
Financial statements of YMCAs of Québec Foundation

December 31, 2018

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Independent Auditor's Report

To the Members of the
YMCAs of Québec Foundation

Qualified Opinion

We have audited the financial statements of the YMCAs of Québec Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, 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 (ASPNO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the Foundation's records and we were not able to determine whether any adjustments might be necessary to donations and contributions revenue, the (deficiency) excess of revenue over expenses, and cash flows from operating activities for the years ended December 31, 2018 and December 31, 2017, current assets as at December 31, 2018 and December 31, 2017, and fund balances as at December 31, 2018, December 31, 2017 and January 1, 2017. Our audit opinion on the financial statements for the year ended December 31, 2017 was also modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Community Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Community Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPNO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP¹

June 14, 2019

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

YMCAs of Québec Foundation
Statement of operations
Year ended December 31, 2018

	Notes and Schedule	2018			2017
		General Fund	Endowment Fund	Total	Total
		\$	\$	\$	\$
Revenue					
Donations and contributions	A	2,316,165	41,102	2,357,267	1,757,321
Investment income	4	122,468	—	122,468	294,031
		2,438,633	41,102	2,479,735	2,051,352
Expenses					
Operating expenses					
Human resources	5	94,348	—	94,348	68,640
Administration and communications		105,047	—	105,047	103,579
		199,395	—	199,395	172,219
Expenses inherent to the revenue					
Donations and contributions	5, 8	767,617	—	767,617	766,520
Management fees – Endowment fund		36,643	—	36,643	29,802
		804,260	—	804,260	796,322
		1,003,655	—	1,003,655	968,541
Excess of revenue over expenses before contributions		1,434,978	41,102	1,476,080	1,082,811
Contributions to The YMCAs of Québec	7	1,606,973	—	1,606,973	1,391,925
(Deficiency) excess of revenue over expenses before the gain on write-off of the advance from The YMCAs of Québec		(171,995)	41,102	(130,893)	(309,114)
Gain on write-off of the advance from The YMCAs of Québec		—	—	—	1,118,727
(Deficiency) excess of revenue over expenses		(171,995)	41,102	(130,893)	809,613

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

YMCAs of Québec Foundation
Statement of changes in fund balances
Year ended December 31, 2018

	General Fund	Endowment Fund	Total
	\$	\$	\$
Fund balances, December 31, 2016	(1,155,608)	5,793,304	4,637,696
Excess of revenue over expenses	773,747	35,866	809,613
Interfund transfer	504,606	(504,606)	—
Fund balances, December 31, 2017	122,745	5,324,564	5,447,309
(Deficiency) excess of revenue over expenses	(171,995)	41,102	(130,893)
Interfund transfer	1,191	(1,191)	—
Fund balances, December 31, 2018	(48,059)	5,364,475	5,316,416

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

YMCAs of Québec Foundation
Statement of financial position

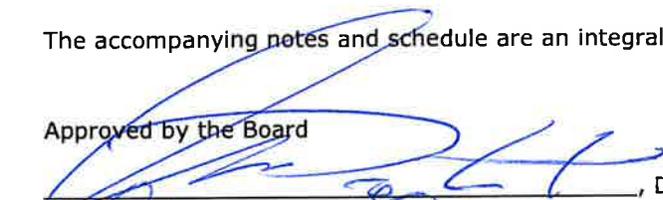
As at December 31, 2018

		General Fund		Endowment Fund		Total	
Notes		2018	2017	2018	2017	2018	2017
		\$	\$	\$	\$	\$	\$
Assets							
Current assets							
	Cash	865,830	1,086,628	2,393	76,183	868,223	1,162,811
	Accounts receivable	—	3,525	—	—	—	3,525
	Due from Endowment Fund	808,789*	933,724*	—	—	—	—
		1,674,619	2,023,877	2,393	76,183	868,223	1,166,336
	Investments	2	—	6,170,871	6,182,105	6,170,871	6,182,105
	Intangible asset	6	—	—	—	—	14,058
		1,674,619	2,037,935	6,173,264	6,258,288	7,039,094	7,362,499
Liabilities							
Current liabilities							
	Due to The YMCAs of Québec	7	1,049,724	1,023,553	—	—	1,049,724
	Accrued liabilities	—	—	184	—	—	184
	Due to General Fund	—	—	—	808,789*	933,724*	—
	Deferred revenue	672,954	891,453	—	—	672,954	891,453
		1,722,678	1,915,190	808,789	933,724	1,722,678	1,915,190
Fund balances							
	Externally restricted	9	—	—	4,249,387	4,212,285	4,249,387
	Internally restricted	10	—	—	1,115,088	1,112,279	1,115,088
	Unrestricted	(48,059)	122,745	—	—	(48,059)	122,745
		(48,059)	122,745	5,364,475	5,324,564	5,316,416	5,447,309
		1,674,619	2,037,935	6,173,264	6,258,288	7,039,094	7,362,499

