

JULES AND PAUL-ÉMILE LÉGER FOUNDATION



CONSOLIDATED ANNUAL FINANCIAL REPORT

DECEMBER 31, 2022

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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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, 2022. The next valuation is scheduled for December 31, 2024.

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 and Risk Management Committee, composed in majority of members that are independent of the executive team. The Audit and Risk Management 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.

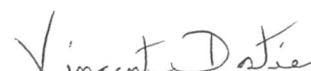
Management believes that its management of the Foundation's financial risks is adequate and that its long-term financial stability is well-assured. As at December 31, 2022, the available balance of the Programs Fund, which serves as the working capital of the Foundation, represents 39.9% of the fund's operations or approximately five months of activities. During the year, the Capital Growth Fund made a contribution of \$5,008,513 to support the programs, the equivalent of 63.2% of total expenditures. At year-end, the balance of the Capital Growth Fund was \$27,884,920 which is almost five times the annual contribution made to the Programs Fund. There was a surplus of \$589,734 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, 2022, decreased by \$2,542,496 compared to last year. The discretionary balance of the Capital Growth Fund consisted of an additional hedge of 162% of the provision for future benefits.



André Dufour
President



Richard Veenstra
Executive Director



Vincent Dostie
Treasurer

Montreal, Canada
May 16, 2023

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 "Foundation"), which comprise the consolidated balance sheet as at December 31, 2022, 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 Foundation as at December 31, 2022, 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 Foundation 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 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 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 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 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 Foundation 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 LLP*¹

May 16, 2023

¹ CPA auditor, public accountancy permit No. A120628

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

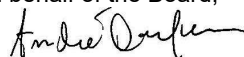
Consolidated Balance Sheet

As at December 31				2022	2021
	Programs Fund	Life Annuities Fund	Capital Growth Fund	Total	Total
	\$	\$	\$	\$	\$
Assets					
Cash	1,186,659	–	–	1 186 659	1,083,335
Receivables	78,370	1,746	–	80 116	187,345
Interfund advances receivable*	213,571 *	–	336,977 *	–	–
Prepaid expenses	146,966	–	–	146 966	106,680
Other assets	77,468	–	–	77 468	56,705
	1,703,034	1,746	336,977	1 491 209	1,434,065
Investments (note 3)	3,165,038	12,266,802	27,999,443	43 431 283	50,857,085
Capital assets (note 4)	189,524	–	–	189 524	71,958
	5,057,596	12,268,548	28,336,420	45 112 016	52,363,108
Liabilities					
Accounts payable and accrued liabilities	593,291	289,000	–	882 291	738,055
Interfund advances payable*	–	550,548 *	–	–	–
Deferred contributions from governments (note 5)	959,215	–	–	959 215	576,654
Deferred contributions from the public and organizations (note 5)	157,991	–	451,500	609 491	510,432
	1,710,497	839,548	451,500	2 450 997	1,825,141
Provision for future benefits (note 6)	–	11,429,000	–	11 429 000	13,971,496
	1,710,497	12,268,548	451,500	13 879 997	15,796,637
Commitments (note 14)					
Fund balances					
Invested in capital assets	189,524	–	–	189,524	71,958
Permanently restricted (note 7)	–	–	9,324,093	9,324,093	10,330,656
Restricted by management	–	–	18,560,827	18,560,827	22,909,526
Unrestricted	3,157,575	–	–	3,157,575	3,254,331
	3,347,099	–	27,884,920	31,232,019	36,566,471
	5,057,596	12,268,548	28,336,420	45,112,016	52,363,108

* These amounts do not appear in the total column because they cancel each other out.

The accompanying notes are an integral part of the consolidated 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				2022	2021
	Programs Fund	Life Annuities Fund	Capital Growth Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Canadian government	1,468,118	–	–	1,468,118	3,846,165
Québec government	380,211	–	–	380,211	499,006
Public and organizations:					
Donations	1,450,603	–	259,172	1,709,775	2,369,200
Bequests	–	–	2,491,295	2,491,295	3,203,476
Investments (note 8)	(364,655)	(1,259,302)	(3,494,608)	(5,118,565)	5,916,565
Annuities contracted	–	1,057,000	–	1,057,000	634,777
	2,934,277	(202,302)	(744,141)	1,987,834	16,469,189
Expenditure (note 9)					
Programs (note 10)	5,736,104	–	–	5,736,104	8,630,106
Promotion and communication	1,289,203	105,700	275,047	1,669,950	1,616,558
Administration	896,673	64,468	150,568	1,111,709	1,012,495
Life insurance premiums	–	–	35,277	35,277	38,551
Annuities paid	–	1,580,292	–	1,580,292	1,679,883
Change in provision for future benefits (note 6)	–	(456,496)	–	(456,496)	(1,799,855)
Change in assumptions and methodology (note 6)	–	(2,086,000)	–	(2,086,000)	–
	7,921,980	(792,036)	460,892	7,590,836	11,177,738
(Deficiency) excess of revenue over expenditure	(4,987,703)	589,734	(1,205,033)	(5,603,002)	5,291,451
Transfer of the Life Annuities Fund's current year's excess to the Capital Growth Fund	–	(589,734)	589,734	–	–
Restricted funds received	–	–	268,550	268,550	–
Transfer from the Capital Growth Fund to the Programs Fund for the funding of current operations	5,008,513	–	(5,008,513)	–	–
Change in Fund Balances due to current year operations	20,810	–	(5,355,262)	(5,334,452)	5,291,451

