



JULES AND PAUL-ÉMILE LÉGER  
FOUNDATION

## CONSOLIDATED ANNUAL FINANCIAL REPORT

DECEMBER 31, 2015

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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## CONSOLIDATED ANNUAL FINANCIAL REPORT

DECEMBER 31, 2015

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# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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## MANAGEMENT'S REPORT

Management is responsible for the preparation of the Foundation's consolidated financial statements. Management believes that these consolidated financial statements fairly reflect the form and substance of transactions and present fairly the Foundation's financial position and the results of its operations. The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. To record the amounts presented in the consolidated financial statements, management used the best estimates and appropriate judgements that it believes are reasonable under the circumstances in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The financial information in the Foundation's annual financial report is presented by fund to better segment its main areas of activity. The Programs Fund consolidates all of the fundamental activities that the Foundation has implemented to achieve its mission, which is to help the most deprived communities in the world to reconnect with their human dignity in a lasting, sustainable manner. This fund, however, only receives the revenue collected for the direct financing of community projects. Under these circumstances, long-term financial capacity and stability are consequently essential components in the support of these long-term commitments and represent an important contributing element. The purpose of the Capital Growth Fund is to consolidate the long-term financial-support activities. As such, proceeds from capital funding campaigns, bequests, and other long-term contributions are recorded in this fund, and the Capital Growth Fund makes annual contributions to support the operations of the programs out of the Foundation's equity that has been maintained. The Life Annuities Fund continues to distinctly report on annuity operations, providing disclosure on materiality, differentiation and inherent risks of this activity.

Annuities operations are recorded in accordance with accounting policies in force in life insurance enterprises, whose financial products include annuities. This presentation offers a better understanding to the consolidated financial statements reader as to the financial elements of these annuity operations, as well as a better understanding of their performance and inherent risks. The Management Committee mandates independent actuaries to evaluate these operations' liabilities. The most recent independent valuation of the actuarial liability was done as at December 31, 2014. The next valuation is scheduled for December 31, 2016.

In furtherance of the integrity and objectivity of data in the consolidated financial statements, management has put in place internal control systems for the Foundation and its subsidiaries. Management believes that the internal controls provide reasonable assurance that financial data are reliable and form a proper basis for the preparation of the financial statements, and that the assets are properly accounted for and safeguarded.

The Board of Directors delegates the management of the investments to the Investment Committee, which acts as trustee for the participants. The Investment Committee sees to a prudent and effective management of the Foundation's assets and to the preparation of a written investment policy that takes into consideration its characteristics and own financial obligations. This Committee recommends the investment managers and defines their mandates and objectives. It also recommends the trustee. Furthermore, twice a year, it performs an analysis of the assets distribution and an assessment of the portfolio's financial yield and the manager's performance based on data provided by an independent valuator.

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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## MANAGEMENT'S REPORT *(continued)*

The Board of Directors carries out its responsibility regarding the consolidated financial statements included in this Annual Report on an ongoing basis notably through its Audit Committee, composed in majority of members that are independent of the executive team. The Audit Committee meets with the independent auditor both before and after the audit; the Committee reviews the Foundation's audited consolidated financial statements and formulates the appropriate recommendations to the Board of Directors.

Deloitte LLP, the independent auditor of the Foundation whose audit report follows, has audited the Foundation's consolidated financial statements in accordance with Canadian auditing standards. Its audit provides an objective and independent review of the fair presentation of the financial position and the results of the Foundation's operations.

Management believes that its management of the Foundation's financial risks is adequate and that its long-term financial stability is well-assured. As at December 31, 2015, the available balance of the Programs Fund, which serves as the working capital of the Foundation, represents 34.2% of the fund's operations or approximately four months of activities. During the year, the Capital Growth Fund made a contribution of \$3,450,000 to support the programs, the equivalent of 43.3% of total expenditures. At year-end, the balance of the Capital Growth Fund was \$23,979,825, which is almost seven times the annual contribution made to the Programs Fund. There was a surplus of \$123,520 during the year in annuities operations. The provision for future benefits, actualized according to the parameters established by Aon Consulting Inc.'s actuarial valuation as at December 31, 2014 decreased by \$305,603 compared to last year. The discretionary balance of the Capital Growth Fund consisted of an additional hedge of 108% of the provision for future benefits.



André Dostie  
**President**



Norman Maclsaac  
**Executive Director**



Pierre Y. Langlois  
**Treasurer**

Montreal, Canada  
May 4, 2016



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## Independent Auditor's Report

To the Members of  
Jules and Paul-Émile Léger Foundation

We have audited the consolidated financial statements of the Jules and Paul-Émile Léger Foundation, which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated statements of revenue, expenditure and fund balances and cash flows for the year ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Jules and Paul-Émile Léger Foundation as at December 31, 2015, and the results of its operations and its cash flows for the year ended December 31, 2015, in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP<sup>1</sup>

June 1, 2016

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<sup>1</sup>CPA auditor, CA public accountancy permit No. A120628

