



JULES AND PAUL-ÉMILE LÉGER
FOUNDATION

CONSOLIDATED ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

CONSOLIDATED ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

TABLE OF CONTENTS

MANAGEMENT'S REPORT.....	1
INDEPENDENT AUDITOR'S REPORT.....	3
CONSOLIDATED BALANCE SHEET.....	5
CONSOLIDATED STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCES.....	6
CONSOLIDATED STATEMENT OF CASH FLOWS.....	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	9
SUPPLEMENTARY FINANCIAL DATA:	
CONSOLIDATED STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCES	
Programs Fund.....	24
Life Annuities Fund.....	25
Capital Growth Fund.....	26

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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, 2018. The next valuation is scheduled for December 31, 2020.

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

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, 2018, the available balance of the Programs Fund, which serves as the working capital of the Foundation, represents 19.2% of the fund's operations or more than two months of activities. During the year, the Capital Growth Fund made a contribution of \$3,300,000 to support the programs, the equivalent of 23.3% of total expenditures. At year-end, the balance of the Capital Growth Fund was \$22,087,905 which is more than six times the annual contribution made to the Programs Fund. There was a surplus of \$317,544 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, 2018, decreased by \$1,229,371 compared to last year. The discretionary balance of the Capital Growth Fund consisted of an additional hedge of 85% of the provision for future benefits.



André Dufour
President



Richard Veenstra
Executive Director

Vincent Dostie
Treasurer

Montreal, Canada
May 15, 2019

Independent Auditor's Report

To the Members of the
Jules and Paul-Émile Léger Foundation

Opinion

We have audited the consolidated financial statements of the Jules and Paul-Émile Léger Foundation (the "Organization"), which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated statements of revenue, expenditure and fund balances and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization 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 (ASNPO).

Basis for Opinion

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 Consolidated Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with ASNPO, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Organization'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 Organization'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 consolidated 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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

May 22, 2019

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

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Consolidated Balance Sheet

As at December 31				2018	2017
	Programs Fund	Life Annuities Fund	Capital Growth Fund	Total	Total
	\$	\$	\$	\$	\$
Assets					
Cash	1,164,118	–	–	1,164,118	1,899,337
Receivables	91,183	400	–	91,583	114,770
Interfund advances receivable*	5,115 *	–	1,932,206 *	–	–
Prepaid expenses	118,839	–	–	118,839	116,312
Other assets	14,670	–	–	14,670	16,076
	1,393,925	400	1,932,206	1,389,210	2,146,495
Investments (note 3)	3,780,906	20,281,468	20,607,199	44,669,573	48,361,261
Capital assets (note 4)	122,770	–	–	122,770	93,254
	5,297,601	20,281,868	22,539,405	46,181,553	50,601,010
Liabilities					
Accounts payable and accrued liabilities	537,756	422,000	–	959,756	934,866
Interfund advances payable*	–	1,937,321 *	–	–	–
Deferred contributions from governments (note 5)	1,592,420	–	–	1,592,420	2,738,918
Deferred contributions from the public and organizations (note 5)	323,358	–	451,500	774,858	781,228
	2,453,534	2,359,321	451,500	3,327,034	4,455,012
Provision for future benefits (note 6)	–	17,922,547	–	17,922,547	19,151,918
	2,453,534	20,281,868	451,500	21,249,581	23,606,930
Commitments (note 14)					
Fund balances					
Invested in capital assets	122,770	–	–	122,770	93,254
Permanently restricted (note 7)	–	–	6,927,270	6,927,270	7,198,380
Restricted by management	–	–	15,160,635	15,160,635	16,968,517
Unrestricted	2,721,297	–	–	2,721,297	2,733,929
	2,844,067	–	22,087,905	24,931,972	26,994,080
	5,297,601	20,281,868	22,539,405	46,181,553	50,601,010

