



JULES AND PAUL-ÉMILE LÉGER  
FOUNDATION

## CONSOLIDATED ANNUAL FINANCIAL REPORT

DECEMBER 31, 2017

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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## CONSOLIDATED ANNUAL FINANCIAL REPORT

DECEMBER 31, 2017

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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, 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

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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 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, 2017, the available balance of the Programs Fund, which serves as the working capital of the Foundation, represents 21.5 % of the fund's operations or approximately three months of activities. During the year, the Capital Growth Fund made a contribution of \$4,045,000 to support the programs, the equivalent of 31.7 % of total expenditures. At year-end, the balance of the Capital Growth Fund was \$24,166,897, which is almost six times the annual contribution made to the Programs Fund. There was a surplus of \$275,063 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 \$57,790 compared to last year. The discretionary balance of the Capital Growth Fund consisted of an additional hedge of 89 % of the provision for future benefits.



André Dostie  
**President**



Richard Veenstra  
**Executive Director**

Vincent Dostie  
**Treasurer**

Montreal, Canada  
May 2, 2018

## 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, 2017, 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, 2017, 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*<sup>1</sup>

May 30, 2018

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

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

## Consolidated Balance Sheet

As at December 31				2017	2016
	Programs Fund	Life Annuities Fund	Capital Growth Fund	Total	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash	1,899,337	–	–	1,899,337	2,780,547
Investments (note 3)	3,777,058	19,958,258	24,625,945	48,361,261	47,078,624
Receivables	114,770	–	–	114,770	76,982
Interfund advances receivable*	377,388 *	–	–	–	–
Prepaid expenses	116,312	–	–	116,312	73,828
Other assets	16,076	–	–	16,076	13,798
	<b>6,300,941</b>	<b>19,958,258</b>	<b>24,625,945</b>	<b>50,507,756</b>	50,023,779
Capital assets (note 4)	93,254	–	–	93,254	96,562
	<b>6,394,195</b>	<b>19,958,258</b>	<b>24,625,945</b>	<b>50,601,010</b>	50,120,341
<b>Liabilities</b>					
Accounts payable and accrued liabilities	498,366	436,500	–	934,866	913,977
Interfund advances payable*	–	369,840 *	7,548 *	–	–
Deferred contribution from the Canadian government (note 5)	2,738,918	–	–	2,738,918	2,358,976
Deferred contributions from the public and organizations (note 5)	329,728	–	451,500	781,228	332,176
	<b>3,567,012</b>	<b>806,340</b>	<b>459,048</b>	<b>4,455,012</b>	3,605,129
Provision for future benefits (note 6)	–	19,151,918	–	19,151,918	19,094,128
	<b>3,567,012</b>	<b>19,958,258</b>	<b>459,048</b>	<b>23,606,930</b>	22,699,257
Commitments (note 14)					
<b>Fund balances</b>					
Invested in capital assets	93,254	–	–	93,254	96,562
Permanently restricted (note 7)	–	–	7,198,380	7,198,380	6,616,233
Restricted by management	–	–	16,968,517	16,968,517	17,993,017
Unrestricted	2,733,929	–	–	2,733,929	2,715,272
	<b>2,827,183</b>	<b>–</b>	<b>24,166,897</b>	<b>26,994,080</b>	27,421,084
	<b>6,394,195</b>	<b>19,958,258</b>	<b>24,625,945</b>	<b>50,601,010</b>	50,120,341

\* 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				2017	2016
	Programs Fund	Life Annuities Fund	Capital Growth Fund	Total	Total
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Canadian government	6,043,396	–	–	6,043,396	5,567,262
Quebec government	194,312	–	–	194,312	24,426
Public and organizations:					
Donations	2,153,509	–	78,539	2,232,048	1,939,176
Bequests	–	–	1,047,510	1,047,510	2,813,697
Investments (note 8)	322,826	657,119	2,484,423	3,464,368	2,621,318
Annuities contracted	–	2,202,404	–	2,202,404	2,031,650
	<b>8,714,043</b>	<b>2,859,523</b>	<b>3,610,472</b>	<b>15,184,038</b>	<b>14,997,529</b>
<b>Expenditure (note 9)</b>					
Programs (note 10)	10,958,170	–	–	10,958,170	10,099,891
Promotion and communication	1,008,191	220,240	112,605	1,341,036	1,306,940
Administration	777,333	97,990	121,947	997,270	936,793
Life insurance premiums	–	–	48,336	48,336	49,903
Annuities paid	–	2,208,440	–	2,208,440	2,136,555
Change in provision for future benefits (note 6)	–	57,790	–	57,790	161,731
Change in assumptions and methodology (note 6)	–	–	–	–	1,130,000
	<b>12,743,694</b>	<b>2,584,460</b>	<b>282,888</b>	<b>15,611,042</b>	<b>15,821,813</b>
<b>(Deficiency) excess of revenue over expenditure</b>	<b>(4,029,651)</b>	<b>275,063</b>	<b>3,327,584</b>	<b>(427,004)</b>	<b>(824,284)</b>
Transfer of the Life Annuities Fund's current year's excess to the Capital Growth Fund	–	(275,063)	275,063	–	–
Restricted funds received	–	–	–	–	1,456,831
Transfer from the Capital Growth Fund to the Programs Fund for the funding of current operations	4,045,000	–	(4,045,000)	–	–
<b>Change in Fund Balances due to current year operations</b>	<b>15,349</b>	<b>–</b>	<b>(442,353)</b>	<b>(427,004)</b>	<b>632,547</b>