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Consolidated Balance Sheet

| As at December 31   |               |                     |                     | 2015       | 2014       |
|---|---------------|---------------------|---------------------|------------|------------|
|   | Programs Fund | Life Annuities Fund | Capital Growth Fund | Total      | Total      |
|   | \$            | \$                  | \$                  | \$         | \$         |
| <b>Assets</b>   |               |                     |                     |            |            |
| Cash  | 1,772,139     | –                   | –                   | 1,772,139  | 1,079,814  |
| Investments (note 3)  | 1,389,699     | 19,335,617          | 24,005,229          | 44,730,545 | 37,561,612 |
| Receivables   | 79,722        | –                   | –                   | 79,722     | 70,935     |
| Interfund advances receivable*                                    | 1,108,624 *   | –                   | –                   | –          | –          |
| Prepaid expenses  | 97,448        | –                   | –                   | 97,448     | 85,149     |
| Other assets  | 13,344        | –                   | –                   | 13,344     | 12,897     |
|   | 4,460,976     | 19,335,617          | 24,005,229          | 46,693,198 | 38,810,407 |
| Capital assets (note 4)   | 83,785        | –                   | –                   | 83,785     | 64,523     |
|   | 4,544,761     | 19,335,617          | 24,005,229          | 46,776,983 | 38,874,930 |
| <b>Liabilities</b>  |               |                     |                     |            |            |
| Accounts payable and accrued liabilities                          | 386,094       | 450,000             | –                   | 836,094    | 922,323    |
| Interfund advances payable*                                       | –             | 1,083,220 *         | 25,404 *            | –          | –          |
| Deferred contribution from the Canadian government (note 5)       | 1,095,562     | –                   | –                   | 1,095,562  | 84,284     |
| Deferred contributions from the public and organizations (note 5) | 254,393       | –                   | –                   | 254,393    | 297,272    |
|   | 1,736,049     | 1,533,220           | 25,404              | 2,186,049  | 1,303,879  |
| Provision for future benefits (note 6)                            | –             | 17,802,397          | –                   | 17,802,397 | 18,108,000 |
|   | 1,736,049     | 19,335,617          | 25,404              | 19,988,446 | 19,411,879 |
| Commitments (note 14)   |               |                     |                     |            |            |
| <b>Fund balances</b>  |               |                     |                     |            |            |
| Invested in capital assets  | 83,785        | –                   | –                   | 83,785     | 64,523     |
| Permanently restricted (note 7)                                   | –             | –                   | 4,800,717           | 4,800,717  | 4,556,712  |
| Restricted by management  | –             | –                   | 19,179,108          | 19,179,108 | 12,100,966 |
| Unrestricted  | 2,724,927     | –                   | –                   | 2,724,927  | 2,740,850  |
|   | 2,808,712     | –                   | 23,979,825          | 26,788,537 | 19,463,051 |
|   | 4,544,761     | 19,335,617          | 24,005,229          | 46,776,983 | 38,874,930 |

\* These amounts do not appear in the total column because they cancel each other out.

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

On behalf of the Board,



Director



Director

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Consolidated Statement of Revenue, Expenditure and Fund Balances

| Year ended December 31   |                    |                     |                     | 2015              | 2014              |
|--|--------------------|---------------------|---------------------|-------------------|-------------------|
|  | Programs Fund      | Life Annuities Fund | Capital Growth Fund | Total             | Total             |
|  | \$                 | \$                  | \$                  | \$                | \$                |
| <b>Revenue</b>   |                    |                     |                     |                   |                   |
| Canadian government  | 2,587,622          | –                   | –                   | 2,587,622         | 572,857           |
| Quebec government  | 29,425             | –                   | –                   | 29,425            | 23,504            |
| Public and organizations:  |                    |                     |                     |                   |                   |
| Donations  | 1,731,655          | –                   | 36,738              | 1,768,393         | 2,134,854         |
| Bequests   | –                  | –                   | 9,865,971           | 9,865,971         | 1,973,476         |
| Investments (note 8)   | 167,297            | 596,430             | 1,157,209           | 1,920,936         | 3,531,829         |
| Annuities contracted   | –                  | 1,651,478           | –                   | 1,651,478         | 1,903,913         |
|  | <b>4,515,999</b>   | <b>2,247,908</b>    | <b>11,059,918</b>   | <b>17,823,825</b> | <b>10,140,433</b> |
| <b>Expenditure (note 9)</b>  |                    |                     |                     |                   |                   |
| Programs (note 10)   | 6,632,958          | –                   | –                   | 6,632,958         | 4,477,496         |
| Promotion and communication  | 606,762            | 165,148             | 290,271             | 1,062,181         | 1,103,511         |
| Administration   | 722,940            | 95,073              | 80,768              | 898,781           | 947,879           |
| Life insurance premiums  | –                  | –                   | 40,252              | 40,252            | 43,450            |
| Annuities paid   | –                  | 2,169,770           | –                   | 2,169,770         | 2,141,603         |
| Change in provision for future benefits (note 6)   | –                  | (305,603)           | –                   | (305,603)         | 441,295           |
| Change in assumptions and methodology (note 6)   | –                  | –                   | –                   | –                 | 834,000           |
|  | <b>7,962,660</b>   | <b>2,124,388</b>    | <b>411,291</b>      | <b>10,498,339</b> | <b>9,989,234</b>  |
| <b>(Deficiency) excess of revenue over expenditure</b>   | <b>(3,446,661)</b> | <b>123,520</b>      | <b>10,648,627</b>   | <b>7,325,486</b>  | <b>151,199</b>    |
| Transfer of the Life Annuities Fund's current year's deficiency to the Capital Growth Fund       | –                  | (123,520)           | 123,520             | –                 | –                 |
| Restricted fund received   | –                  | –                   | –                   | –                 | 41,540            |
| Transfer from the Capital Growth Fund to the Programs Fund for the funding of current operations | 3,450,000          | –                   | (3,450,000)         | –                 | –                 |
| <b>Change in Fund Balances due to current year operations</b>                                    | <b>3,339</b>       | <b>–</b>            | <b>7,322,147</b>    | <b>7,325,486</b>  | <b>192,739</b>    |

