
Financial statements of the YMCAs of Québec Foundation

December 31, 2013

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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 (the "Foundation"), which comprise the statement of financial position as at December 31, 2013, 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 Foundation derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses and cash flows from operating activities for the years ended December 31, 2013 and December 31, 2012, assets as at December 31, 2013 and December 31, 2012 and fund balances as at December 31, 2013, December 31, 2012 and January 1, 2012. Our audit opinion on the financial statements for the year ended December 31, 2012 was also modified 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 Foundation as at December 31, 2013, 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which explains that certain comparative information for the year ended December 31, 2012 has been restated.

Deloitte LLP¹

June 4, 2014

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

YMCAs of Quebec Foundation
Statement of operations
Year ended December 31, 2013

	Notes	General Fund	Endowment Fund	2013	2012
		\$	\$	\$	\$
					(Restated – Note 2)
Revenue					
Fundraising campaign		140,701	—	140,701	322,833
Annual campaign		488,072	—	488,072	469,843
Special events		219,962	—	219,962	217,430
Contributions received as endowments		—	291,568	291,568	44,982
Other donation		413,725	—	413,725	251,309
		1,262,460	291,568	1,554,028	1,306,397
Investment income	5	458,134	—	458,134	305,530
		1,720,594	291,568	2,012,162	1,611,927
Expenses					
General administration					
Salaries and employee benefits		269,315	—	269,315	255,297
Office expenses		24,977	—	24,977	40,131
Professional fees		39,135	—	39,135	35,000
Advertising		30,276	—	30,276	34,372
Development of personnel		8,473	—	8,473	4,686
Contributions		4,583	—	4,583	2,100
		376,759	—	376,759	371,586
Contribution from The YMCAs of Québec to the operations of the Foundation	6	(339,260)	—	(339,260)	(319,208)
		37,499	—	37,499	52,378
Specific fees					
Special events		105,280	—	105,280	99,373
Management fees – Endowment Fund		33,852	—	33,852	28,639
Fundraising campaign		19,157	—	19,157	1,980
		158,289	—	158,289	129,992
		195,788	—	195,788	182,370
Excess of revenue over expenses before contributions		1,524,806	291,568	1,816,374	1,429,557
Contributions to The YMCAs of Québec					
Fundraising campaign	6	140,701	—	140,701	320,853
Community initiatives		1,025,408	—	1,025,408	970,742
International initiatives		42,177	—	42,177	44,739
Other		148,000	—	148,000	—
		1,356,286	—	1,356,286	1,336,334
Excess of revenue over expenses		168,520	291,568	460,088	93,223

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

YMCAs of Quebec Foundation
Statement of changes in fund balances
Year ended December 31, 2013

	Notes	General Fund	Endowment Fund	Total
		\$	\$	\$
Fund balances, January 1, 2012		(123,424)	4,489,487	4,366,063
Excess of revenue over expenses as previously reported		142,964	44,982	187,946
Interfund transfer		281	(281)	—
Fund balances, December 31, 2012 as previously reported		19,821	4,534,188	4,554,009
Restatement	2	(94,723)	—	(94,723)
Fund balances, December 31, 2012, as restated		(74,902)	4,534,188	4,459,286
Excess of revenue over expenses		168,526	291,568	460,088
Interfund transfer		2,311	(2,311)	—
Fund balances, December 31, 2013		95,929	4,823,445	4,919,374

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

YMCAs of Quebec Foundation
Statement of financial position
As at December 31, 2013

