



JULES AND PAUL-ÉMILE LÉGER
FOUNDATION

CONSOLIDATED ANNUAL FINANCIAL REPORT

DECEMBER 31, 2016

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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, 2016. The next valuation is scheduled for December 31, 2018.

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

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 in accordance with Canadian accounting standards for not-for-profit organizations.

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, 2016, the available balance of the Programs Fund, which serves as the working capital of the Foundation, represents 23.3% of the fund's operations or approximately three months of activities. During the year, the Capital Growth Fund made a contribution of \$4,050,000 to support the programs, the equivalent of 34.8% of total expenditures. At year-end, the balance of the Capital Growth Fund was \$24,609,250, which is more than six times the annual contribution made to the Programs Fund. There was a deficit of \$1,246,699 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, 2016 increased by \$1,291,731 compared to last year. The discretionary balance of the Capital Growth Fund consisted of an additional hedge of 94% of the provision for future benefits.



André Dostie
President



Norman Maclsaac
Executive Director



Pierre Y. Langlois
Treasurer

Montreal, Canada
May 3, 2017



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Independent Auditor's Report

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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, 2016, and the consolidated statements of revenue, expenditure and fund balances and cash flows for the year then ended, 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, 2016, 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.

*Deloitte LLP*¹

May 31, 2017

¹ CPA auditor, CA public accountancy permit No. A120628

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Consolidated Balance Sheet

As at December 31				2016	2015
	Programs Fund	Life Annuities Fund	Capital Growth Fund	Total	Total
	\$	\$	\$	\$	\$
Assets					
Cash	2,780,547	–	–	2,780,547	1,772,139
Investments (note 3)	3,105,559	19,291,704	24,681,361	47,078,624	44,730,545
Receivables	76,982	–	–	76,982	79,722
Interfund advances receivable*	–	232,424*	–	–	–
Prepaid expenses	73,828	–	–	73,828	97,448
Other assets	13,798	–	–	13,798	13,344
	6,050,714	19,524,128	24,681,361	50,023,779	46,693,198
Capital assets (note 4)	96,562	–	–	96,562	83,785
	6,147,276	19,524,128	24,681,361	50,120,341	46,776,983
Liabilities					
Accounts payable and accrued liabilities	483,977	430,000	–	913,977	836,094
Interfund advances payable*	160,313*	–	72,111*	–	–
Deferred contribution from the Canadian government (note 5)	2,358,976	–	–	2,358,976	1,095,562
Deferred contributions from the public and organizations (note 5)	332,176	–	–	332,176	254,393
	3,335,442	430,000	72,111	3,605,129	2,186,049
Provision for future benefits (note 6)	–	19,094,128	–	19,094,128	17,802,397
	3,335,442	19,524,128	72,111	22,699,257	19,988,446
Commitments (note 14)					
Fund balances					
Invested in capital assets	96,562	–	–	96,562	83,785
Permanently restricted (note 7)	–	–	6,616,233	6,616,233	4,800,717
Restricted by management	–	–	17,993,017	17,993,017	19,179,108
Unrestricted	2,715,272	–	–	2,715,272	2,724,927
	2,811,834	–	24,609,250	27,421,084	26,788,537
	6,147,276	19,524,128	24,681,361	50,120,341	46,776,983

* 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				2016	2015
	Programs Fund	Life Annuities Fund	Capital Growth Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Canadian government	5,567,262	–	–	5,567,262	2,587,622
Quebec government	24,426	–	–	24,426	29,425
Public and organizations:					
Donations	1,862,547	–	76,629	1,939,176	1,768,393
Bequests	–	–	2,813,697	2,813,697	9,865,971
Investments (note 8)	131,295	449,464	2,040,559	2,621,318	1,920,936
Annuities contracted	–	2,031,650	–	2,031,650	1,651,478
	7,585,530	2,481,114	4,930,885	14,997,529	17,823,825
Expenditure (note 9)					
Programs (note 10)	10,099,891	–	–	10,099,891	6,632,958
Promotion and communication	814,743	203,165	289,032	1,306,940	1,062,181
Administration	717,774	96,362	122,657	936,793	898,781
Life insurance premiums	–	–	49,903	49,903	40,252
Annuities paid	–	2,136,555	–	2,136,555	2,169,770
Change in provision for future benefits (note 6)	–	161,731	–	161,731	(305,603)
Change in assumptions and methodology (note 6)	–	1,130,000	–	1,130,000	–
	11,632,408	3,727,813	461,592	15,821,813	10,498,339
(Deficiency) excess of revenue over expenditure	(4,046,878)	(1,246,699)	4,469,293	(824,284)	7,325,486
Transfer of the Life Annuities Fund's current year's deficiency to the Capital Growth Fund	–	1,246,699	(1,246,699)	–	–
Restricted funds received	–	–	1,456,831	1,456,831	–
Transfer from the Capital Growth Fund to the Programs Fund for the funding of current operations	4,050,000	–	(4,050,000)	–	–
Change in Fund Balances due to current year operations	3,122	–	629,425	632,547	7,325,486