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Consolidated Statement of Revenue, Expenditure and Fund Balances (continued)

| Year ended December 31  |                  |                           |                           | 2015              | 2014              |
|---|------------------|---------------------------|---------------------------|-------------------|-------------------|
|   | Programs<br>Fund | Life<br>Annuities<br>Fund | Capital<br>Growth<br>Fund | Total             | Total             |
|   | \$               | \$                        | \$                        | \$                | \$                |
| Carried forward from previous page  | 3,339            | –                         | 7,322,147                 | 7,325,486         | 192,739           |
| Fund Balances at beginning of year  | 2,805,373        | –                         | 16,657,678                | 19,463,051        | 19,270,312        |
| <b>Fund Balances at end of year</b>   | <b>2,808,712</b> | <b>–</b>                  | <b>23,979,825</b>         | <b>26,788,537</b> | <b>19,463,051</b> |
| Represented by:   |                  |                           |                           |                   |                   |
| Fund Balance invested in capital assets   | 83,785           | –                         | –                         | 83,785            | 64,523            |
| Fund Balance permanently restricted (note 7)  | –                | –                         | 4,800,717                 | 4,800,717         | 4,556,712         |
| Fund Balance restricted by management to provide for continuity and sustained long-term funding of endeavours | –                | –                         | 19,179,108                | 19,179,108        | 12,100,966        |
| Fund Balance available for funding working capital and program commitments                                    | 2,724,927        | –                         | –                         | 2,724,927         | 2,740,850         |
|   | <b>2,808,712</b> | <b>–</b>                  | <b>23,979,825</b>         | <b>26,788,537</b> | <b>19,463,051</b> |

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

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Consolidated Statement of Cash Flows

| Year ended December 31                              | 2015             | 2014             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Operating Activities</b>                         |                  |                  |
| Programs Fund                                       |                  |                  |
| Deficiency of revenue over expenditure              | (3,446,661)      | (3,169,976)      |
| Non-cash items:                                     |                  |                  |
| Amortization of capital assets                      | 60,232           | 103,314          |
| Increase in fair value of investments               | (111,455)        | (168,993)        |
| Net change in deferred contributions                | 968,399          | (261,430)        |
| Net change in other non-cash assets and liabilities | (1,004,899)      | (316,900)        |
|   | (3,534,384)      | (3,813,985)      |
| Life Annuities Fund                                 |                  |                  |
| Excess (deficiency) of revenue over expenditure     | 123,520          | (323,217)        |
| Non-cash items:                                     |                  |                  |
| Change in provision for future benefits             | (305,603)        | 441,295          |
| Change in assumptions and methodology               | -                | 834,000          |
| Increase in fair value of investments               | (72,421)         | (933,918)        |
| Net change in other non-cash assets and liabilities | 909,436          | 201,807          |
|   | 654,932          | 219,967          |
| Capital Growth Fund                                 |                  |                  |
| Excess of revenue over expenditure                  | 10,648,627       | 3,644,392        |
| Non-cash item:                                      |                  |                  |
| Increase in fair value of investments               | (870,631)        | (1,413,237)      |
| Restricted fund received                            | -                | 41,540           |
| Net change in other non-cash assets and liabilities | (12,299)         | 217              |
|   | 9,765,697        | 2,272,912        |
|   | 6,886,245        | (1,321,106)      |
| <b>Investing Activities</b>                         |                  |                  |
| Programs Fund                                       |                  |                  |
| Net sales of investments                            | 856,203          | 8,868            |
| Acquisition of capital assets                       | (79,494)         | (14,606)         |
| Life Annuities Fund                                 |                  |                  |
| Net purchases of investments                        | (531,412)        | (543,184)        |
| Capital Growth Fund                                 |                  |                  |
| Net (purchases) sales of investments                | (6,439,217)      | 1,245,305        |
|   | (6,193,920)      | 696,383          |
| Increase (decrease) in cash                         | 692,325          | (624,723)        |
| Cash at beginning of year                           | 1,079,814        | 1,704,537        |
| <b>Cash at end of year</b>                          | <b>1,772,139</b> | <b>1,079,814</b> |

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

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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## Notes to Consolidated Financial Statements

December 31, 2015

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### 1. Status and nature of activities

Jules and Paul-Émile Léger Foundation (the “Foundation”) is a not-for-profit corporation, incorporated under a special Law of the Parliament of Canada, enacted December 18, 1981. The Foundation’s goals are to provide assistance to the orphans, the aged, those affected with leprosy, the disabled, the disadvantaged and the victims of abuse. Its broader objectives are to relieve illness and hunger, organize, promote, coordinate and support, both financially and morally, all educational, religious, philanthropic, humanitarian or benevolent causes and activities, within Canada or abroad.