* 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				2018	2017
	Programs Fund	Life Annuities Fund	Capital Growth Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Canadian government	6,977,527	–	–	6,977,527	6,043,396
Quebec government	73,468	–	–	73,468	194,312
Public and organizations:					
Donations	3,882,841	–	140,418	4,023,259	2,232,048
Bequests	–	–	1,275,284	1,275,284	1,047,510
Investments (note 8)	(25,487)	313,809	(210,586)	77,736	3,464,368
Annuities contracted	–	1,216,605	–	1,216,605	2,202,404
	10,908,349	1,530,414	1,205,116	13,643,879	15,184,038
Expenditure (note 9)					
Programs (note 10)	11,964,197	–	–	11,964,197	10,958,170
Promotion and communication	1,365,455	121,661	141,571	1,628,687	1,341,036
Administration	861,813	100,441	119,610	1,081,864	997,270
Life insurance premiums	–	–	40,471	40,471	48,336
Annuities paid	–	2,220,139	–	2,220,139	2,208,440
Change in provision for future benefits (note 6)	–	(1,017,371)	–	(1,017,371)	57,790
Change in assumptions and methodology (note 6)	–	(212,000)	–	(212,000)	–
	14,191,465	1,212,870	301,652	15,705,987	15,611,042
(Deficiency) excess of revenue over expenditure	(3,283,116)	317,544	903,464	(2,062,108)	(427,004)
Transfer of the Life Annuities Fund's current year's excess to the Capital Growth Fund	–	(317,544)	317,544	–	–
Transfer from the Capital Growth Fund to the Programs Fund for the funding of current operations	3,300,000	–	(3,300,000)	–	–
Change in Fund Balances due to current year operations	16,884	–	(2,078,992)	(2,062,108)	(427,004)

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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

Year ended December 31				2018	2017
	Programs Fund	Life Annuities Fund	Capital Growth Fund	Total	Total
	\$	\$	\$	\$	\$
Carried forward from previous page	16,884	–	(2,078,992)	(2,062,108)	(427,004)
Fund Balances at beginning of year	2,827,183	–	24,166,897	26,994,080	27,421,084
Fund Balances at end of year	2,844,067	–	22,087,905	24,931,972	26,994,080
Represented by:					
Fund Balance invested in capital assets	122,770	–	–	122,770	93,254
Fund Balance permanently restricted (note 7)	–	–	6,927,270	6,927,270	7,198,380
Fund Balance restricted by management to provide for continuity and sustained long-term funding of endeavours	–	–	15,160,635	15,160,635	16,968,517
Fund Balance available for funding working capital and program commitments	2,721,297	–	–	2,721,297	2,733,929
	2,844,067	–	22,087,905	24,931,972	26,994,080

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	2018	2017
	\$	\$
Operating Activities		
Programs Fund		
Deficiency of revenue over expenditure	(3,283,116)	(4,029,651)
Non-cash items:		
Amortization of capital assets	49,378	41,860
Decrease (increase) in fair value of investments	131,764	(262,615)
Net change in deferred contributions	(1,152,868)	377,494
Net change in other non-cash assets and liabilities	434,129	(605,862)
	(3,820,713)	(4,478,774)
Life Annuities Fund		
Excess of revenue over expenditure	317,544	275,063
Non-cash items:		
Change in provision for future benefits	(1,017,371)	57,790
Change in assumptions and methodology	(212,000)	–
Decrease (increase) in fair value of investments	234,890	(133,984)
Net change in other non-cash assets and liabilities	1,552,581	608,764
	875,644	807,633
Capital Growth Fund		
Excess of revenue over expenditure	903,464	3,327,584
Non-cash item:		
Decrease (increase) in fair value of investments	559,126	(2,091,723)
Net change in deferred contributions	–	451,500
Net change in other non-cash assets and liabilities	(1,939,754)	(64,563)
	(477,164)	1,622,798
	(3,422,233)	(2,048,343)
Investing Activities		
Programs Fund		
Net purchases of investments	(135,612)	(408,884)
Acquisition of capital assets	(78,894)	(38,552)
Life Annuities Fund		
Net purchases of investments	(558,100)	(532,570)
Capital Growth Fund		
Net sales of investments	3,459,620	2,147,139
	2,687,014	1,167,133
Net decrease in cash	(735,219)	(881,210)
Cash at beginning of year	1,899,337	2,780,547
Cash at end of year	1,164,118	1,899,337

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

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2018

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, 2018, the Foundation and its subsidiaries comply with the requirement of the Canada Revenue Agency.

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2018

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

Notes to Consolidated Financial Statements (*continued*)

December 31, 2018

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

Notes to Consolidated Financial Statements (*continued*)

December 31, 2018

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

Notes to Consolidated Financial Statements (*continued*)

December 31, 2018

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

Notes to Consolidated Financial Statements (*continued*)

December 31, 2018

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, 2018

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

	2018	2017
	Fair value	Fair value
	\$	\$
By type of securities:		
Cash and short-term notes	522,579	1,419,757
Fixed income securities*	24,648,020	23,844,338
Equity securities	19,342,782	22,923,547
Accrued revenue	156,192	173,619
	44,669,573	48,361,261
Geographically:		
Canadian securities	34,839,364	37,754,329
Foreign securities	9,830,209	10,606,932
	44,669,573	48,361,261

*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, 2018 in the Life Annuities Fund portfolio present an average duration of 6.4 years (6.6 years as at December 31, 2017) and an average yield of 2.9% (2.7% in 2017).