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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

Year ended December 31				2016	2015
	Programs Fund	Life Annuities Fund	Capital Growth Fund	Total	Total
	\$	\$	\$	\$	\$
Carried forward from previous page	3,122	–	629,425	632,547	7,325,486
Fund Balances at beginning of year	2,808,712	–	23,979,825	26,788,537	19,463,051
Fund Balances at end of year	2,811,834	–	24,609,250	27,421,084	26,788,537
Represented by:					
Fund Balance invested in capital assets	96,562	–	–	96,562	83,785
Fund Balance permanently restricted (note 7)	–	–	6,616,233	6,616,233	4,800,717
Fund Balance restricted by management to provide for continuity and sustained long-term funding of endeavours	–	–	17,993,017	17,993,017	19,179,108
Fund Balance available for funding working capital and program commitments	2,715,272	–	–	2,715,272	2,724,927
	2,811,834	–	24,609,250	27,421,084	26,788,537

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	2016	2015
	\$	\$
Operating Activities		
Programs Fund		
Deficiency of revenue over expenditure	(4,046,878)	(3,446,661)
Non-cash items:		
Amortization of capital assets	39,656	60,232
Increase in fair value of investments	(90,815)	(111,455)
Net change in deferred contributions	1,341,197	968,399
Net change in other non-cash assets and liabilities	1,392,726	(1,004,899)
	(1,364,114)	(3,534,384)
Life Annuities Fund		
(Deficiency) excess of revenue over expenditure	(1,246,699)	123,520
Non-cash items:		
Change in provision for future benefits	161,731	(305,603)
Change in assumptions and methodology	1,130,000	–
Decrease (increase) in fair value of investments	78,326	(72,421)
Net change in other non-cash assets and liabilities	(1,335,644)	909,436
	(1,212,286)	654,932
Capital Growth Fund		
Excess of revenue over expenditure	4,469,293	10,648,627
Non-cash item:		
Increase in fair value of investments	(1,558,282)	(870,631)
Restricted funds received	1,456,831	–
Net change in other non-cash assets and liabilities	46,707	(12,299)
	4,414,549	9,765,697
	1,838,149	6,886,245
Investing Activities		
Programs Fund		
Net (purchases) sales of investments	(1,625,045)	856,203
Acquisition of capital assets	(52,433)	(79,494)
Life Annuities Fund		
Net purchases of investments	(34,413)	(531,412)
Capital Growth Fund		
Net sales (purchases) of investments	882,150	(6,439,217)
	(829,741)	(6,193,920)
Increase in cash	1,008,408	692,325
Cash at beginning of year	1,772,139	1,079,814
Cash at end of year	2,780,547	1,772,139

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

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2016

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, 2016, the Foundation and its subsidiaries comply with the requirement of the Canada Revenue Agency.

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2016

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 by fund.

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

Notes to Consolidated Financial Statements (*continued*)

December 31, 2016

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

Notes to Consolidated Financial Statements (*continued*)

December 31, 2016

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) Revenue recognition

The deferral method is used to record contributions.

Programs Fund

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.

Life Annuities Fund

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

Notes to Consolidated Financial Statements (*continued*)

December 31, 2016

2. Significant accounting policies (*continued*)

e) Revenue recognition (*continued*)

Capital Growth Fund

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.

f) 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 Board of Directors or its committees act on a voluntary basis and receive no compensation for carrying out their duties.

However, service contributions in kind rendered by experts not paid for their services in the international programs are accounted for at their fair estimated value and are registered as revenue and expenditure.

g) 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, programs evaluation, training and reinforcement of partners, public engagement and monitoring and support.