To fulfill its mission, the Foundation solicits contributions from the public, from governments and from other organizations, for the direct funding of its current operations and programs as well as to provide long-term fulfilment of its endeavours and to foster its perpetuity. Individual donors are solicited for annual and patrimonial donations (bequests). These donations and contributions are referred to as contributions under accounting policies. Major individual contributions can be classified as memorial funds according to the donor’s wishes. In addition, the Foundation receives funds irrevocably forfeited by annuitants in exchange for lifelong annuity payments (the annuity agreements).

The Foundation supports community programs and projects that foster sustainable development in Canada, Latin America, Africa and Asia. The latter reflect the framework of interventions, which extend over several years and are carried out jointly with local nongovernmental partners.

To provide financial support for its programs, the Foundation has adopted a management policy which, most notably, since its inception by Cardinal Léger, has aimed at affecting investment revenue to fixed and general costs, thus making it possible to direct a larger portion of public donations directly to programs.

In order to maintain their registered charities status, the Foundation and its subsidiaries must meet certain spending requirements (“minimum spending requirement”) according to the *Income Tax Act*. The minimum spending requirement is a minimum amount that the registered charity must spend on charitable programs or as gifts to qualified donees. Failure to comply with this requirement could lead to a revocation of the charity’s registration. As at December 31, 2015, the Foundation and its subsidiaries comply with the requirement of the Canada Revenue Agency.

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

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### 2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

a) Consolidated financial statements

These consolidated financial statements combine the Foundation's accounts and those of its wholly-owned subsidiaries:

- |                                       |                           |
|---------------------------------------|---------------------------|
| - Cardinal Léger and His Endeavours   | - Partners of the World   |
| - Cardinal Léger Institute for Health | - Partnership Publishing  |
| - Elderaid                            | - The Cardinal's Partners |
| - Homeless Recourse                   | - The Gold Cross          |

b) Fund accounting

The consolidated financial statements are presented according to the fund accounting method.

*Programs Fund*

The Programs Fund consolidates all of the Foundation's activities in connection with its charitable endeavours in Canada and abroad, whether through its own programs or in partnership. Its revenue includes partners' contributions and current public donations.

*Life Annuities Fund*

The Life Annuities Fund reports on all operations in connection with contractual agreements whereby an annuitant irrevocably forfeits a specified lump sum in exchange for lifelong annuity payments. The annual net revenue from this activity is transferred to the Capital Growth Fund and the deficits, if needed, are reimbursed by this fund.

*Capital Growth Fund*

The Capital Growth Fund's purpose is to foster the Foundation's perpetuity and to provide adequate capital funding for the long-term fulfilment of all its endeavours. This fund reports contributions arising from capital funding campaigns, bequests, life insurance premium contributions and endowments. It also receives the annual net revenue of the Life Annuities Fund and reimburses, if needed, shortfalls of this fund.

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

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### 2. Significant accounting policies (*continued*)

#### c) Financial instruments

Financial assets and liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments, which are measured at fair value at the closing date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment revenue.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to other financial instruments 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 straight-line method. Any discount or premium related to an instrument measured at amortized cost is depreciated over the expected life of the item using the straight-line method and recognized as an interest revenue or expenditure in the consolidated statement of revenue, expenditure and fund balances.

With respect to financial assets measured at amortized cost, the Foundation recognizes an impairment loss, if any, in the consolidated statement of revenue, expenditure and fund balances when it determines that a significant adverse change has occurred 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 shall be reversed in the consolidated statement of revenue, expenditure and fund balances in the period the reversal occurs.

#### *Investments*

The investments are invested through a pooled fund, which holds and manages all securities owned by the Foundation. The investments of the Programs Fund and the Capital Growth Fund are invested in a portfolio in which each fund holds a share. Net investment income of this portfolio is allocated monthly between the funds based on the share held. The investments of the Life Annuities Fund are invested in a segregated portfolio according to the liability driven investment method. Investment revenue is recognized when earned.

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

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### 2. Significant accounting policies (*continued*)

#### d) Capital assets

Capital assets are recorded at cost. Amortization is computed over their useful lives using the straight-line method at the following rates:

|                                  | Rate          |
|----------------------------------|---------------|
| Furniture and equipment          | 20 %          |
| Computer equipment and softwares | 30 %          |
| Leasehold improvements           | Term of lease |

#### e) Programs Fund revenue recognition

The deferral method is used to record contributions.

Restricted contributions, which are those tied by an obligation of required use, are recognized as revenue in the year during which the related charges are incurred. Unrestricted contributions are recognized as revenue in the year they are received and if their reception is reasonably assured.

#### f) Life Annuities Fund revenue recognition and provision for future benefits

The annuity agreements with annuitants are reported in the Life Annuities Fund and are accounted in accordance with accounting policies in force in life insurance enterprises. Annuities contracted by the annuitants are recognized as income as of the agreement date. The expenditures represent total acquisition costs of all agreements signed during the year, total annuity payments under the accrual method, and changes in the provision for future benefits. This liability is determined for each agreement in force on the basis of actuarial assumptions of future events together with a reasonable provision for adverse deviations, and is revaluated annually at year end. The provision for future benefits recorded represents the amount which, added to the estimated future net investment income, will be sufficient to pay estimated future benefits and expenses on agreements in force.