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2018

4. Capital assets

	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	187,060	174,648	12,412
Computer equipment and softwares	564,888	469,713	95,175
Leasehold improvements	385,405	370,222	15,183
	1,137,353	1,014,583	122,770

Amortization expense for the year amounts to \$49,378 (\$41,860 in 2017).

	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
	1,146,995	1,053,741	93,254

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2018

5. Deferred contributions from governments and deferred contributions from the public and organizations

The deferred contributions from governments are detailed as follows:

	2018	2017
	\$	\$
Deferred contributions, beginning of year	2,738,918	2,358,976
Contributions received during the year	5,904,497	6,617,650
	8,643,415	8,976,626
Contributions recognized as revenue during the year	(7,050,995)	(6,237,708)
Deferred contributions, end of year	1,592,420	2,738,918

Represented by:

Innovation and Mobilization for Food Security (IMFS) project in Burkina Faso, Bolivia and Peru	402,146	1,362,585
Maternal and Child Health (MCH) project in Haiti	1,007,171	1,245,717
Humanitarian aid project in the Extreme North Region of Cameroon	156,273	130,616
Québec sans frontières program	23,876	-
Social equity project in Burkina Faso	2,954	-
	1,592,420	2,738,918

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

	2018	2017
	\$	\$
Deferred contributions, beginning of year	781,228	332,176
Contributions received during the year	3,876,471	2,602,561
	4,657,699	2,934,737
Contributions recognized as revenue during the year	(3,882,841)	(2,153,509)
Deferred contributions, end of year	774,858	781,228

Represented by:

International projects	142,900	115,809
Domestic projects	175,000	195,000
Gilberte Falardeau Fund	451,500	451,500
Other restricted donations and deposits	5,458	18,919
	774,858	781,228

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2018

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:

	2018	2017
	\$	\$
Change in provision:		
New agreements	826,793	1,707,790
In force	(1,844,164)	(1,650,000)
	(1,017,371)	57,790
Change in assumptions and methodology	(212,000)	–
Net change for the year recorded as expenditure	(1,229,371)	57,790
Provision for future benefits at beginning of year	19,151,918	19,094,128
Provision for future benefits at end of year	17,922,547	19,151,918

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, 2018. The provision for adverse deviations was evaluated at \$1,537,854 by the independent actuaries.

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, 2018

7. Capital Growth Fund permanently restricted fund balance

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

	2018	2017
	\$	\$
Carmen Bordeleau Memorial Fund	2,964,754	3,085,039
Jeanne Fund	1,086,487	1,130,569
Jean-Charles Clouet Memorial Fund	741,305	771,380
Serkmet Fund	608,778	623,541
Eugène Beauregard Memorial Fund	555,785	578,334
Dr Dag Munro and Micheline Groleau Fund	477,750	497,133
Cécile Moussali Memorial Fund	155,401	161,700
Claire Langlois Memorial Fund	134,020	139,457
Maurice Picory Memorial Fund	115,198	119,873
Félix-Adolphe and Stella Senécal Memorial Fund	87,792	91,354
	6,927,270	7,198,380

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, 2018, the original amounts restricted by donors total \$4,620,005 (\$4,620,005 as at December 31, 2017).

8. Investment revenue

	2018	2017
	\$	\$
Interest and dividends	1,229,781	1,188,256
(Decrease) increase in fair value	(925,780)	2,488,322
	304,001	3,676,578
Asset management, safekeeping and performance evaluation expenses	(226,265)	(212,210)
	77,736	3,464,368

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2018

9. Programs Fund expenditure allocation

	2018		
	Programs	Promotion and communication	Administration
	\$	\$	\$
Total before allocation	11,537,624	1,354,043	1,299,798
Allocation of common expenditure:			
Administrative payroll	120,683	143,080	(263,763)
Services and other consumables	18,717	31,945	(50,662)
Physical resources	56,645	66,915	(123,560)
	196,045	241,940	(437,985)
	11,733,669	1,595,983	861,813
Public engagement expenditure	230,528	(230,528)	–
Total after allocation	11,964,197	1,365,455	861,813

	2017		
	Programs	Promotion and communication	Administration
	\$	\$	\$
Total before allocation	10,391,126	1,107,304	1,245,264
Allocation of common expenditure:			
Administrative payroll	146,378	150,179	(296,557)
Services and other consumables	17,990	34,918	(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

