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# Financial statements of YMCAs of Québec Foundation

December 31, 2017

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## Independent Auditor's Report

To the Members of the  
YMCAs of Québec Foundation

We have audited the accompanying financial statements of the YMCAs of Québec Foundation, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the YMCAs of Québec Foundation derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the YMCAs of Québec Foundation's records and we were not able to determine whether any adjustments might be necessary to donations and contributions revenue, excess (deficiency) of revenue over expenses and cash flows from operating activities for the years ended December 31, 2017, and December 31, 2016, current assets as at December 31, 2017, and December 31, 2016, and fund balances as at December 31, 2017, December 31, 2016, and January 1, 2016. Our audit opinion on the financial statements for the previous year was also qualified accordingly because of the possible effects of this limitation in scope.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements present fairly, in all material respects, the financial position of the YMCAs of Québec Foundation as at December 31, 2017 and the results of its activities 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>

June 22, 2018

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

**YMCAs of Québec Foundation**  
**Statement of operations**  
Year ended December 31, 2017

	Notes and Schedule	2017			2016
		General Fund	Endowment Fund	Total	Total
		\$	\$	\$	\$
<b>Revenue</b>					
Donations and contributions	A	1,721,455	35,866	1,757,321	1,033,548
Investment income	4	294,031	—	294,031	321,189
		<b>2,015,486</b>	<b>35,866</b>	<b>2,051,352</b>	<b>1,354,737</b>
<b>Expenses</b>					
Operating expenses					
Human resources	5	68,640	—	68,640	65,334
Administration and communications		103,579	—	103,579	132,146
		<b>172,219</b>	<b>—</b>	<b>172,219</b>	<b>197,480</b>
Expenses inherent to the revenue					
Donations and contributions	5, 8	766,520	—	766,520	827,527
Management fees – Endowment fund		29,802	—	29,802	30,476
		<b>796,322</b>	<b>—</b>	<b>796,322</b>	<b>858,003</b>
		<b>968,541</b>	<b>—</b>	<b>968,541</b>	<b>1,055,483</b>
Excess of revenue over expenses before contributions		1,046,945	35,866	1,082,811	299,254
Contributions to The YMCAs of Québec	7	1,391,925	—	1,391,925	1,088,109
(Deficiency) excess of revenue over expenses before the gain on write-off of the advance from The YMCAs of Québec		(344,980)	35,866	(309,114)	(788,855)
Gain on write-off of the advance from The YMCAs of Québec		1,118,727	—	1,118,727	—
<b>Excess (deficiency) of revenue over expenses</b>		<b>773,747</b>	<b>35,866</b>	<b>809,613</b>	<b>(788,855)</b>

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

**YMCAs of Québec Foundation**  
**Statement of changes in fund balances**  
Year ended December 31, 2017

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	<b>General Fund</b>	<b>Endowment Fund</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Fund balances, December 31, 2015	(585,816)	6,012,367	5,426,551
(Deficiency) excess of revenue over expenses	(823,472)	34,617	(788,855)
Interfund transfer	253,680	(253,680)	—
Fund balances, December 31, 2016	<b>(1,155,608)</b>	<b>5,793,304</b>	<b>4,637,696</b>
Excess of revenue over expenses	<b>773,747</b>	<b>35,866</b>	<b>809,613</b>
Interfund transfer	<b>504,606</b>	<b>(504,606)</b>	—
Fund balances, December 31, 2017	<b>122,745</b>	<b>5,324,564</b>	<b>5,447,309</b>