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

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### 2. Significant accounting policies (*continued*)

#### g) Capital Growth Fund revenue recognition

Bequests are recognized as revenue as of receipt of funds or ownership transfer dates. Residuary legacies from estates are recognized as revenue when all clearance certificates have been received from taxation authorities by the liquidator.

Life insurance premiums paid by donors for policies where the Foundation or its subsidiaries are the registered owner and beneficiary are reported as revenue under donations and the offsetting policy premiums are reported as expenditure.

Donations permanently restricted by donors are registered directly to the Fund balance.

#### h) Service contributions in kind

Volunteers' service contributions are not accounted for due to the difficulties in assessing their fair value. Many volunteers devote numerous hours in fund raising or services activities. In particular, all members of the Foundation and its subsidiaries' Boards of Directors or its committees act on a voluntary basis and receive no compensation for carrying out their duties.

#### i) Programs expenditure recognition

Contributions are recognized when funds are transferred to the partners in charge of executing the programs. A transfer of funds is carried out following a commitment approved by the board of directors in charge and following an agreement with the partner in charge of executing the program.

Programs expenses include contributions, program evaluation, training and partners' reinforcement, public engagement and program management.

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

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### 2. Significant accounting policies (*continued*)

#### j) Expenditure allocation

The Programs Fund of the Foundation engages in three types of functions: programs, promotion and communication and administration. The cost of each of these functions is comprised of personnel cost, other expenditure directly related to the function and a portion of operating expenditure common to all functions.

Part of the objective of the Foundation is to promote engagement of the Canadian public towards humanitarian aid abroad, via different measures such as awareness, information and call to action. Also, the Foundation aims to further its work and uses its communications with the public to that effect, whether or not they are donors. Consequently, all publications of the Foundation, printed or electronic, are conceived to include a specific educational part. Hence, the costs related to these communications with the public are split between the programs function and the promotion and communication function.

The common or indirect operational expenditure are split between the functions according to bases adapted to each type of cost and applied consistently each year. The bases are as follows:

- administrative payroll is split according to the compilation of time spent by personnel on each function;
- cost of services and other consumables (telephone, mail, messaging, stationery, printing, equipment rental) is split according to use;
- cost of physical resources (supplies, computer equipment and softwares, amortization and miscellaneous) is split according to the number of employees of each service.

#### k) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates in effect at the consolidated balance sheet dates, while non-monetary items are translated at historical rates. Revenue items (mainly investment income) are translated at average monthly exchange rates and expenditures related to transactions in foreign currencies are translated at rates in effect on the transaction date. Translation gains and losses occur only for foreign currency cash and investments and are included in investment revenue.

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

### 2. Significant accounting policies (*continued*)

#### l) Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's knowledge of ongoing activities. Among the principal components of the consolidated financial statements requiring management to establish estimates is the provision for future benefits. Actual results could differ from those estimates.

### 3. Investments

|                           | 2015              | 2014              |
|---------------------------|-------------------|-------------------|
|                           | Fair value        | Fair value        |
|                           | \$                | \$                |
| By type of securities:    |                   |                   |
| Cash and short-term notes | 1,247,217         | 1,292,521         |
| Fixed income securities*  | 23,620,785        | 21,578,732        |
| Equity securities         | 19,700,395        | 14,541,743        |
| Accrued revenue           | 162,148           | 148,616           |
|                           | <b>44,730,545</b> | <b>37,561,612</b> |
| Geographically:           |                   |                   |
| Canadian securities       | 35,291,107        | 31,231,838        |
| Foreign securities        | 9,439,438         | 6,329,774         |
|                           | <b>44,730,545</b> | <b>37,561,612</b> |

\* Fixed income securities held as at December 31, 2015 in the Programs Fund and Capital Growth Fund portfolio represent a duration of 7.7 years (7.4 years as at December 31, 2014) and an average yield of 3.3% (2.5% in 2014).

Investments of the Life Annuities Fund are invested in a segregated portfolio and are composed solely of cash and short-term notes and fixed income securities.

Fixed income securities held as at December 31, 2015 in the Life Annuities Fund portfolio represent a duration of 6.3 years (5.9 years as at December 31, 2014) and an average yield of 2.4% (2.5% in 2014).

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

### 4. Capital assets

|                                  | 2015             |                          |                |
|----------------------------------|------------------|--------------------------|----------------|
|                                  | Cost             | Accumulated amortization | Net book value |
|                                  | \$               | \$                       | \$             |
| Furniture and equipment          | 204,270          | 194,950                  | 9,320          |
| Computer equipment and softwares | 560,523          | 487,539                  | 72,984         |
| Leasehold improvements           | 366,612          | 365,131                  | 1,481          |
|                                  | <b>1,131,405</b> | <b>1,047,620</b>         | <b>83,785</b>  |

Amortization expense for the year amounts to \$60,232 (\$103,314 in 2014).

|                                  | 2014             |                          |                |
|----------------------------------|------------------|--------------------------|----------------|
|                                  | Cost             | Accumulated amortization | Net book value |
|                                  | \$               | \$                       | \$             |
| Furniture and equipment          | 208 916          | 200 847                  | 8 069          |
| Computer equipment and softwares | 574 329          | 546 387                  | 27 942         |
| Leasehold improvements           | 365 093          | 336 581                  | 28 512         |
|                                  | <b>1 148 338</b> | <b>1 083 815</b>         | <b>64 523</b>  |