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2018

10. Programs

				2018	2017
	International programs	Domestic programs	Humanitarian aid	Total	Total
	\$	\$	\$	\$	\$
Contributions	7,294,302	1,268,473	906,662	9,469,437	8,510,993
Programs evaluation, training and reinforcement of partners	619,463	154,938	47,944	822,345	778,578
Public engagement	225,873	35,115	–	260,988	406,104
Monitoring and support	981,494	263,180	166,753	1,411,427	1,262,495
	9,121,132	1,721,706	1,121,359	11,964,197	10,958,170

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 \$2,974,632 as at December 31, 2018 (\$3,062,132 as at December 31, 2017) 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 \$215,600 as at December 31, 2018 (\$231,272 as at December 31, 2017).

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, 2018, all obligations have been recorded in the accounts. The annual expense and payment amount to \$123,665 (\$111,341 in 2017).

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2018

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, 2018 are as follows:

	\$
2019	4,695,638
2020	1,558,105
2021	628,241
	<u>6,881,984</u>

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 2017 to 2020 and one for the humanitarian aid project in the Extreme North Region of Cameroon for 2018 to 2019. The commitments related to these projects, included in the above total, amount to \$4,951,841 of which \$3,945,852 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 November 2023 which provide for minimum lease payments as follows:

	\$
2019	85,295
2020	66,876
2021	12,087
2022	12,087
2023	9,066
	<u>185,411</u>

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2018

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.

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Supplementary Financial Data:

Consolidated Statement of Revenue, Expenditure and Fund Balances

Programs Fund

Year ended December 31	2018	2017
	\$	\$
Revenue:		
Canadian government	6,977,527	6,043,396
Quebec government	73,468	194,312
Donations	3,882,841	2,153,509
Investments	(25,487)	322,826
	10,908,349	8,714,043
Expenditure:		
Programs	11,964,197	10,958,170
Promotion and communication	1,365,455	1,008,191
Administration	861,813	777,333
	14,191,465	12,743,694
Deficiency of revenue over expenditure	(3,283,116)	(4,029,651)
Transfer from the Capital Growth Fund for the funding of current operations	3,300,000	4,045,000
Change in Fund Balance due to current year operations	16,884	15,349
Fund Balance at beginning of year	2,827,183	2,811,834
Fund Balance at end of year	2,844,067	2,827,183
Represented by:		
Fund Balance invested in capital assets	122,770	93,254
Fund Balance available for funding working capital and program commitments	2,721,297	2,733,929
	2,844,067	2,827,183

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Supplementary Financial Data:

Consolidated Statement of Revenue, Expenditure and Fund Balances

Life Annuities Fund

Year ended December 31	2018	2017
	\$	\$
Revenue:		
Annuities contracted	1,216,605	2,202,404
Investments	313,809	657,119
	1,530,414	2,859,523
Expenditure:		
Annuities paid	2,220,139	2,208,440
Change in provision for future benefits	(1,017,371)	57,790
Change in assumptions and methodology	(212,000)	–
Promotion and communication	121,661	220,240
Administration	100,441	97,990
	1,212,870	2,584,460
Excess of revenue over expenditure	317,544	275,063
Transfer of the current year's excess to the Capital Growth Fund	(317,544)	(275,063)
Change in Fund Balance due to current year operations	–	–
Fund Balance at beginning of year	–	–
Fund Balance at end of year	–	–

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Supplementary Financial Data:

Consolidated Statement of Revenue, Expenditure and Fund Balances

Capital Growth Fund

Year ended December 31	2018	2017
	\$	\$
Revenue:		
Bequests	1,275,284	1,047,510
Donations	140,418	78,539
Investments	(210,586)	2,484,423
	1,205,116	3,610,472
Expenditure:		
Promotion and communication	141,571	112,605
Administration	119,610	121,947
Life insurance premiums	40,471	48,336
	301,652	282,888
Excess of revenue over expenditure	903,464	3,327,584
Transfer of the Life Annuities Fund's current year's excess	317,544	275,063
Transfer to the Programs Fund for the funding of current operations	(3,300,000)	(4,045,000)
Change in Fund Balance due to current year operations	(2,078,992)	(442,353)
Fund Balance at beginning of year	24,166,897	24,609,250
Fund Balance at end of year	22,087,905	24,166,897
Represented by:		
Fund Balance permanently restricted	6,927,270	7,198,380
Fund Balance restricted by management to provide for continuity and sustained long-term funding of endeavours	15,160,635	16,968,517
	22,087,905	24,166,897