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

**YMCAs of Québec Foundation**  
**Statement of financial position**

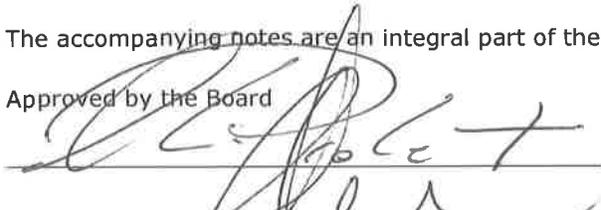
As at December 31, 2017

	Notes	General Fund		Endowment Fund		Total	
		2017	2016	2017	2016	2017	2016
		\$	\$	\$	\$	\$	\$
<b>Assets</b>							
<b>Current assets</b>							
Cash		<b>1,086,628</b>	720,719	<b>76,183</b>	40,318	<b>1,162,811</b>	761,037
Accounts receivable		<b>3,525</b>	8,750	—	—	<b>3,525</b>	8,750
Due from Endowment Fund		<b>933,724*</b>	737,164*	—	—	—	—
		<b>2,023,877</b>	1,466,633	<b>76,183</b>	40,318	<b>1,166,336</b>	769,787
Investments	2	—	—	<b>6,182,105</b>	6,490,150	<b>6,182,105</b>	6,490,150
Intangible asset	6	<b>14,058</b>	34,650	—	—	<b>14,058</b>	34,650
		<b>2,037,935</b>	1,501,283	<b>6,258,288</b>	6,530,468	<b>7,362,499</b>	7,294,587
<b>Liabilities</b>							
<b>Current liabilities</b>							
Due to The YMCAs of Québec	7	<b>1,023,553</b>	919,102	—	—	<b>1,023,553</b>	919,102
Accrued liabilities		<b>184</b>	184	—	—	<b>184</b>	184
Due to General Fund		—	—	<b>933,724*</b>	737,164*	—	—
Deferred revenue		<b>891,453</b>	618,878	—	—	<b>891,453</b>	618,878
		<b>1,915,190</b>	1,538,164	<b>933,724</b>	737,164	<b>1,915,190</b>	1,538,164
Advance from The YMCAs of Québec	7	—	1,118,727	—	—	—	1,118,727
		<b>1,915,190</b>	2,656,891	<b>933,724</b>	737,164	<b>1,915,190</b>	2,656,891
<b>Fund balances</b>							
Externally restricted	9	—	—	<b>4,212,285</b>	4,176,419	<b>4,212,285</b>	4,176,419
Internally restricted	10	—	—	<b>1,112,279</b>	1,616,885	<b>1,112,279</b>	1,616,885
Unrestricted		<b>122,745</b>	(1,155,608)	—	—	<b>122,745</b>	(1,155,608)
		<b>122,745</b>	(1,155,608)	<b>5,324,564</b>	5,793,304	<b>5,447,309</b>	4,637,696
		<b>2,037,935</b>	1,501,283	<b>6,258,288</b>	6,530,468	<b>7,362,499</b>	7,294,587

\* These amounts are not presented in the "Total" column since they offset each other.

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

Approved by the Board

  
 \_\_\_\_\_, Director  
  
 \_\_\_\_\_, Director

**YMCAs of Québec Foundation**  
**Statement of cash flows**  
Year ended December 31, 2017

	2017	2016
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	809,613	(788,855)
Adjustments for :		
Change in fair value of investments	482,098	(162,893)
Amortization of intangible asset	20,592	20,622
Amortization of deferred revenue	(126,833)	(142,784)
Gain on write-off of the advance from The YMCAs of Québec	(1,118,727)	—
	<b>66,743</b>	<b>(1,073,910)</b>
Changes in non-cash operating working capital items		
Accounts receivable	5,225	12,800
Due to The YMCAs of Québec	104,451	494,845
Accrued liabilities	—	(4,006)
Deferred revenue	399,408	315,494
	<b>575,827</b>	<b>(254,777)</b>
<b>Investing activities</b>		
Acquisition of investments	(1,048,706)	(331,004)
Disposal of investments	874,653	580,524
Acquisition of intangible asset	—	(22,572)
	<b>(174,053)</b>	<b>226,948</b>
<b>Financing activities</b>		
Increase of advance from The YMCAs of Québec	—	621,204
Net increase in cash	401,774	593,375
Cash, beginning of year	761,037	167,662
<b>Cash, end of year</b>	<b>1,162,811</b>	<b>761,037</b>