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

The accompanying notes and schedule 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, 2018

	2018	2017
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(130,893)	809,613
Adjustments for :		
Change in fair value of investments	398,680	482,098
Amortization of intangible asset	14,058	20,592
Amortization of deferred revenue	(153,082)	(126,833)
Gain on write-off of the advance from The YMCAs of Québec	—	(1,118,727)
	128,763	66,743
Changes in non-cash operating working capital items		
Accounts receivable	3,525	5,225
Due to The YMCAs of Québec	26,171	104,451
Accrued liabilities	(184)	—
Deferred revenue	(65,417)	399,408
	92,858	575,827
Investing activities		
Acquisition of investments	(417,540)	(1,048,706)
Disposal of investments	30,094	874,653
	(387,446)	(174,053)
Net (decrease) increase in cash	(294,588)	401,774
Cash, beginning of year	1,162,811	761,037
Cash, end of year	868,223	1,162,811

The accompanying notes and schedule 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 5,885.4561 units (5,514.8967 in 2017) at a value of \$1,048.50 (\$1,120.98 in 2017) 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.

3. Pledges

Pledges are as follows:

	2018	2017
	\$	\$
Short-term		
Priority needs	246,050	172,199
Priority needs – Québec City YMCA	209,000	10,000
Development of Camp YMCA Kanawana	42,462	27,145
School Perseverance Program – Alternative Suspension	84,000	59,000
Active youngsters	–	200,000
Youth Zone – Youth Creations	90,000	120,000
Long-term		
Priority needs	290,600	133,875
Priority needs – Québec City YMCA	352,000	125,009
Development of Camp YMCA Kanawana	385,000	8,333
School Perseverance Program – Alternative Suspension	33,000	62,000
Active youngsters	75,000	300,000
Youth Zone – Youth Creations	200,000	165,000
	2,007,112	1,382,561

4. Investment income

Total investment income includes the following:

	2018	2017
	\$	\$
Interest income earned on resources held by the Endowment Fund	302,649	1,048,704
Loss on disposal of resources held by the Endowment Fund	(1,191)	(4,606)
Change in the unrealized fair value of investments held by the Endowment Fund	(397,489)	(477,492)
	(96,031)	566,606
Net change in deferred revenue	218,499	(272,575)
	122,468	294,031

5. Human resources

Human resources expenses included in each function are as follows:

	2018	2017
	\$	\$
Operating expenses – human resources	94,348	68,640
Expenses inherent to the revenue – donations and contributions	470,680	555,732
	565,028	624,372

6. Intangible asset

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Software	61,958	61,958	—	14,058

7. Related party transactions

Amounts collected from contributions from fundraising programs are donated to The YMCAs of Québec. A total of \$1,606,973 (\$1,391,925 in 2017) 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 \$565,028 (\$624,372 in 2017).

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:

	2018	2017
	\$	\$
Support of the YMCA Mission	1,135,794	1,135,796
Standard Life Youth Fund	750,000	750,000
Estate of William Ridley Fund	589,146	589,146
Literacy Fund	400,000	400,000
Pointe St. Charles Fund	320,344	320,344
Partnership projects in Third World countries	24,422	24,422
Youth leadership development	149,628	149,628
Sam Lazarus Fund – Campership grants for young people	362,308	328,460
Development of Camp Kanawana	394,572	394,572
Westmount Fund	63,300	63,300
Gabrielle and Maurice A. Massé Award	30,000	30,000
Du Parc Youth Center Fund	5,465	5,465
NDG Youth Center Fund	1,322	1,322
Heritage Club	23,086	19,830
	4,249,387	4,212,285

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:

	2018	2017
	\$	\$
Investment revenue from resources held for endowment	254,756	255,947
Donations	860,332	856,332
	1,115,088	1,112,279

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, 2018

	2018	2017
	\$	\$
Annual donations	360,601	376,564
Corporate donations	799,226	296,932
Donations from foundations	622,206	386,007
Fundraising activities	458,547	333,288
Major donations	97,502	141,150
Planned donations and bequests	19,185	223,380
	2,357,267	1,757,321