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

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

Year ended December 31				2022	2021
	Programs Fund	Life Annuities Fund	Capital Growth Fund	Total	Total
	\$	\$	\$	\$	\$
Carried forward from previous page	20,810	–	(5,355,262)	(5,334,452)	5,291,451
Fund Balances at beginning of year	3,326,289	–	33,240,182	36,566,471	31,275,020
Fund Balances at end of year	3,347,099	–	27,884,920	31,232,019	36,566,471
Represented by:					
Fund Balance invested in capital assets	189,524	–	–	189,524	71,958
Fund Balance permanently restricted (note 7)	–	–	9,324,093	9,324,093	10,330,656
Fund Balance restricted by management to provide for continuity and sustained long-term funding of endeavours	–	–	18,560,827	18,560,827	22,909,526
Fund Balance available for funding working capital and program commitments	3,157,575	–	–	3,157,575	3,254,331
	3,347,099	–	27,884,920	31,232,019	36,566,471

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

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Consolidated Statement of Cash Flows

Year ended December 31	2022	2021
	\$	\$
Operating Activities		
Programs Fund		
Deficiency of revenue over expenditure	(4,987,703)	(3,266,967)
Non-cash items:		
Amortization of capital assets	51,785	52,200
Decrease (increase) in fair value of investments	438,021	(551,163)
Net change in deferred contributions	481,620	(767,940)
Net change in other non-cash assets and liabilities	(759,399)	459,700
	(4,775,676)	(4,074,170)
Life Annuities Fund		
Excess of revenue over expenditure	589,734	252,388
Non-cash items:		
Change in provision for future benefits	(456,496)	(1,799,855)
Change in assumptions and methodology	(2,086,000)	-
Decrease in fair value of investments	1,574,482	710,802
Net change in other non-cash assets and liabilities	1,290,159	(807,205)
	911,879	(1,643,870)
Capital Growth Fund		
(Deficiency) excess of revenue over expenditure	(1,205,033)	8,306,030
Non-cash item:		
Decrease (increase) in fair value of investments	4,024,210	(4,424,068)
Restricted funds received	268,550	-
Net change in other non-cash assets and liabilities	(340,344)	(1,050)
	2,747,383	3,880,912
	(1,116,414)	(1,837,128)
Investing Activities		
Programs Fund		
Net sales of investments	39,838	416,156
Acquisition of capital assets	(169,351)	(14,792)
Life Annuities Fund		
Net (purchases) sales of investments	(322,145)	1,896,258
Capital Growth Fund		
Net sales (purchases) of investments	1,671,396	(665,153)
	1,219,738	1,632,469
Net increase (decrease) in cash	103,324	(204,659)
Cash at beginning of year	1,083,335	1,287,994
Cash at end of year	1,186,659	1,083,335

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

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2022

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, 2022, 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, 2022

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, 2022

2. Significant accounting policies (*continued*)

c) Financial instruments

Initial measurement

Financial assets and liabilities created or exchanged in arm's length transactions are initially measured at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Financial instruments created or exchanged in related party transactions are initially recognized at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. When it does, the cost is determined using the undiscounted cash flows, excluding interest and dividend payments, of the instrument less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Foundation in the transaction.

Subsequent measurement

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

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.

Depreciation

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 period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and this 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.

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2022

2. Significant accounting policies (*continued*)

c) Financial instruments (*continued*)

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.

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, 2022

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, 2022

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, 2022

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

	2022	2021
	Fair value	Fair value
	\$	\$
By type of securities:		
Cash and short-term notes	190,569	152,540
Fixed income securities*	25,055,905	27,185,815
Equity securities	18,102,474	23,439,378
Accrued revenue	82,335	79,352
	43,431,283	50,857,085
Geographically:		
Canadian securities	27,098,582	29,540,875
Foreign securities	16,332,701	21,316,210
	43,431,283	50,857,085

*Fixed income securities held as at December 31, 2022 in the Life Annuities Fund portfolio present an average duration of 5.9 years (6.6 years as at December 31, 2021) and an average yield of 4.6% (1.9% in 2021).