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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

Year ended December 31				2017	2016
	Programs Fund	Life Annuities Fund	Capital Growth Fund	Total	Total
	\$	\$	\$	\$	\$
Carried forward from previous page	15,349	–	(442,353)	(427 004)	632,547
Fund Balances at beginning of year	2,811,834	–	24,609,250	27,421,084	26,788,537
<b>Fund Balances at end of year</b>	<b>2,827,183</b>	<b>–</b>	<b>24,166,897</b>	<b>26,994,080</b>	<b>27,421,084</b>
Represented by:					
Fund Balance invested in capital assets	93,254	–	–	93,254	96,562
Fund Balance permanently restricted (note 7)	–	–	7,198,380	7,198,380	6,616,233
Fund Balance restricted by management to provide for continuity and sustained long-term funding of endeavours	–	–	16,968,517	16,968,517	17,993,017
Fund Balance available for funding working capital and program commitments	2,733,929	–	–	2,733,929	2,715,272
	<b>2,827,183</b>	<b>–</b>	<b>24,166,897</b>	<b>26,994,080</b>	<b>27,421,084</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	2017	2016
	\$	\$
<b>Operating Activities</b>		
Programs Fund		
Deficiency of revenue over expenditure	(4,029,651)	(4,046,878)
Non-cash items:		
Amortization of capital assets	41,860	39,656
Increase in fair value of investments	(262,615)	(90,815)
Net change in deferred contributions	377,494	1,341,197
Net change in other non-cash assets and liabilities	(605,862)	1,392,726
	<b>(4,478,774)</b>	<b>(1,364,114)</b>
Life Annuities Fund		
Excess (deficiency) of revenue over expenditure	275,063	(1,246,699)
Non-cash items:		
Change in provision for future benefits	57,790	161,731
Change in assumptions and methodology	–	1,130,000
(Increase) decrease in fair value of investments	(133,984)	78,326
Net change in other non-cash assets and liabilities	608,764	(1,335,644)
	<b>807,633</b>	<b>(1,212,286)</b>
Capital Growth Fund		
Excess of revenue over expenditure	3,327,584	4,469,293
Non-cash item:		
Increase in fair value of investments	(2,091,723)	(1,558,282)
Restricted funds received	–	1,456,831
Net change in deferred contributions	451,500	–
Net change in other non-cash assets and liabilities	(64,563)	46,707
	<b>1,622,798</b>	<b>4,414,549</b>
	<b>(2,048,343)</b>	<b>1,838,149</b>
<b>Investing Activities</b>		
Programs Fund		
Net purchases of investments	(408,884)	(1,625,045)
Acquisition of capital assets	(38,552)	(52,433)
Life Annuities Fund		
Net purchases of investments	(532,570)	(34,413)
Capital Growth Fund		
Net sales of investments	2,147,139	882,150
	<b>1,167,133</b>	<b>(829,741)</b>
(Decrease) increase in cash	<b>(881,210)</b>	1,008,408
Cash at beginning of year	<b>2,780,547</b>	1,772,139
<b>Cash at end of year</b>	<b>1,899,337</b>	2,780,547

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, 2017

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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, 2017, 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, 2017

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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 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

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

December 31, 2017

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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, 2017

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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) 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

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

December 31, 2017

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### 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

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

December 31, 2017

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### 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 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, 2017

### 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

	2017	2016
	Fair value	Fair value
	\$	\$
By type of securities:		
Cash and short-term notes	1,419,757	845,498
Fixed income securities*	23,844,338	24,611,118
Equity securities	22,923,547	21,447,208
Accrued revenue	173,619	174,800
	<b>48,361,261</b>	<b>47,078,624</b>
Geographically:		
Canadian securities	37,754,329	37,704,116
Foreign securities	10,606,932	9,374,508
	<b>48,361,261</b>	<b>47,078,624</b>

\* Fixed income securities held as at December 31, 2017 in the Programs Fund and Capital Growth Fund portfolio present an average duration of 7.4 years (7.3 years as at December 31, 2016) and an average yield of 2.5% (2.6% in 2016).

