Financial statements of

Greater Montreal Climate Fund

March 31, 2021

Deloitte LLP
La Tour Deloitte
1190 Avenue des
Canadiens-de-Montréal
Suite 500
Montréal QC H3B 0M7
Canada

Tel: 514-393-7115
Fax: 514-390-4116
www.deloitte.ca

Independent Auditor's Report

To the Board of Directors of
Greater Montreal Climate Fund

Opinion

We have audited the financial statements of Greater Montreal Climate Fund (the "Organization"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 opinion.

Comparative Information

We draw your attention to Note 2 of the financial statements which describes that the Organization adopted Canadian accounting standards for not-for-profit organizations on April 1, 2020, with a transition date of December 12, 2019. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2020 and December 12, 2019, and the statements of operations, changes in net assets and cash flows for the 111-day period ended March 31, 2020, and related disclosures. Our opinion is not modified in respect of this matter. We were not engaged to report on the comparative information, and as such, it is unaudited.

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 GAAS 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 GAAS, 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.

Deloitte LLP[1]

July 14, 2021

[1] CPA auditor, CA, public accountancy permit No. A120628

Greater Montreal Climate Fund

Statement of operations

Year ended March 31, 2021

	Notes	2021	2020
		$	$
		(365 days)	(111 days)
			(Unaudited)
Revenue			
Contribution from the Federation of Canadian Municipalities	5	**260,387**	—
Interest income		**12,460**	—
		272,847	—
Expenses			
Salaries and social charges		**123,818**	—
Professional fees		**108,147**	—
Subcontractors		**32,585**	—
Room rental		**3,453**	—
Representation		**1,602**	—
Telecommunication		**1,103**	—
Interest and bank charges		**907**	—
Office supplies		**900**	—
Training		**282**	
Taxes and permits		**50**	—
		272,847	—
Excess of revenue over expenses		**—**	—

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

			2021	2020
	Endowment (note 6)	**Unrestricted**	**Total**	Total
	$	**$**	**$**	$ (Unaudited)
Balance, beginning of year	**—**	**—**	**—**	—
Excess of revenue over expenses	**—**	**—**	**—**	—
Endowment received	**28,500,000**	**—**	**28,500,000**	—
Balance, end of year	**28,500,000**	**—**	**28,500,000**	—

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

Greater Montreal Climate Fund
Statement of financial position
As at March 31, 2021

	Notes	**March 31, 2021**	March 31, 2020	December 12, 2019
		$	$ (Unaudited)	$ (Unaudited)
Assets				
Current assets				
Cash		**32,354,840**	—	—
Consumption taxes receivable		**8,303**	—	—
		32,363,143	—	—
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	4	**22,402**	—	—
Deferred revenue	5(a)	**49,842**		
Deferred contribution	5(b)	**3,790,899**	—	—
		3,863,143	—	—
Net assets				
Endowment	6	**28,500,000**	—	—
Unrestricted		**—**	—	—
		28,500,000	—	—
		32,363,143	—	—

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

Approved by the Board

____ , Director

____ , Director

	Notes	2021	2020
		$	$
		(365 days)	(111 days)
			(Unaudited)
Operating activities			
Excess of revenue over expenses		—	—
Net change in non-cash operating working capital items			
Consumption taxes receivable		(8,303)	—
Accounts payable and accrued liabilities		22,402	—
Deferred revenue		49,842	
Deferred contribution		3,790,899	—
		3,854,840	—
Financing activities			
Endowment received	6	28,500,000	—
Net increase in cash		32,354,840	—
Cash, beginning of year		—	—
Cash, end of year		32,354,840	—

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

1. Status and nature of activities

Greater Montreal Climate Fund (the "Organization"), is incorporated as a not-for-profit organization under the *Income Tax Act*. Its mission is to invest and develop programs to accelerate the scaling up of low-carbon solutions in the Greater Montreal area.

2. Impact of first-time adoption of Canadian accounting standards for not-for-profit organizations

During the year ended March 31, 2021, the Organization adopted the Canadian accounting standards for not-for-profit organizations (the "standards") issued by the Accounting Standards Board of the Chartered Professional Accountants of Canada ("CPA Canada") as set out in Part III of the *CPA Canada Handbook*. In accordance with Section 1501 of the *CPA Canada Handbook, First-time adoption,* ("Section 1501"), the date of transition to the standards is December 12, 2019, and the Organization has prepared and presented an opening statement of financial position at the date of transition to the standards. This opening statement of financial position is the starting point for the Organization's accounting under the standards. In its opening statement of financial position, under the recommendations of Section 1501, the Organization:

(a) recognized all assets and liabilities whose recognition is required by the standards;

(b) did not recognize items as assets or liabilities if the standards do not permit such recognition;

(c) reclassified items that it recognized previously as one type of asset, liability or component of net assets, but are recognized as a different type of asset, liability or component of net assets under the standards; and

(d) applied the standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all the fiscal years presented in these financial statements.

Adoption of the standards had no impact on the financial statements.

3. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in the statement of operations as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Organization recognizes an impairment loss, if any, in net earnings when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the period the reversal occurs.

3. Accounting policies (continued)

Revenue recognition

The Organization follows the deferral method of accounting for revenue. Restricted contributions are deferred when received and recognized as revenue when the expenses related to the restriction 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.

Endowment is recognized as net assets when the amount is received.

Investment income is recognized as revenue when earned.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

4. Accounts payable and accrued liabilities

	2021	2020
	$	$ (Unaudited)
Suppliers	**11,282**	—
Salaries and vacations	**11,120**	—
	22,402	—

5. Deferred revenue and deferred contribution

(a) Deferred revenue

	2021	2020
	$	$ (Unaudited)
Balance, beginning of year	**—**	—
Interest revenue from the endowment	**49,842**	—
Balance, end of year	**49,842**	—

5. Deferred revenue and deferred contribution (continued)

(b) Deferred contribution

	Notes	2021	2020
		$	$ (Unaudited)
Balance, beginning of year		—	—
Amount received	6	4,051,286	—
Amount recognized as revenue during the year		(260,387)	—
Balance, end of year		3,790,899	—

6. Restricted funds – endowment

During the year, the Organization received a contribution from the Federal Government through the Federation of Canadian Municipalities ("FCM") and the Low Carbon Cities Canada program (the "LC3 Program"). From this total contribution of $32,551,286 (the "Total FCM Grant Amount"), an amount of $28,500,000 (the "nominal amount") is an endowment and has been recorded as such in the statement of changes in net assets. The difference of $4,051,286 serves to finance the Organization's eligible expenses incurred to operate its activities accordingly to the financing agreement with the FCM (the "Agreement"). The difference between the amount received and the amount recognized in the statement of operations during the year was recorded as deferred contribution in the statement of financial position. The revenue earned from the Total FCM Grant Amount shall be used by the Organization to cover eligible expenses and finance eligible projects, accordingly to certain limits and requirements in the Agreement.

With respect to the Agreement, the nominal amount shall be equivalent to the Total FCM Grant Amount by December 3, 2030.

Also, with respect to the Agreement and within ten years, the Organization shall find contributions in one of the following amounts and sources:

(a) 80% of the Total FCM Grant Amount from funding sources other than funding from the FCM or funding from the Federal government; or

(b) 100% of the Total FCM Grant Amount, of which a minimum of 50% shall be in the form of funding sources other than funding from the FCM or funding from the Federal government, and the remaining 50% shall be in the form of co-funding.

7. Financial instruments

Liquidity risk

The Organization's objective is to have sufficient liquidity to meet its liabilities when due. The Organization monitors its cash balances and cash flows to meet its requirements.