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

**1. Status and nature of activities**

The YMCAs of Québec Foundation (the "Foundation"), incorporated on July 13, 1983, under Part III of the *Companies Act* (Québec), was established to support The YMCAs of Québec and ensure its sustainability by promoting the impact of its community action, by raising the funds to support it, and by administering these funds responsibly. The Foundation is recognized as a charitable organization according to the *Income Tax Act*.

**2. Accounting policies**

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

*Fund accounting*

The Foundation uses the restricted fund method.

*General Fund*

Revenue and expenses related to fundraising and administrative activities are reported in the General Fund.

*Endowment Fund*

Endowment contributions are reported in the Endowment Fund. Investment income derived from resources of the Endowment Fund and Endowment Fund expenses are reported in the General Fund.

*Revenue recognition*

Restricted contributions from fundraising activities are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the General Fund in the year they are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as contributions received in the Endowment Fund.

Investment income on Endowment Fund resources that must be spent on donor restricted activities is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Fundraising campaign pledges are recorded when contributions are received.

*Allocation of human resources expenses*

The Foundation classifies expenses on the statement of operations by function. The functions reported in which human resources expenses are allocated are human resources and expenses inherent to the revenue. Human resources expenses are allocated proportionally on the basis of hours incurred directly in undertaking a function. The allocation is applied consistently on that basis each year.

## **2. Accounting policies (continued)**

### *Financial instruments*

Financial assets and financial 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 that are recognized at fair value at the date of the financial statements. Fair value fluctuations, which include interests earned, accrued interests, realized gain and loss and unrealized gain and loss are included in the investment's revenue. The Foundation's investments consist entirely of units held in the Investment Fund of The Greater Montreal Foundation, which comprises investments in mutual funds and cash. The Foundation has 5,514.8967 units (5,285.8529 in 2016) at a value of \$1,120.98 (\$1,227.83 in 2016) for each unit.

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

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

### *Intangible asset*

Intangible asset is recorded at cost and amortized using the straight-line method over a period of three years.

### *Use of estimates*

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

**YMCAs of Québec Foundation**  
**Notes to the financial statements**  
Year ended December 31, 2017

**3. Pledges**

Pledges are as follows:

	<b>2017</b>	2016
	\$	\$
Short-term		
Priority needs	<b>172,199</b>	53,250
Priority needs – Québec City YMCA	<b>10,000</b>	10,000
Development of Camp YMCA Kanawana	<b>27,145</b>	5,000
School Perseverance Program – Alternative Suspension	<b>59,000</b>	25,000
Active youngsters	<b>200,000</b>	—
Support to YMCA of Haiti	—	7,500
Youth Zone – Youth Creations	<b>120,000</b>	25,000
Long-term		
Priority needs	<b>133,875</b>	63,387
Priority needs – Québec City YMCA	<b>125,009</b>	140,608
Development of Camp YMCA Kanawana	<b>8,333</b>	15,000
School Perseverance Program – Alternative Suspension	<b>62,000</b>	—
Active youngsters	<b>300,000</b>	—
Youth Zone – Youth Creations	<b>165,000</b>	75,000
	<b>1,382,561</b>	419,745

**4. Investment income**

Total investment income includes the following:

	<b>2017</b>	2016
	\$	\$
Interest income earned on resources held by the Endowment Fund	<b>1,048,704</b>	331,006
Loss on disposal of resources held by the Endowment Fund	<b>(4,606)</b>	(3,680)
Change in the unrealized fair value of investments held by the Endowment Fund	<b>(477,492)</b>	166,573
	<b>566,606</b>	493,899
Net change in deferred revenue	<b>(272,575)</b>	(172,710)
	<b>294,031</b>	321,189

