
Financial statements of YMCAs of Québec Foundation

December 31, 2016

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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, 2016, 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 donation revenue, (deficiency) excess of revenue over expenses and cash flows from operating activities for the years ended December 31, 2016, and December 31, 2015, current assets as at December 31, 2016, and December 31, 2015, and fund balances as at December 31, 2016, December 31, 2015, and January 1, 2015. 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, 2016, 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 LLP¹

June 1, 2017

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

YMCAs of Québec Foundation
Statement of operations
Year ended December 31, 2016

		2016			2015
Notes	General Fund	Endowment Fund	Total	Total	
	\$	\$	\$	\$	
Revenue					
	Donations and contributions (Schedule)	998,931	34,617	1,033,548	1,970,162
4	Investment income	321,189	—	321,189	193,572
		1,320,120	34,617	1,354,737	2,163,734
Expenses					
	Operating expenses				
5	Human resources	65,334	—	65,334	63,842
	Administration and communications	132,146	—	132,146	73,750
		197,480	—	197,480	137,592
	Expenses inherent to the revenue				
5, 8	Donations and contributions	827,527	—	827,527	699,826
	Management fees – Endowment fund	30,476	—	30,476	34,207
		858,003	—	858,003	734,033
	Contribution from The YMCAs of Québec to the Foundation's operations	—	—	—	(334,937)
		1,055,483	—	1,055,483	536,688
	Excess of revenue over expenses before contributions	264,637	34,617	299,254	1,627,046
	Contributions to The YMCAs of Québec				
7	Development projects	18,415	—	18,415	16,689
	Community initiatives	1,069,694	—	1,069,694	1,166,349
	Other	—	—	—	150,000
		1,088,109	—	1,088,109	1,333,038
	(Deficiency) excess of revenue over expenses	(823,472)	34,617	(788,855)	294,008

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, 2016

	General Fund	Endowment Fund	Total
	\$	\$	\$
Fund balances, December 31, 2014	(76,140)	5,208,683	5,132,543
Excess (deficiency) of revenue over expenses	(514,056)	808,064	294,008
Interfund transfer	4,380	(4,380)	—
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	(1,155,608)	5,793,304	4,637,696

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

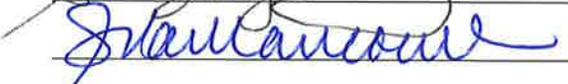
YMCAs of Québec Foundation
Statement of financial position
As at December 31, 2016

	Notes	General Fund		Endowment Fund		Total	
		2016	2015	2016	2015	2016	2015
		\$	\$	\$	\$	\$	\$
Assets							
Current assets							
Cash		720,719	99,084	40,318	68,578	761,037	167,662
Accounts receivable		8,750	21,550	—	—	8,750	21,550
Due from Endowment Fund		737,164*	632,988*	—	—	—	—
		1,466,633	753,622	40,318	68,578	769,787	189,212
Investments	2	—	—	6,490,150	6,576,777	6,490,150	6,576,777
Intangible asset	6	34,650	32,700	—	—	34,650	32,700
		1,501,283	786,322	6,530,468	6,645,355	7,294,587	6,798,689
Liabilities							
Current liabilities							
Due to The YMCAs of Québec	7	919,102	424,257	—	—	919,102	424,257
Accrued liabilities		184	4,190	—	—	184	4,190
Due to General Fund		—	—	737,164*	632,988*	—	—
Deferred revenue		618,878	446,168	—	—	618,878	446,168
		1,538,164	874,615	737,164	632,988	1,538,164	874,615
Advance from The YMCAs of Québec	7	1,118,727	497,523	—	—	1,118,727	497,523
		2,656,891	1,372,138	737,164	632,988	2,656,891	1,372,138
Fund balances							
Externally restricted	9	—	—	4,176,419	4,141,802	4,176,419	4,141,802
Internally restricted	10	—	—	1,616,885	1,870,565	1,616,885	1,870,565
Unrestricted		(1,155,608)	(585,816)	—	—	(1,155,608)	(585,816)
		(1,155,608)	(585,816)	5,793,304	6,012,367	4,637,696	5,426,551
		1,501,283	786,322	6,530,468	6,645,355	7,294,587	6,798,689