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

### 5. Deferred contribution from the Canadian government and deferred contributions from the public and organizations

The deferred contribution from the Canadian government relates to three contribution agreements, one for a food security project in three countries, one for a drinking water and hygiene project in the Philippines, and the other for a climate resilience project in Burkina Faso and is detailed as follows:

|  | 2015               | 2014      |
|--|--------------------|-----------|
|  | \$                 | \$        |
| Deferred contribution, beginning of year           | 84,284             | 352,207   |
| Contribution received during the year              | 3,598,900          | 304,934   |
|  | <b>3,683,184</b>   | 657,141   |
| Contribution recognized as revenue during the year | <b>(2,587,622)</b> | (572,857) |
| Deferred contribution, end of year                 | <b>1,095,562</b>   | 84,284    |

Deferred contributions from the public and organizations come from different sources and are related to different campaigns. They are detailed as follows:

|   | 2015               | 2014        |
|---|--------------------|-------------|
|   | \$                 | \$          |
| Deferred contributions, beginning of year           | 297,272            | 290,779     |
| Contributions received during the year              | 1,688,776          | 1,957,673   |
|   | <b>1,986,048</b>   | 2,248,452   |
| Contributions recognized as revenue during the year | <b>(1,731,655)</b> | (1,951,180) |
| Deferred contributions, end of year                 | <b>254,393</b>     | 297,272     |

Represented by :

|   |                |         |
|---|----------------|---------|
| <i>Feed a Child</i> campaign            | -              | 129,701 |
| International projects                  | 106,306        | 108,792 |
| Domestic projects                       | 142,000        | 50,596  |
| Other restricted donations and deposits | 6,087          | 8,183   |
|   | <b>254,393</b> | 297,272 |

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

### 6. Provision for future benefits of the Life Annuities Fund

The provision for future benefits is computed on a going concern basis and recognizes the degree of risk inherent to these commitments, and includes a provision for adverse deviations.

The changes in provision for future benefits for the year are a result of the following operations.

|  | 2015        | 2014        |
|--|-------------|-------------|
|  | \$          | \$          |
| Change in provision:                               |             |             |
| New agreements                                     | 1,231,529   | 1,530,406   |
| In force   | (1,537,132) | (1,089,111) |
|  | (305,603)   | 441,295     |
| Change in assumptions and methodology              | -           | 834,000     |
| Net change for the year recorded as expenditure    | (305,603)   | 1,275,295   |
| Provision for future benefits at beginning of year | 18,108,000  | 16,832,705  |
| Provision for future benefits at end of year       | 17,802,397  | 18,108,000  |

In order to ascertain the actuarial valuation of obligations related to annuity agreements actually in force, management mandates independent actuaries to evaluate these liabilities on a two-year basis. In conformity with this practice, the provision for future benefits was subjected to an independent actuarial valuation as at December 31, 2014. Life expectancy tables and other actuarial assumptions used in the last independent valuation were used by management to determine the provision for future benefits as at December 31, 2015.

Annuity operations being the only activities of the Life Annuities Fund, its investments represent all the assets backing the provision for future benefits. These investments are invested in a segregated portfolio according to the liability driven investment method. The investment policy and portfolio asset target mix take into account estimated future cash requirements to provide for the Life Annuities Fund's commitments and inherent risks of its asset-backed liabilities. The portfolio owns securities with similar underlying characteristics to its commitments.

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

### 7. Capital Growth Fund permanently restricted fund balance

The Capital Growth Fund permanently restricted fund balance is composed of the following endowments:

|  | 2015             | 2014             |
|--|------------------|------------------|
|  | \$               | \$               |
| Carmen Bordeleau Memorial Fund                 | 2,658,204        | 2,523,772        |
| Jean-Charles Clouet Memorial Fund              | 664,656          | 631,040          |
| Serkmet Fund                                   | 538,045          | 509,628          |
| Eugène Beauregard Memorial Fund                | 498,317          | 473,116          |
| Cécile Moussali Memorial Fund                  | 139,330          | 132,285          |
| Claire Langlois Memorial Fund                  | 120,163          | 114,072          |
| Maurice Picory Memorial Fund                   | 103,287          | 98,064           |
| Félix-Adolphe and Stella Senécal Memorial Fund | 78,715           | 74,735           |
|  | <b>4,800,717</b> | <b>4,556,712</b> |

In accordance with the policy adopted by management regarding the administration of amounts restricted by donors, the original amount restricted by a donor is increased or decreased according to the change in fair value of related investments. As at December 31, 2015, the original amounts restricted by donors total 3,163,174 \$ (\$3,163,174 as at December 31, 2014).