**5. Human resources**

Human resources expenses included in each function are as follows:

	<b>2017</b>	2016
	\$	\$
Operating expenses - human resources	<b>68,640</b>	65,334
Expenses inherent to the revenue – donations and contributions	<b>555,732</b>	644,312
	<b>624,372</b>	709,646

**6. Intangible asset**

	<b>2017</b>			2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Software	<b>61,958</b>	<b>47,900</b>	<b>14,058</b>	34,650

**7. Related party transactions**

Amounts collected from contributions from fundraising programs are donated to The YMCAs of Québec. A total of \$1,391,925 (\$1,088,109 in 2016) was donated to The YMCAs of Québec. These donations are intended primarily to finance The YMCAs of Québec community programs and development projects.

The YMCAs of Québec also charges the Foundation for human resources expenses for an amount of \$624,372 (\$709,646 in 2016).

During the year, The YMCAs of Québec canceled the advance made to the Foundation. This resulted in a gain of \$1,118,727 (nil in 2016) for the Foundation.

Transactions concluded with The YMCAs of Québec are carried out in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**8. Expenses inherent to the revenue**

Expenses inherent to the revenue include costs incurred to conduct a special fundraising effort for which the amounts will be received in the coming years.

**9. Externally restricted fund balances**

The balances of the externally restricted funds of the Endowment Fund are as follows:

	<b>2017</b>	2016
	<b>\$</b>	\$
Support of the YMCA Mission	<b>1,135,796</b>	1,135,796
Standard Life Youth Fund	<b>750,000</b>	750,000
Estate of William Ridley Fund	<b>589,146</b>	589,146
Literacy Fund	<b>400,000</b>	400,000
Pointe St. Charles Fund	<b>320,344</b>	320,344
Partnership projects in Third World countries	<b>24,422</b>	24,422
Youth leadership development	<b>149,628</b>	149,628
Sam Lazarus Fund – Campership grants for young people	<b>328,460</b>	292,594
Development of Camp Kanawana	<b>394,572</b>	394,572
Westmount Fund	<b>63,300</b>	63,300
Gabrielle and Maurice A. Massé Award	<b>30,000</b>	30,000
Du Parc Youth Center Fund	<b>5,465</b>	5,465
NDG Youth Center Fund	<b>1,322</b>	1,322
Heritage Club	<b>19,830</b>	19,830
	<b>4,212,285</b>	4,176,419

**10. Internally restricted fund balances**

The Board of Directors of the Foundation has imposed an internal restriction on a portion of the investment income earned on unrestricted resources held for endowment and on external unrestricted donations received. The purpose of this internal restriction is to ensure funding for the programs of The YMCAs of Québec. The capital of these funds cannot be used without the authorization of the Board.

The balances of the internally restricted endowment funds are as follows:

	<b>2017</b>	2016
	<b>\$</b>	\$
Investment revenue from resources held for endowment	<b>255,947</b>	760,553
Donations	<b>856,332</b>	856,332
	<b>1,112,279</b>	1,616,885

**11. Financial instruments**

Because of its financial assets, the Foundation is exposed to the following risk related to the use of financial instruments:

*Market risk*

Market risk is the risk that investments are exposed to, caused by changes in interest rates, stock exchange indicators, exchange rates and the level of volatility of these rates and indicators.

**YMCAs of Québec Foundation**  
**Schedule A – Donations and contributions**  
Year ended December 31, 2017

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	<b>2017</b>	2016
	\$	\$
Annual donations	<b>376,564</b>	334,833
Corporate donations	<b>296,932</b>	151,577
Donations from foundations	<b>386,007</b>	276,697
Fundraising activities	<b>333,288</b>	165,978
Major donations	<b>141,150</b>	84,288
Planned donations and bequests	<b>223,380</b>	20,175
	<b>1,757,321</b>	1,033,548