	Notes	General Fund		Endowment Fund		Total	
		2013	2012	2013	2012	2013	2012
		\$	\$	\$	\$	\$	\$
			(Restated – Note 2)				(Restated – Note 2)
Assets							
Current assets							
Cash		310,862	369,866	50,586	40,043	361,448	409,909
Accounts receivable		14,900	26,100	—	—	14,900	26,100
Due from Endowment Fund		562,056*	111,705*	—	—	—	—
		887,818	507,671	50,586	40,043	376,348	436,009
Investments	3	—	—	5,334,915	4,605,850	5,334,915	4,605,850
		887,818	507,671	5,385,501	4,645,893	5,711,263	5,041,859
Liabilities							
Current liabilities							
Due to the YMCAs of Québec	6	489,454	480,350	—	—	489,454	480,350
Due to General Fund		—	—	562,056*	111,705*	—	—
Deferred revenue		302,435	102,223	—	—	302,435	102,223
		791,889	582,573	562,056	111,705	791,889	582,573
Fund balances							
Externally restricted	7	—	—	2,944,590	2,653,022	2,944,590	2,653,022
Internally restricted	8	—	—	1,878,855	1,881,166	1,878,855	1,881,166
Unrestricted		95,929	(74,902)	—	—	95,929	(74,902)
		95,929	(74,902)	4,823,445	4,534,188	4,919,374	4,459,286
		887,818	507,671	5,385,501	4,645,893	5,711,263	5,041,859

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

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

Approved by the Board


_____, Director


_____, Director

YMCAs of Quebec Foundation**Statement of cash flows**

Year ended December 31, 2013

	2013	2012
	\$	\$
		(Restated – Note 2)
Operating activities		
Excess of revenue over expenses	460,088	93,223
Adjustments for the change in fair value of investments	(418,157)	(279,017)
	<u>41,931</u>	<u>(185,794)</u>
Changes in non-cash operating working capital items		
Accounts receivable	11,200	(22,500)
Accounts payable and accrued liabilities	—	(270)
Due to the YMCAs of Québec	9,104	241,133
Deferred revenue	200,212	102,223
	<u>262,447</u>	<u>134,792</u>
Investing activities		
Acquisition of investments	(549,153)	(249,350)
Disposal of investments	238,245	364,149
	<u>(310,908)</u>	<u>114,799</u>
(Decrease) increase in cash	(48,461)	249,591
Cash, beginning of year	409,909	160,318
Cash, end of year	<u>361,448</u>	<u>409,909</u>

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

YMCAs of Quebec Foundation
Notes to the financial statements
December 31, 2013

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 perform the fundraising activities of The YMCAs of Québec. Its purpose is to raise funds for the construction of new facilities and to improve and renovate existing facilities. The Foundation is recognized as a charitable organization according to the *Income Tax Act*.

2. Restatement of investment income from certain endowments

The Foundation has determined that investment income from externally restricted endowments was not accounted for correctly in the previous year. Consequently, the financial statements as at December 31, 2012 have been restated as follows:

	As previously reported	Restatement	Restated
	\$	\$	\$
Statement of operations			
Investment income	400,253	(94,723)	305,530
Excess of revenue over expenses	187,946	(94,723)	93,223
Statement of financial position			
Deferred revenue	7,500	94,723	102,223
Fund balances			
Unrestricted fund balances, end of year	19,821	(94,723)	(74,902)

3. 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 reports using fund accounting and applies the deferral method of accounting for contributions.

a) General Fund

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

b) 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.

The Foundation has a policy to allocate annually to the YMCAs of Québec the equivalent of 4% of the fair value of the Endowment Fund as at December 31 of the preceding year. All allocations are made in accordance with donors' wishes. An amount equivalent to 0.5% of the fair value of the Endowment Fund as at December 31 of the preceding year is also remitted to the YMCAs of Québec to contribute to the financing of the management of the Foundation.

3. Accounting policies (continued)

Fund accounting (continued)

b) Endowment Fund (continued)

This amount is presented as a decrease of the contribution from the YMCAs of Québec to the operations of the Foundation. When the real return of the Endowment Fund is over 4.5%, the Board of Directors endow this excess as internally restricted.

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 as endowments.

Investment income is recognized as revenue when earned.

Pledges

Fundraising campaign pledges are recorded when contributions are received.