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2016

2. Significant accounting policies (*continued*)

h) 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.

i) 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, 2016

2. Significant accounting policies (*continued*)

j) 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

	2016	2015
	Fair value	Fair value
	\$	\$
By type of securities:		
Cash and short-term notes	845,498	1,247,217
Fixed income securities*	24,611,118	23,620,785
Equity securities	21,447,208	19,700,395
Accrued revenue	174,800	162,148
	47,078,624	44,730,545
Geographically:		
Canadian securities	37,704,116	35,291,107
Foreign securities	9,374,508	9,439,438
	47,078,624	44,730,545

* Fixed income securities held as at December 31, 2016 in the Programs Fund and Capital Growth Fund portfolio present an average duration of 7.3 years (7.7 years as at December 31, 2015) and an average yield of 2.6% (3.3% in 2015).

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, 2016 in the Life Annuities Fund portfolio present an average duration of 6.6 years (6.3 years as at December 31, 2015) and an average yield of 2.5% (2.4% in 2015).

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2016

4. Capital assets

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	225,481	201,899	23,582
Computer equipment and softwares	557,555	500,208	57,347
Leasehold improvements	381,510	365,877	15,633
	1,164,546	1,067,984	96,562

Amortization expense for the year amounts to \$39,656 (\$60,232 in 2015).

	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
	1,131,405	1,047,620	83,785

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2016

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

The deferred contribution from the Canadian government is detailed as follows:

	2016	2015
	\$	\$
Deferred contribution, beginning of year	1,095,562	84,284
Contribution received during the year	6,830,676	3,598,900
	7,926,238	3,683,184
Contribution recognized as revenue during the year	(5,567,262)	(2,587,622)
Deferred contribution, end of year	2,358,976	1,095,562

Represented by :

IMFS project	1,228,989	1,095,562
MCH project	938,379	-
Humanitarian aid in Cameroon project	191,608	-
	2,358,976	1,095,562

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

	2016	2015
	\$	\$
Deferred contributions, beginning of year	254,393	297,272
Contributions received during the year	1,940,330	1,688,776
	2,194,723	1,986,048
Contributions recognized as revenue during the year	(1,862,547)	(1,731,655)
Deferred contributions, end of year	332,176	254,393

Represented by :

International projects	138,759	106,306
Domestic projects	189,500	142,000
Other restricted donations and deposits	3,917	6,087
	332,176	254,393

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2016

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:

	2016	2015
	\$	\$
Change in provision:		
New agreements	1,502,197	1,231,529
In force	(1,340,466)	(1,537,132)
	161,731	(305,603)
Change in assumptions and methodology	1,130,000	–
Net change for the year recorded as expenditure	1,291,731	(305,603)
Provision for future benefits at beginning of year	17,802,397	18,108,000
Provision for future benefits at end of year	19,094,128	17,802,397

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, 2016. The provision for adverse deviations was evaluated at \$1,191,430 by the independent actuaries.

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, 2016

7. Capital Growth Fund permanently restricted fund balance

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

	2016	2015
	\$	\$
Carmen Bordeleau Memorial Fund	2,834,940	2,658,204
Jeanne Fund	1,038,915	–
Jean-Charles Clouet Memorial Fund	708,845	664,656
Serkmet Fund	574,403	538,045
Eugène Beauregard Memorial Fund	531,449	498,317
Dr Dag Munro and Micheline Groleau Fund	456,831	–
Cécile Moussali Memorial Fund	148,594	139,330
Claire Langlois Memorial Fund	128,152	120,163
Maurice Picory Memorial Fund	110,155	103,287
Félix-Adolphe and Stella Senécal Memorial Fund	83,949	78,715
	6,616,233	4,800,717

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, 2016, the original amounts restricted by donors total \$4,620,005 (\$3,163,174 as at December 31, 2015).

8. Investment revenue

	2016	2015
	\$	\$
Interest and dividends	1,242,274	1,033,176
Increase in fair value	1,570,771	1,054,507
	2,813,045	2,087,683
Asset management, safekeeping and performance evaluation expenses	(191,727)	(166,747)
	2,621,318	1,920,936

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2016

9. Programs Fund expenditure allocation

	2016		
	Programs	Promotion and communication	Administration
	\$	\$	\$
Total before allocation	9,656,213	821,834	1,154,361
Allocation of common expenditure:			
Administrative payroll	127,958	150,284	(278,242)
Services and other consumables	16,079	28,997	(45,076)
Physical resources	54,536	58,733	(113,269)
	198,573	238,014	(436,587)
	9,854,786	1,059,848	717,774
Public engagement expenditure	245,105	(245,105)	–
Total after allocation	10,099,891	814,743	717,774

	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

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2016

10. Programs

				2016	2015
	International programs	Domestic programs	Humanitarian aid	Total	Total
	\$	\$	\$	\$	\$
Contributions	6,053,785	1,236,177	628,128	7,918,090	4,937,097
Programs evaluation, training and reinforcement of partners	467,892	128,141	34,508	630,541	434,341
Public engagement	215,809	40,181	–	255,990	283,065
Monitoring and support	944,202	249,601	101,467	1,295,270	978,455
	7,681,688	1,654,100	764,103	10,099,891	6,632,958

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 \$3,074,632 as at December 31, 2016 (\$2,851,840 as at December 31, 2015) 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 \$173,099 as at December 31, 2016 (\$593,069 as at December 31, 2015).

