of capital assets	**30,676**	26,742
Deferred contributions net against capital assets	**(20,691)**	(25,015)
Balance, end of year	**$ 199,200**	$ 159,874

(See accompanying Notes to Financial Statements)

CHELSEA FOUNDATION

AUDITED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**$ 49,610**	$ 204,246
Add: Amortization	**30,676**	26,742
Less: Amortization of capital grants	**(20,691)**	(25,015)
	59,595	205,973
Cash flows from current operating items	**(68,796)**	28,212
	(9,201)	234,185
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(20,269)**	(1,086)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in loan payable	**(47,352)**	(108,301)
NET CHANGE IN CASH	**(76,822)**	124,798
CASH, beginning of year	**392,937**	268,139
CASH, end of year	**$ 316,115**	$ 392,937
REPRESENTED BY:		
Cash	**$ 316,115**	$ 392,937

(See accompanying Notes to Financial Statements)

1. ORGANIZATION

The Chelsea Foundation is incorporated under Part iii of the Quebec Companies Act. The Foundation operates a community centre that offers sports, recreational, cultural and educational programs for the population. The Foundation is a registered charity under the Income Tax Act and, as such, is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a. Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

b. Contributions receivable

A contribution receivable is recognized as an asset when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

c. Revenue recognition

The Foundation follows the deferral method of accounting for grants and contributions. Under this method, grants and contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred and when the amount can be reasonably estimated and the collection is reasonably assured.

d. Contributed services

The Foundation would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the inherent difficulty in compiling these hours and determining their fair value, contributed services are not recognized in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Cash and cash equivalents

The Foundation's policy is to present bank balances, including bank indebtedness with balances that can fluctuate from being positive to overdrawn, under cash and cash equivalents.

f. Inventories

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

g. Capital assets

Capital assets are recorded at cost. Amortization is calculated on their respective estimated useful lives using the following methods, rates, and period.

Assets	Methods	Rate and period
Equipment	Diminishing balance	20%

h. Write-down of capital assets

When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to residual value, if any. The excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

f. Financial instruments

The carrying value of cash, short-term investments, accounts receivable, contributions and accounts payable approximate their fair value because of the relatively short period to maturity of the instruments.

It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from its financial instruments.

CHELSEA FOUNDATION

NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

3. PROGRAM EXPENSES

	Arena	Fitness	Community Centre Program	Child Camp	Restaurant	Total 2023
Salaries and benefits	**$ 179,404**	**$ 44,804**	**$ 104,950**	**$ 142,975**	**$ 8**	**$ 472,141**
Supplies and other program costs	**1,411**	**4,541**	**71,262**	**79,161**	**27,325**	**183,700**
Repairs and maintenance	**25,077**	**4,429**	**0**	**0**	**0**	**29,506**
	$ 205,892	**$ 53,774**	**$ 176,212**	**$ 222,136**	**$ 27,333**	**$ 685,347**

	Arena	Fitness	Community Centre Program	Child Camp	Restaurant	Total 2022
Salaries and benefits	$ 176,106	$ 53,744	$ 72,013	$ 106,560	$ 145	$ 408,568
Supplies and other program costs	146	7,067	20,479	32,808	21,461	81,961
Repairs and maintenance	21,086	5,343	0	0	0	26,429
Interest on long-term debt	0	296	0	0	0	296
	$ 197,338	$ 66,450	$ 92,492	$ 139,368	$ 21,606	$ 517,254

4. ACCOUNTS RECEIVABLE

	2023	2022
Trade accounts	$ 98,610	$ 6,194
Sales tax receivable	18,099	39,175
	$ 116,709	$ 45,369

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2023	Net Book Value 2022
Land	$ 503,964	$ 0	$ 503,964	$ 503,964
Equipment	37,867	13,972	23,895	7,066
Field five improvements	261,738	252,466	9,272	36,508
	$ 803,569	$ 266,438	$ 537,131	$ 547,538

6. BANK LOAN

The Foundation has an authorized line of credit of $200,000, renewable annually, at prime plus 2.5%. As at December 31, 2023, the line of credit is unused (2022: Nil).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Trade accounts payable and accrued liabilities	$ 72,443	$ 61,227
Grants to reimburse	0	27,671
	$ 72,443	$ 88,898