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2022

4. Capital assets

	2022		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	171,044	170,486	558
Computer equipment and softwares	603,941	570,837	33,104
Leasehold improvements	566,899	411,037	155,862
	1,341,884	1,152,360	189,524

Amortization expense for the year amounts to \$51,785 (\$52,200 in 2021).

	2021		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	187,249	185,998	1,251
Computer equipment and softwares	596,371	554,635	41,736
Leasehold improvements	408,993	380,022	28,971
	1,192,613	1,120,655	71,958

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2022

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

The deferred contributions from governments are detailed as follows:

	2022	2021
	\$	\$
Deferred contributions, beginning of year	576,654	1,030,256
Contributions received during the year	2,230,890	3,891,569
	2,807,544	4,921,825
Contributions recognized as revenue during the year	(1,848,329)	(4,345,171)
Deferred contributions, end of year	959,215	576,654
Represented by:		
Climate change adaptation project of communities in Burkina Faso	65,900	201,383
Citizen participation project in Haiti	649,325	–
Humanitarian aid project in the Extreme North Region of Cameroon	243,990	188,155
Humanitarian aid project in the State of Borno in Nigeria	–	187,116
	959,215	576,654

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

	2022	2021
	\$	\$
Deferred contributions, beginning of year	510,432	824,770
Contributions received during the year	1,549,662	1,991,064
	2,060,094	2,815,834
Contributions recognized as revenue during the year	(1,450,603)	(2,305,402)
Deferred contributions, end of year	609,491	510,432
Represented by:		
International projects	5,106	–
Domestic projects	50,000	–
Gilberte Falardeau Fund	451,500	451,500
Other restricted donations and deposits	102,885	58,932
	609,491	510,432

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2022

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:

	2022	2021
	\$	\$
Change in provision:		
New agreements	866,271	425,151
In force	(1,322,767)	(2,225,006)
	(456,496)	(1,799,855)
Change in assumptions and methodology	(2,086,000)	–
Net change for the year recorded as expenditure	(2,542,496)	(1,799,855)
Provision for future benefits at beginning of year	13,971,496	15,771,351
Provision for future benefits at end of year	11,429,000	13,971,496

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, 2022. The provision for adverse deviations was evaluated at \$863,327 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.

The Foundation relies on assumptions derived from the results of simulations performed by the appointed actuary on various variables. These variables include mortality, cash flows from investments and expenses. Assumptions are reviewed periodically and adjusted as necessary to reflect changes.

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2022

7. Capital Growth Fund permanently restricted fund balance

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

	2022	2021
	\$	\$
Carmen Bordeleau Memorial Fund	3,915,889	4,452,363
Jeanne Fund	1,435,048	1,631,649
Jean-Charles Clouet Memorial Fund	979,125	1,113,264
Eugène Beauregard Memorial Fund	734,087	834,657
Serkmet Fund	707,653	841,770
Dr Dag Munro and Micheline Groleau Fund	631,019	717,467
Cécile Moussali Memorial Fund	205,255	233,374
Claire Langlois Memorial Fund	177,016	201,267
Thérèse Gaudry Fund	169,138	–
Maurice Picory Memorial Fund	152,156	173,002
Félix-Adolphe and Stella Senécal Memorial Fund	115,957	131,843
Yvon Paquet Fund	101,750	–
	9,324,093	10,330,656

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, 2022, the original amounts restricted by donors total \$4,888,555 (\$4,620,005 as at December 31, 2021).

8. Investment revenue

	2022	2021
	\$	\$
Interest and dividends	1,206,514	1,936,104
(Decrease) increase in fair value	(6,036,713)	4,264,429
	(4,830,199)	6,200,533
Asset management, safekeeping and performance evaluation expenses	(288,366)	(283,968)
	(5,118,565)	5,916,565

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2022

9. Programs Fund expenditure allocation

	2022		
	Programs	Promotion and communication	Administration
	\$	\$	\$
Total before allocation	5,315,378	1,278,306	1,328,296
Allocation of common expenditure:			
Administrative payroll	139,240	113,503	(252,743)
Services and other consumables	21,778	38,144	(59,922)
Physical resources	56,209	62,749	(118,958)
	217,227	214,396	(431,623)
	5,532,605	1,492,702	896,673
Public engagement expenditure	203,499	(203,499)	–
Total after allocation	5,736,104	1,289,203	896,673

	2021		
	Programs	Promotion and communication	Administration
	\$	\$	\$
Total before allocation	8,255,153	1,190,030	1,199,156
Allocation of common expenditure:			
Administrative payroll	130,387	126,560	(256,947)
Services and other consumables	20,242	32,488	(52,730)
Physical resources	48,712	52,885	(101,597)
	199,341	211,933	(411,274)
	8,454,494	1,401,963	787,882
Public engagement expenditure	175,612	(175,612)	–
Total after allocation	8,630,106	1,226,351	787,882

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2022

10. Programs

			2022	2021
	International programs	Domestic programs	Total	Total
	\$	\$	\$	\$
Contributions	2,324,538	1,300,000	3,624,538	6,506,694
Programs evaluation, training and reinforcement of partners	189,897	183,690	373,587	390,946
Public engagement	132,189	75,456	207,645	174,529
Monitoring and support	1,183,568	346,766	1,530,334	1,557,937
	3,830,192	1,905,912	5,736,104	8,630,106

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 \$2,364,045 as at December 31, 2022 (\$2,499,045 as at December 31, 2021) 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 \$2,337,935 as at December 31, 2022 (\$1,986,280 as at December 31, 2021).