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, 2016, all obligations have been recorded in the accounts. The annual expense and payment amount to \$99,637 (\$87,000 in 2015).

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2016

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, 2016 are as follows:

	\$
2017	6,195,206
2018	5,288,623
2019	4,060,400
2020	972,667
	<hr/> 16,516,896 <hr/>

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 an Innovation and Mobilization for Food Security (IMFS) project in three countries for 2015 to 2020, one for a Maternal and Child Health (MCH) project in Haiti for 2016 to 2020 and one for a humanitarian aid project in the Extreme North Region of Cameroon for 2016 and 2017. The commitments related to these projects, included in the above total, amount to \$15,769,914 of which \$12,386,737 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:

	\$
2017	82,536
2018	82,536
2019	82,536
2020	55,631
	<hr/> 303,239 <hr/>

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2016

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.

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Supplementary Financial Data:

Consolidated Statement of Revenue, Expenditure and Fund Balances

Programs Fund

Year ended December 31	2016	2015
	\$	\$
Revenue:		
Canadian government	5,567,262	2,587,622
Quebec government	24,426	29,425
Donations	1,862,547	1,731,655
Investments	131,295	167,297
	7,585,530	4,515,999
Expenditure:		
Programs	10,099,891	6,632,958
Promotion and communication	814,743	606,762
Administration	717,774	722,940
	11,632,408	7,962,660
Deficiency of revenue over expenditure	(4,046,878)	(3,446,661)
Transfer from the Capital Growth Fund for the funding of current operations	4,050,000	3,450,000
Change in Fund Balance due to current year operations	3,122	3,339
Fund Balance at beginning of year	2,808,712	2,805,373
Fund Balance at end of year	2,811,834	2,808,712
Represented by:		
Fund balance invested in capital assets	96,562	83,785
Fund Balance available for funding working capital and program commitments	2,715,272	2,724,927
	2,811,834	2,808,712

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Supplementary Financial Data:

Consolidated Statement of Revenue, Expenditure and Fund Balances

Life Annuities Fund

Year ended December 31	2016	2015
	\$	\$
Revenue:		
Annuities contracted	2,031,650	1,651,478
Investments	449,464	596,430
	2,481,114	2,247,908
Expenditure:		
Annuities paid	2,136,555	2,169,770
Change in provision for future benefits	161,731	(305,603)
Change in assumptions and methodology	1,130,000	–
Promotion and communication	203,165	165,148
Administration	96,362	95,073
	3,727,813	2,124,388
(Deficiency) excess of revenue over expenditure	(1,246,699)	123,520
Transfer of the current year's deficiency (excess) to the Capital Growth Fund	1,246,699	(123,520)
Change in Fund Balance due to current year operations	–	–
Fund Balance at beginning of year	–	–
Fund Balance at end of year	–	–

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Supplementary Financial Data:

Consolidated Statement of Revenue, Expenditure and Fund Balances

Capital Growth Fund

Year ended December 31	2016	2015
	\$	\$
Revenue:		
Bequests	2,813,697	9,865,971
Donations	76,629	36,738
Investments	2,040,559	1,157,209
	4,930,885	11,059,918
Expenditure:		
Promotion and communication	289,032	290,271
Administration	122,657	80,768
Life insurance premiums	49,903	40,252
	461,592	411,291
Excess of revenue over expenditure	4,469,293	10,648,627
Transfer of the Life Annuities Fund's current year's (deficiency) excess	(1,246,699)	123,520
Restricted funds received	1,456,831	–
Transfer to the Programs Fund for the funding of current operations	(4,050,000)	(3,450,000)
Change in Fund Balance due to current year operations	629,425	7,322,147
Fund Balance at beginning of year	23,979,825	16,657,678
Fund Balance at end of year	24,609,250	23,979,825
Represented by:		
Fund Balance permanently restricted	6,616,233	4,800,717
Fund Balance restricted by management to provide for continuity and sustained long-term funding of endeavours	17,993,017	19,179,108
	24,609,250	23,979,825