8. DEFERRED REVENUE

Deferred revenues are as follows:

	2023	2022
Arena	$ 93,217	$ 75,714
Wind Phone	2,255	2,291
Memberships	73	0
	$ 95,545	$ 78,005

9. DEFERRED PROJECT CONTRIBUTIONS

The Foundation is collecting funds to modernize and renovate a building which will be used to provide regional visual and performing artists and artisans with a place to create, perform, exhibit, and sell their work. The changes in deferred contribution for the cultural fund (a collaboration with La Fab sur Mill) are detailed as follows:

	2023
Balance, beginning of year	**$ 0**
Add: Amounts received during the year	**41,359**
Less: Amount recognized in revenue during the year	**0**
Balance, end of year	**$ 41,359**

10. DEFERRED CAPITAL GRANTS

Deferred capital grants represent the portion of capital grants that were used to cover the cost of the improvements incurred for Field Five. These capital grants are amortized over 10 years using the straight-line method.

	2023	2022
Ministry of Infrastructure	**$ 139,644**	$ 139,644
Soccer Chelsea	**106,180**	106,180
	245,824	245,824
Less: Accumulated amortization	**(245,824)**	(225,133)
	$ 0	$ 20,691

The changes in deferred capital grants are as follows:

	2023	2022
Balance, beginning of year	**$ 20,691**	$ 45,706
Less: Amounts recognized as revenue during the year	**(20,691)**	(25,015)
Balance, end of year	**$ 0**	$ 20,691

11. LONG-TERM DEBT

	2023	2022
Canada Emergency Business Account, maturing December 2025, interest-free until December 2023 and bearing interest at 5% thereafter, renewable in December 2023, of which a portion of the $20,000 is convertible into a grant if the loan is fully repaid before that date[a]	**$ 0**	$ 40,000
Municipality loan - without interest and monthly installments, fully repayable by September 2026	**16,815**	64,167
MRC loan - bearing 3% interest, interest only payments until March 2023, afterwards payable in monthly installments of $1,070, principal and interest. Fully repaid in 2023.	**0**	1,791
	16,815	105,958
Current portion of long-term debt	**0**	(41,791)
	$ 16,815	$ 64,167

a) Under the federal program known as the Canada Emergency Business Account, the Foundation will benefit from a grant of $20,000 if the loan is fully repaid before December 31, 2023. The Foundation has already recognized the $20,000 grant as a reduction of the loan in a prior period and has fully repaid the balance before maturity.

12. FINANCIAL RISK MANAGEMENT POLICY

The foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at December 31, 2023:

a) Credit risk
The Foundation credit risk is mainly related to accounts receivable. The Foundation provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The Foundation does not normally require a guarantee. There is no existing account receivable that represents a substantial risk for the Foundation.

b) Currency risk
The Foundation's functional currency is the Canadian dollar. The Foundation does not enter into foreign currency transactions and does not use foreign exchange forward contracts.

12. FINANCIAL RISK MANAGEMENT POLICY (continued)

c) Liquidity risk
The Foundation manages its liquidity risk by regularly monitoring forecasted and actual cash flow and financial liability maturities, and by holding assets that can be readily converted into cash. Accounts payable are normally paid within 30 days.

d) Interest rate risk
The Foundation is exposed to interest rate risk with regards to its cash. The Foundation has no interest-bearing liability. Fluctuations in market rates of interest on cash do not have a significant impact on the Foundation's results of operations.

13. CONTINGENCIES

The Foundation signed an agreement with the Municipality of Chelsea whereby funds are provided for the management and operations of the Meredith Centre which is subject to restrictions as to the use of the funds. The Municipality can execute an audit of the financial records of the Foundation to ensure compliance with the project requirements. In the event that amounts to be reimbursed to the Municipality are identified, a necessary adjustment will be recognized in the year they are identified.

14. ECONOMIC DEPENDENCE

The Municipality of Chelsea retains the services of the Foundation to manage the operations of the Meredith Centre. An agreement has been signed between the Foundation and the Municipality. The termination of this agreement could have a material adverse effect on the Foundation's result of operations, financial position and cash flows. A new agreement was established and is effective for a 5-year period starting from January 1st 2023 to December 31, 2028. This agreement will be revisited on an annual basis for all parties to discuss any concerns, recommendations, or changes to the terms of the agreement.