* 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, 2016

	2016	2015
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(788,855)	294,008
Adjustments for :		
Change in fair value of investments	(162,893)	60,075
Amortization of intangible asset	20,622	6,594
Amortization of deferred revenue	(142,784)	(52,059)
	(1,073,910)	308,618
Changes in non-cash operating working capital items		
Accounts receivable	12,800	(9,070)
Due to The YMCAs of Québec	494,845	(81,066)
Accrued liabilities	(4,006)	(2,404)
Deferred revenue	315,494	27,052
	(254,777)	243,130
Investing activities		
Acquisition of investments	(331,004)	(705,143)
Disposal of investments	580,524	28,796
Acquisition of intangible asset	(22,572)	(39,294)
	226,948	(715,641)
Financing activities		
Increase of advance from The YMCAs of Québec	621,204	376,781
Net increase (decrease) in cash	593,375	(95,730)
Cash, beginning of year	167,662	263,392
Cash, end of year	761,037	167,662

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.

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.

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 bonds and debentures, Canadian and foreign mutual funds and shares, alternative investments, cash and other net assets. The Foundation has 5,285.8529 units (5,494.1130 in 2015) at a value of \$1,227.83 (\$1,197.059 in 2015) 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:

	2016	2015
	\$	\$
Short-term		
Priority needs	53,250	29,596
Priority needs – Québec City YMCA	10,000	9,000
Development of Camp YMCA Kanawana	5,000	5,000
School Perseverance Program – Alternative Suspension	25,000	25,000
School Perseverance Program – City of Québec	—	7,500
Support to YMCA of Haïti	7,500	—
Youth Zone – Youth Creations	25,000	25,000
Long-term		
Priority needs	63,387	69,970
Priority needs – Québec City YMCA	140,608	156,783
Development of Camp YMCA Kanawana	15,000	15,000
School Perseverance Program – Alternative Suspension	—	25,000
Youth Zone – Youth Creations	75,000	100,000
	419,745	467,849

4. Investment income

Total investment income includes the following:

	2016	2015
	\$	\$
Interest income earned on resources held by the Endowment Fund	331,006	228,640
Loss on disposal of resources held by the Endowment Fund	(3,680)	(4,380)
Change in the unrealized fair value of investments held by the Endowment Fund	166,573	(55,695)
	493,899	168,565
Net change in deferred revenue	(172,710)	25,007
	321,189	193,572

5. Human resources

Human resources expenses included in each function are as follows:

	2016	2015
	\$	\$
Human resources	65,334	63,842
Expenses inherent to the revenue	644,312	500,879
	709,646	564,721

6. Intangible asset

	2016			2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Software	61,958	27,308	34,650	32,700

7. Related party transactions

Amounts collected from contributions from fundraising programs are donated to The YMCAs of Québec. A total of \$1,088,109 (\$1,333,038 in 2015) was donated to The YMCAs of Québec. These donations are intended primarily to finance The YMCAs of Québec community programs and development projects.

The contribution made by The YMCAs of Québec to the Foundation's operations amounted to \$334,937 for the year ended December 31, 2015. This contribution is no longer given by The YMCAs of Québec as of 2016.

The YMCAs of Québec also charges the Foundation for human resources expenses for an amount of \$709,646 (\$564,721 in 2015).

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 revenue

Expenses inherent to revenue mainly include costs incurred to conduct a special fundraising effort in the coming years.

9. Externally restricted fund balances

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

	2016	2015
	\$	\$
Support of the YMCA Mission	1,135,796	1,133,546
Standard 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
Campership grants for young people	292,594	260,227
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
	4,176,419	4,141,802

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:

	2016	2015
	\$	\$
Investment revenue from resources held for endowment	1,010,553	1,014,233
Donations	606,332	856,332
	1,616,885	1,870,565

11. Financial instruments

Because of its financial assets, 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 fluctuations of units stemming from market index rates 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.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

YMCAs of Québec Foundation
Schedule – Donations and contributions
Year ended December 31, 2016

	2016	2015
	\$	\$
Annual donations	334,833	383,593
Corporate donations	151,577	250,759
Donations from foundations	276,697	939,803
Fundraising activities	165,978	200,525
Major donations	84,288	20,000
Planned donations and bequests	20,175	23,710
Other (including gifts in kind)	—	151,772
	1,033,548	1,970,162