### 8. Investment revenue

|   | 2015             | 2014             |
|---|------------------|------------------|
|   | \$               | \$               |
| Interest and dividends  | 1,033,176        | 1,154,536        |
| Increase in fair value  | 1,054,507        | 2,516,148        |
|   | <b>2,087,683</b> | <b>3,670,684</b> |
| Asset management, safekeeping and performance evaluation expenses | <b>(166,747)</b> | <b>(138,855)</b> |
|   | <b>1,920,936</b> | <b>3,531,829</b> |

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

### 9. Programs Fund expenditure allocation

|                                   | 2015      |                             |                |
|-----------------------------------|-----------|-----------------------------|----------------|
|                                   | Programs  | Promotion and communication | Administration |
|                                   | \$        | \$                          | \$             |
| Total before allocation           | 6,202,305 | 639,039                     | 1,121,316      |
| Allocation of common expenditure: |           |                             |                |
| Administrative payroll            | 118,195   | 139,458                     | (257,653)      |
| Services and other consumables    | 18,240    | 34,265                      | (52,205)       |
| Physical resources                | 41,784    | 46,434                      | (88,218)       |
|                                   | 178,219   | 220,157                     | (398,376)      |
|                                   | 6,380,524 | 859,196                     | 722,940        |
| Public engagement expenditure     | 252,434   | (252,434)                   | –              |
| Total after allocation            | 6,632,958 | 606,762                     | 722,940        |

  

|                                   | 2014      |                             |                |
|-----------------------------------|-----------|-----------------------------|----------------|
|                                   | Programs  | Promotion and communication | Administration |
|                                   | \$        | \$                          | \$             |
| Total before allocation           | 4,111,203 | 699,257                     | 1,141,799      |
| Allocation of common expenditure: |           |                             |                |
| Administrative payroll            | 110,859   | 127,122                     | (237,981)      |
| Services and other consumables    | 17,730    | 34,201                      | (51,931)       |
| Physical resources                | 35,050    | 39,479                      | (74,529)       |
|                                   | 163,639   | 200,802                     | (364,441)      |
|                                   | 4,274,842 | 900,059                     | 777,358        |
| Public engagement expenditure     | 202,654   | (202,654)                   | –              |
| Total after allocation            | 4,477,496 | 697,405                     | 777,358        |

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

### 10. Programs

|   |                        |                   | 2015             | 2014             |
|---|------------------------|-------------------|------------------|------------------|
|   | International programs | Domestic programs | Total            | Total            |
|   | \$                     | \$                | \$               | \$               |
| Contributions   | 3,637,545              | 1,100,000         | 4,737,545        | 2,639,272        |
| Humanitarian aid  | 223,122                | –                 | 223,122          | 365,599          |
| Programs evaluation, training and reinforcement of partners | 290,296                | 120,475           | 410,771          | 339,681          |
| Public engagement   | 217,017                | 66,048            | 283,065          | 273,146          |
| Monitoring and support                                      | 736,263                | 242,192           | 978,455          | 859,798          |
|   | <b>5,104,243</b>       | <b>1,528,715</b>  | <b>6,632,958</b> | <b>4,477,496</b> |

### 11. Life insurance policies

The insured capital under donors insurance policies, of which the Foundation or one of its subsidiaries is owner and beneficiary, amounts to \$2,851,840 as at December 31, 2015 (\$2,601,840 as at December 31, 2014) and will be recorded upon the donors' death.

### 12. Estates under settlement

Assets for estates under settlement for which the Foundation is liquidator are held in trust until they are recognized. The value of these assets amounts to \$593,069 as at December 31, 2015 (\$1,501,616 as at December 31, 2014).

### 13. Pension plan

The Foundation has a defined contribution plan providing pension benefits to its employees. The Foundation's financial obligations towards the plan are discharged regularly and, as at December 31, 2015, all obligations have been recorded in the accounts. The annual expense and payment amount to \$87,000 (\$78,943 in 2014).

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

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### 14. Commitments

#### *Programs*

The Foundation's programs promote sustainable development and span over several years. Programs committed by the Foundation and its subsidiaries beyond December 31, 2015 are as follows:

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|      | \$                      |
|------|-------------------------|
| 2016 | 4,613,479               |
| 2017 | 3,545,635               |
| 2018 | 3,088,196               |
| 2019 | 3,049,838               |
| 2020 | 766,885                 |
|      | <hr/> <b>15,064,033</b> |

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An important portion of the financing of the international programs comes from the Canadian government. A financing agreement was entered into with Global Affairs Canada (GAC) for a food security project in three countries for 2016 to 2020. The commitments related to this project, included in the above total, amount to \$14,509,792 of which \$10,882,314 will be paid by GAC.

#### *Office premises and equipment*

The Foundation is bound by an operating lease for its office premises until at least September 30, 2020 and operating lease contracts for equipment expiring up to March 2020 which provide for minimum lease payments as follows:

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|      | \$                   |
|------|----------------------|
| 2016 | 81,777               |
| 2017 | 81,777               |
| 2018 | 81,777               |
| 2019 | 81,777               |
| 2020 | 55,062               |
|      | <hr/> <b>382,170</b> |

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# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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## Notes to Consolidated Financial Statements (*continued*)

December 31, 2015

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### 15. Financial Instruments

In view of its financial assets, the Foundation is exposed to the following risks related to the use of financial instruments:

#### *Foreign exchange risk*

A significant number of the international programs are carried out in foreign currencies. The Foundation is therefore exposed to currency fluctuations.

Investments in world securities are held through units of an investment fund which are in Canadian dollars. However, the investments made by this fund are in foreign currencies. The Foundation is therefore indirectly subject to a foreign exchange risk.

The Foundation does not actively manage this risk.