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, 2017 in the Life Annuities Fund portfolio present an average duration of 6.6 years (6.6 years as at December 31, 2016) and an average yield of 2.7% (2.5% in 2016).



# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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

December 31, 2017

### 4. Capital assets

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	227,614	208,707	18,907
Computer equipment and softwares	533,976	477,061	56,915
Leasehold improvements	385,405	367,973	17,432
	<b>1,146,995</b>	<b>1,053,741</b>	<b>93,254</b>

Amortization expense for the year amounts to \$41,860 (\$39,656 in 2016).

	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
	<b>1,164,546</b>	<b>1,067,984</b>	<b>96,562</b>

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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

December 31, 2017

### 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:

	2017	2016
	\$	\$
Deferred contribution, beginning of year	2,358,976	1,095,562
Contribution received during the year	6,423,338	6,830,676
	8,782,314	7,926,238
Contribution recognized as revenue during the year	<b>(6,043,396)</b>	<b>(5,567,262)</b>
Deferred contribution, end of year	<b>2,738,918</b>	2,358,976

Represented by :

Innovation and Mobilization for Food Security (IMFS) project in Burkina Faso, Bolivia and Peru	1,362,585	1,228,989
Maternal and Child Health (MCH) project in Haiti	1,245,717	938,379
Humanitarian aid project in the Extreme North Region of Cameroon	130,616	191,608
	<b>2,738,918</b>	2,358,976

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

	2017	2016
	\$	\$
Deferred contributions, beginning of year	332,176	254,393
Contributions received during the year	2,602,561	1,940,330
	2,934,737	2,194,723
Contributions recognized as revenue during the year	<b>(2,153,509)</b>	<b>(1,862,547)</b>
Deferred contributions, end of year	<b>781,228</b>	332,176

Represented by :

International projects	115,809	138,759
Domestic projects	195,000	189,500
Gilberte Falardeau Fund	451,500	-
Other restricted donations and deposits	18,919	3,917
	<b>781,228</b>	332,176

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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

December 31, 2017

### 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:

	2017	2016
	\$	\$
Change in provision:		
New agreements	1,707,790	1,502,197
In force	(1,650,000)	(1,340,466)
	57,790	161,731
Change in assumptions and methodology	–	1,130,000
Net change for the year recorded as expenditure	57,790	1,291,731
Provision for future benefits at beginning of year	19,094,128	17,802,397
Provision for future benefits at end of year	19,151,918	19,094,128

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. 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, 2017.

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, 2017

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

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

	2017	2016
	\$	\$
Carmen Bordeleau Memorial Fund	3,085,039	2,834,940
Jeanne Fund	1,130,569	1,038,915
Jean-Charles Clouet Memorial Fund	771,380	708,845
Serkmet Fund	623,541	574,403
Eugène Beauregard Memorial Fund	578,334	531,449
Dr Dag Munro and Micheline Groleau Fund	497,133	456,831
Cécile Moussali Memorial Fund	161,700	148,594
Claire Langlois Memorial Fund	139,457	128,152
Maurice Picory Memorial Fund	119,873	110,155
Félix-Adolphe and Stella Senécal Memorial Fund	91,354	83,949
	<b>7,198,380</b>	<b>6,616,233</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, 2017, the original amounts restricted by donors total \$4,620,005 (\$4,620,005 as at December 31, 2016).

### 8. Investment revenue

	2017	2016
	\$	\$
Interest and dividends	1,188,256	1,242,274
Increase in fair value	2,488,322	1,570,771
	<b>3,676,578</b>	<b>2,813,045</b>
Asset management, safekeeping and performance evaluation expenses	<b>(212,210)</b>	<b>(191,727)</b>
	<b>3,464,368</b>	<b>2,621,318</b>

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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

December 31, 2017

### 9. Programs Fund expenditure allocation

	2017		
	Programs	Promotion and communication	Administration
	\$	\$	\$
Total before allocation	10,391,126	1,107,304	1,245,264
Allocation of common expenditure:			
Administrative payroll	146,376	150,179	(296,557)
Services and other consumables	17,990	34,198	(52,908)
Physical resources	52,732	65,734	(118,466)
	217,100	250,831	(467,931)
	10,608,226	1,358,135	777,333
Public engagement expenditure	349,944	(349,944)	–
Total after allocation	10,958,170	1,008,191	777,333

	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

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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

December 31, 2017

### 10. Programs

				2017	2016
	International programs	Domestic programs	Humanitarian aid	Total	Total
	\$	\$	\$	\$	\$
Contributions	6,286,902	1,223,200	1,000,891	8,510,993	7,918,090
Programs evaluation, training and reinforcement of partners	545,198	179,439	53,941	778,578	630,541
Public engagement	355,228	50,876	–	406,104	255,990
Monitoring and support	909,678	214,673	138,144	1,262,495	1,295,270
	<b>8,097,006</b>	<b>1,668,188</b>	<b>1,192,976</b>	<b>10,958,170</b>	<b>10,099,891</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 \$3,062,132 as at December 31, 2017 (\$3,074,632 as at December 31, 2016) 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 \$231,272 as at December 31, 2017 (\$173,099 as at December 31, 2016).