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. The investment's fair value is established at bid price. 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 bonds and debentures, Canadian and foreign mutual funds and shares, alternative investments, cash and other net assets. The Foundation has 4,590.0664 units (4,321.0046 in 2012) at a value of \$1,162.27 (\$1,065.92 in 2012) each.

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.

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 Quebec Foundation
Notes to the financial statements
December 31, 2013

4. Pledges

Pledges are as follows:

	2013	2012
	\$	\$
Short term		
Development of camp YMCA Kanawana	28,362	143,250
Development of Cartierville YMCA Center	36,000	21,000
Endowment Fund	8,028	12,826
SNC Lavalin – School Perseverance Program	65,000	65,000
TELUS Québec – Alternative Suspension program and golf tournament	25,000	25,000
Banque Nationale du Canada – Dialogue and Destination Youth Programs	—	15,000
KPMG – Alternative Suspension program	25,000	—
Long term		
Development of camp YMCA Kanawana	70,196	48,122
Development of Cartierville YMCA Center	1,000	2,000
Endowment Fund	11,502	13,932
SNC Lavalin – School Perseverance Program	65,000	130,000
TELUS Québec – Alternative Suspension program and golf tournament	—	25,000
Banque Nationale du Canada – Dialogue and Destination Youth Programs	—	15,000
KPMG – Alternative Suspension program	75,000	—
	410,088	516,130

5. Investment income

Total investment income included the following:

	2013	2012
	\$	\$
		(Restated — Note 2)
Interest income earned on resources held for endowment	247,689	121,236
Loss on disposal of resources held in the Endowment Fund	(2,311)	(281)
Change in the unrealized fair value of investments held by the Endowment Fund	420,468	279,298
	665,846	400,253
Portion accounted for as deferred revenue	(207,712)	(94,723)
	458,134	305,530

YMCAs of Quebec Foundation
Notes to the financial statements
December 31, 2013

6. Related party transactions

Amounts collected from contributions from the annual campaign and special events are donated to The YMCAs of Québec. A total of \$1,356,286 (\$1,336,334 in 2012) was donated to The YMCAs of Québec. These donations are intended primarily to finance the YMCA community programs and international programs and the Camp Kanawana Revitalization program.

The contribution made by The YMCAs of Québec to the Foundation's operations amounted to \$339,260 in 2013 (\$319,208 in 2012) and is presented as a reduction of general administration expenses in the General Fund statement of operations.

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.

7. Externally restricted fund balances

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

	<u>2013</u>	<u>2012</u>
	\$	\$
Support of the YMCA Mission	1,336,111	1,087,692
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	145,628	142,628
Campership grants for young people	203,596	163,447
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	19,830	19,830
	<u>2,944,590</u>	<u>2,653,022</u>

8. 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 resources held for endowment and on 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:

	<u>2013</u>	<u>2012</u>
	\$	\$
Investment revenue from resources held for endowment	1,022,523	1,024,834
Donations	856,332	856,332
	<u>1,878,855</u>	<u>1,881,166</u>

9. Financial instruments

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

Interest rate risk

A portion of the investments of the Foundation of Greater Montreal Investment Fund in which the Foundation holds units, is invested in bonds and debentures. Consequently, a change in market interest rate will have an impact on the fair value of the units held by the Foundation.

Foreign exchange risk

A portion of the investments of the Foundation of Greater Montreal Investment Fund, in which the Foundation holds units, comprises shares and interests in equity funds invested in foreign countries. The units held by the Foundation are, therefore, exposed to foreign currency risk. The same applies to the earned income associated with these units.

Price risk

Price risk is the risk that the return on the investments of the Foundation of Greater Montreal Investment Fund, in which the Foundation holds units, is exposed to risk that arises from fluctuation of units stemming from market index rate and degree of volatility of these indexes.

Credit risk

Credit risk is primarily attributable to the units held in the Foundation of Greater Montreal Investment Fund, which are invested in bonds and debentures. Therefore, there is a credit risk that the bond or debenture issuers will be unable to pay their obligations toward the Investment Fund, and this will have an impact on the fair value of the units held by the Foundation.