#### *Interest rate risk*

Amongst the Foundation's assets, only investments in fixed income securities carry a market risk arising from interest rate fluctuations. The Foundation manages this risk through the constraints of its investment policy imposed to its pooled fund portfolio managers.

#### *Market risk*

Market risk is the risk stemming from the volatility of security prices. The Foundation is exposed to market risk because it holds equity and investment fund units. The actual level of risk to which the Foundation is exposed varies according to market situation and asset mix.

#### *Credit risk*

The maximum credit risk for the Foundation is limited to the fair value of investments as presented on the balance sheet.

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# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Supplementary Financial Data:

### Consolidated Statement of Revenue, Expenditure and Fund Balances

#### *Programs Fund*

| Year ended December 31  | 2015               | 2014               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>Revenue:</b>   |                    |                    |
| Canadian government   | 2,587,622          | 572,857            |
| Quebec government   | 29,425             | 23,504             |
| Donations   | 1,731,655          | 1,951,180          |
| Investments   | 167,297            | 234,742            |
|   | <b>4,515,999</b>   | <b>2,782,283</b>   |
| <b>Expenditure:</b>   |                    |                    |
| Programs  | 6,632,958          | 4,477,496          |
| Promotion and communication   | 606,762            | 697,405            |
| Administration  | 722,940            | 777,358            |
|   | <b>7,962,660</b>   | <b>5,952,259</b>   |
| <b>Deficiency of revenue over expenditure</b>                               | <b>(3,446,661)</b> | <b>(3,169,976)</b> |
| Transfer from the Capital Growth Fund for the funding of current operations | 3,450,000          | 3,195,000          |
| <b>Change in Fund Balance due to current year operations</b>                | <b>3,339</b>       | <b>25,024</b>      |
| Fund Balance at beginning of year   | 2,805,373          | 2,780,349          |
| <b>Fund Balance at end of year</b>  | <b>2,808,712</b>   | <b>2,805,373</b>   |
| Represented by:   |                    |                    |
| Fund balance invested in capital assets                                     | 83,785             | 64,523             |
| Fund Balance available for funding working capital and program commitments  | 2,724,927          | 2,740,850          |
|   | <b>2,808,712</b>   | <b>2,805,373</b>   |

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Supplementary Financial Data:

### Consolidated Statement of Revenue, Expenditure and Fund Balances

#### *Life Annuities Fund*

| Year ended December 31  | 2015             | 2014             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Revenue:</b>   |                  |                  |
| Annuities contracted  | 1,651,478        | 1,903,913        |
| Investments   | 596,430          | 1,470,049        |
|   | <b>2,247,908</b> | <b>3,373,962</b> |
| <b>Expenditure:</b>   |                  |                  |
| Annuities paid  | 2,169,770        | 2,141,603        |
| Change in provision for future benefits                                       | (305,603)        | 441,295          |
| Change in assumptions and methodology   | –                | 834,000          |
| Promotion and communication   | 165,148          | 190,391          |
| Administration  | 95,073           | 89,890           |
|   | <b>2,124,388</b> | <b>3,697,179</b> |
| <b>Excess (deficiency) of revenue over expenditure</b>                        | <b>123,520</b>   | <b>(323,217)</b> |
| Transfer of the current year's (excess) deficiency to the Capital Growth Fund | (123,520)        | 323,217          |
| <b>Change in Fund Balance due to current year operations</b>                  | <b>–</b>         | <b>–</b>         |
| Fund Balance at beginning of year   | –                | –                |
| <b>Fund Balance at end of year</b>  | <b>–</b>         | <b>–</b>         |

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Supplementary Financial Data:

### Consolidated Statement of Revenue, Expenditure and Fund Balances

#### *Capital Growth Fund*

| Year ended December 31  | 2015              | 2014              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| <b>Revenue:</b>   |                   |                   |
| Bequests  | 9,865,971         | 1,973,476         |
| Donations   | 36,738            | 183,674           |
| Investments   | 1,157,209         | 1,827,038         |
|   | <b>11,059,918</b> | <b>3,984,188</b>  |
| <b>Expenditure:</b>   |                   |                   |
| Promotion and communication   | 290,271           | 215,715           |
| Administration  | 80,768            | 80,631            |
| Life insurance premiums   | 40,252            | 43,450            |
|   | <b>411,291</b>    | <b>339,796</b>    |
| <b>Excess of revenue over expenditure</b>   | <b>10,648,627</b> | <b>3,644,392</b>  |
| Transfer of the Life Annuities Fund's current year's excess (deficiency)                                      | 123,520           | (323,217)         |
| Restricted fund received  | –                 | 41,540            |
| Transfer to the Programs Fund for the funding of current operations   | (3,450,000)       | (3,195,000)       |
| <b>Change in Fund Balance due to current year operations</b>  | <b>7,322,147</b>  | <b>167,715</b>    |
| Fund Balance at beginning of year   | 16,657,678        | 16,489,963        |
| <b>Fund Balance at end of year</b>  | <b>23,979,825</b> | <b>16,657,678</b> |
| Represented by:   |                   |                   |
| Fund Balance permanently restricted   | 4,800,717         | 4,556,712         |
| Fund Balance restricted by management to provide for continuity and sustained long-term funding of endeavours | 19,179,108        | 12,100,966        |
|   | <b>23,979,825</b> | <b>16,657,678</b> |