### 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, 2017, all obligations have been recorded in the accounts. The annual expense and payment amount to \$111,341 (\$99,637 in 2016).

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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

December 31, 2017

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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, 2017 are as follows:

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	\$
2018	7,774,954
2019	4,624,909
2020	1,510,067
2021	605,536
	<hr/> <b>14,515,466</b> <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 the IMFS project for 2015 to 2020, one for the MCH project for 2016 to 2020 and one for the humanitarian aid project in the Extreme North Region of Cameroon for 2017 to 2019. The commitments related to these projects, included in the above total, amount to \$11,946,384 of which \$9,572,717 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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	\$
2018	83,512
2019	83,512
2020	56,362
	<hr/> <b>223,386</b> <hr/>

# JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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

December 31, 2017

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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.

#### *Price risk*

Price 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	2017	2016
	\$	\$
<b>Revenue:</b>		
Canadian government	6,043,396	5,567,262
Quebec government	194,312	24,426
Donations	2,153,509	1,862,547
Investments	322,826	131,295
	<b>8,714,043</b>	<b>7,585,530</b>
<b>Expenditure:</b>		
Programs	10,958,170	10,099,891
Promotion and communication	1,008,191	814,743
Administration	777,333	717,774
	<b>12,743,694</b>	<b>11,632,408</b>
<b>Deficiency of revenue over expenditure</b>	<b>(4,029,651)</b>	<b>(4,046,878)</b>
Transfer from the Capital Growth Fund for the funding of current operations	4,045,000	4,050,000
<b>Change in Fund Balance due to current year operations</b>	<b>15,349</b>	<b>3,122</b>
Fund Balance at beginning of year	2,811,834	2,808,712
<b>Fund Balance at end of year</b>	<b>2,827,183</b>	<b>2,811,834</b>
Represented by:		
Fund balance invested in capital assets	93,254	96,562
Fund Balance available for funding working capital and program commitments	2,733,929	2,715,272
	<b>2,827,183</b>	<b>2,811,834</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	2017	2016
	\$	\$
<b>Revenue:</b>		
Annuities contracted	2,202,404	2,031,650
Investments	657,119	449,464
	<b>2,859,523</b>	<b>2,481,114</b>
<b>Expenditure:</b>		
Annuities paid	2,208,440	2,136,555
Change in provision for future benefits	57,790	161,731
Change in assumptions and methodology	–	1,130,000
Promotion and communication	220,240	203,165
Administration	97,990	96,362
	<b>2,584,460</b>	<b>3,727,813</b>
<b>Excess (deficiency) of revenue over expenditure</b>	<b>275,063</b>	<b>(1,246,699)</b>
Transfer of the current year's (excess) deficiency to the Capital Growth Fund	<b>(275,063)</b>	1,246,699
<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	2017	2016
	\$	\$
<b>Revenue:</b>		
Bequests	1,047,510	2,813,697
Donations	78,539	76,629
Investments	2,484,423	2,040,559
	<b>3,610,472</b>	4,930,885
<b>Expenditure:</b>		
Promotion and communication	112,605	289,032
Administration	121,947	122,657
Life insurance premiums	48,336	49,903
	<b>282,888</b>	461,592
<b>Excess of revenue over expenditure</b>	<b>3,327,584</b>	4,469,293
Transfer of the Life Annuities Fund's current year's excess (deficiency)	275,063	(1,246,699)
Restricted funds received	-	1,456,831
Transfer to the Programs Fund for the funding of current operations	(4,045,000)	(4,050,000)
<b>Change in Fund Balance due to current year operations</b>	<b>(442,353)</b>	629,425
Fund Balance at beginning of year	24,609,250	23,979,825
<b>Fund Balance at end of year</b>	<b>24,166,897</b>	24,609,250
Represented by:		
Fund Balance permanently restricted	7,198,380	6,616,233
Fund Balance restricted by management to provide for continuity and sustained long-term funding of endeavours	16,968,517	17,993,017
	<b>24,166,897</b>	24,609,250