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, 2022, all obligations have been recorded in the accounts. The annual expense and payment amount to \$132,198 (\$122,562 in 2021).

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2022

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, 2022 are as follows:

	\$
2023	3,267,359
2024	848,009
2025	305,809
2026	118,154
	<hr/> 4,539,331 <hr/>

An important portion of the financing of the international programs comes from the Canadian and Québec governments. A financing agreement was entered into with Global Affairs Canada (GAC) for the citizen participation project in Haiti for 2021 to 2025 and another for the humanitarian aid project in the Extreme North Region of Cameroon for 2021 to 2024. A financing agreement was entered into with the ministère de l'Environnement et de la Lutte contre les changements climatiques for the climate change adaptation project of communities in Burkina Faso 2021 to 2023. The commitments related to these projects, included in the above total, amount to \$3,600,936 of which \$3,245,400 will be paid by the governments.

Office premises and equipment

The Foundation is bound by an operating lease for its office premises until at least September 30, 2025 and operating lease contracts for equipment expiring up to November 2023 which provide for minimum lease payments as follows:

	\$
2023	91,779
2024	82,713
2025	62,035
	<hr/> 236,527 <hr/>

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Notes to Consolidated Financial Statements (*continued*)

December 31, 2022

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 funds 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 consolidated 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	2022	2021
	\$	\$
Revenue:		
Canadian government	1,468,118	3,846,165
Québec government	380,211	499,006
Donations	1,450,603	2,305,402
Investments	(364,655)	726,799
	2,934,277	7,377,372
Expenditure:		
Programs	5,736,104	8,630,106
Promotion and communication	1,289,203	1,226,351
Administration	896,673	787,882
	7,921,980	10,644,339
Deficiency of revenue over expenditure	(4,987,703)	(3,266,967)
Transfer from the Capital Growth Fund for the funding of current operations	5,008,513	3,468,147
Change in Fund Balance due to current year operations	20,810	201,180
Fund Balance at beginning of year	3,326,289	3,125,109
Fund Balance at end of year	3,347,099	3,326,289
Represented by:		
Fund Balance invested in capital assets	189,524	71,958
Fund Balance available for funding working capital and program commitments	3,157,575	3,254,331
	3,347,099	3,326,289

JULES AND PAUL-ÉMILE LÉGER FOUNDATION

Supplementary Financial Data:

Consolidated Statement of Revenue, Expenditure and Fund Balances

Life Annuities Fund

Year ended December 31	2022	2021
	\$	\$
Revenue:		
Annuities contracted	1,057,000	634,777
Investments	(1,259,302)	(364,749)
	(202,302)	270,028
Expenditure:		
Annuities paid	1,580,292	1,679,883
Change in provision for future benefits	(456,496)	(1,799,855)
Change in assumptions and methodology	(2,086,000)	-
Promotion and communication	105,700	63,478
Administration	64,468	74,134
	(792,036)	17,640
Excess of revenue over expenditure	589,734	252,388
Transfer of the current year's excess to the Capital Growth Fund	(589,734)	(252,388)
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	2022	2021
	\$	\$
Revenue:		
Bequests	2,491,295	3,203,476
Donations	259,172	63,798
Investments	(3,494,608)	5,554,515
	(744,141)	8,821,789
Expenditure:		
Promotion and communication	275,047	326,729
Administration	150,568	150,479
Life insurance premiums	35,277	38,551
	460,892	515,759
(Deficiency) excess of revenue over expenditure	(1,205,033)	8,306,030
Transfer of the Life Annuities Fund's current year's excess	589,734	252,388
Restricted funds received	268,550	–
Transfer to the Programs Fund for the funding of current operations	(5,008,513)	(3,468,147)
Change in Fund Balance due to current year operations	(5,355,262)	5,090,271
Fund Balance at beginning of year	33,240,182	28,149,911
Fund Balance at end of year	27,884,920	33,240,182
Represented by:		
Fund Balance permanently restricted	9,324,093	10,330,656
Fund Balance restricted by management to provide for continuity and sustained long-term funding of endeavours	18,560,827	22,909,526
	27,884,920	33,240,182