

Financial statements of

THE YMCAs OF QUÉBEC FOUNDATION

December 31, 2012 and December 31, 2011

THE YMCAs OF QUÉBEC FOUNDATION

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Independent auditor's report

To the Members of
The YMCAs of Québec Foundation

We have audited the accompanying financial statements of The YMCAs of Québec Foundation (the "Foundation"), which comprise the balance sheets as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess (or deficiency) of revenue over expenses and cash flows from operating activities for the years ended December 31, 2012 and December 31, 2011, assets and fund balances as at December 31, 2012, December 31, 2011 and January 1, 2011.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements present fairly, in all material respects, the financial position of The YMCAs of Québec Foundation as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its activities and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte p.e.n.c.r.l.¹

June 19, 2013

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

THE YMCAs OF QUÉBEC FOUNDATION

Statement of operations

year ended December 31, 2012

	General Fund	Endowment Fund	2012
	\$	\$	\$
Revenue			
Fundraising campaign	322,833	-	322,833
Annual campaign	469,843	-	469,843
Special events	217,430	-	217,430
Contributions received as endowments	-	44,982	44,982
Other donation	251,309	-	251,309
	1,261,415	44,982	1,306,397
Investment income (Note 5)	400,253	-	400,253
	1,661,668	44,982	1,706,650
Expenses			
General administration			
Salaries and employee benefits	255,297	-	255,297
Office expenses	40,131	-	40,131
Professional fees	35,000	-	35,000
Advertising	34,372	-	34,372
Development of personnel	4,686	-	4,686
Contributions	2,100	-	2,100
	371,586	-	371,586
Contribution from The YMCAs of Québec to the operations of the Foundation (Note 6)	(319,208)	-	(319,208)
	52,378	-	52,378
Specific fees			
Special events	99,373	-	99,373
Management fees – Endowment fund	28,639	-	28,639
Fundraising campaign	1,980	-	1,980
	129,992	-	129,992
Total expenses	182,370	-	182,370
Excess of revenue over expenses before contributions	1,479,298	44,982	1,524,280
Contributions to The YMCAs of Québec (Note 6)			
Fundraising campaign	320,853	-	320,853
Community initiatives	970,742	-	970,742
International initiatives	44,739	-	44,739
	1,336,334	-	1,336,334
Excess of revenue over expenses	142,964	44,982	187,946

THE YMCAs OF QUÉBEC FOUNDATION

Statement of operations

year ended December 31, 2011

	General Fund	Endowment Fund	2011
	\$	\$	\$
Revenue			
Fundraising campaign	522,045	-	522,045
Annual campaign	366,622	-	366,622
Special events	231,923	-	231,923
Contributions received as endowments	-	50,738	50,738
Other donation	180,430	-	180,430
	1,301,020	50,738	1,351,758
Investment income (Note 5)	(58,968)	-	(58,968)
	1,242,052	50,738	1,292,790
Expenses			
General administration			
Salaries and employee benefits	238,207	-	238,207
Office expenses	23,472	-	23,472
Professional fees	17,000	-	17,000
Advertising	45,507	-	45,507
Development of personnel	7,599	-	7,599
Contributions	2,632	-	2,632
	334,417	-	334,417
Contribution from The YMCAs of Québec to the operations of the Foundation (Note 6)	(325,825)	-	(325,825)
	8,592	-	8,592
Specific fees			
Special events	113,855	-	113,855
Management fees – Endowment fund	33,750	-	33,750
	147,605	-	147,605
Total expenses	156,197	-	156,197
Excess of revenue over expenses before contributions	1,085,855	50,738	1,136,593
Contributions to The YMCAs of Québec (Note 6)			
Fundraising campaign	522,044	-	522,044
Community initiatives	825,472	-	825,472
International initiatives	38,063	-	38,063
	1,385,579	-	1,385,579
(Deficiency) excess of revenue over expenses	(299,724)	50,738	(248,986)

THE YMCAs OF QUÉBEC FOUNDATION

Statements of changes in fund balances

years ended December 31, 2012 and December 31, 2011

	General Fund	Endowment Fund	Total
	\$	\$	\$
Fund balances, as at January 1, 2011	175,911	4,439,138	4,615,049
(Deficiency) excess of revenue over expenses	(299,724)	50,738	(248,986)
Interfund transfer	389	(389)	-
Fund balances, as at December 31, 2011	(123,424)	4,489,487	4,366,063
Excess of revenue over expenses	142,964	44,982	187,946
Interfund transfer	281	(281)	-
Fund balances, as at December 31, 2012	19,821	4,534,188	4,554,009

THE YMCAs OF QUÉBEC FOUNDATION


Balance sheets

as at December 31, 2012, December 31, 2011 and January 1, 2011

	General Fund			Endowment Fund			Total		
	December 31		January 1,	December 31,		January 1,	December 31,		January 1,
	2012	2011	2011	2012	2011	2011	2012	2011	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Current assets									
Cash	369,866	154,739	192,619	40,043	5,579	7,910	409,909	160,318	200,529
Accounts receivable	26,100	3,600	4,074	-	-	-	26,100	3,600	4,074
Due from Endowment Fund	111,705*	-	253,591*	-	-	-	-	-	-
Due from General Fund	-	-	-	-	42,276*	-	-	-	-
	507,671	158,339	450,284	40,043	47,855	7,910	436,009	163,918	204,603
Investments (Note 3)	-	-	-	4,605,850	4,441,632	4,684,819	4,605,850	4,441,632	4,684,819
	507,671	158,339	450,284	4,645,893	4,489,487	4,692,729	5,041,859	4,605,550	4,889,422
Liabilities									
Current liabilities									
Accounts payable and accruals	-	270	-	-	-	-	-	270	-
Due to the YMCAs of Québec (Note 6)	480,350	239,217	274,373	-	-	-	480,350	239,217	274,373
Due to General Fund	-	-	-	111,705*	-	253,591*	-	-	-
Due to Endowment Fund	-	42,276*	-	-	-	-	-	-	-
Deferred revenue	7,500	-	-	-	-	-	7,500	-	-
	487,850	281,763	274,373	111,705	-	253,591	487,850	239,487	274,373
Fund balances									
Externally restricted (Note 7)	-	-	-	2,653,022	2,608,040	2,557,302	2,653,022	2,608,040	2,557,302
Internally restricted (Note 8)	-	-	-	1,881,166	1,881,447	1,881,836	1,881,166	1,881,447	1,881,836
Unrestricted (deficit)	19,821	(123,424)	175,911	-	-	-	19,821	(123,424)	175,911
	19,821	(123,424)	175,911	4,534,188	4,489,487	4,439,138	4,554,009	4,366,063	4,615,049
	507,671	158,339	450,284	4,645,893	4,489,487	4,692,729	5,041,859	4,605,550	4,889,422

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

Approved by the Board

.....Director

.....Director

THE YMCAs OF QUÉBEC FOUNDATION

Statements of cash flows

years ended December 31, 2012 and December 31, 2011

	2012	2011
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	187,946	(248,986)
Adjustment for the change in fair value of investments	(279,017)	195,935
	(91,071)	(53,051)
Changes in non-cash operating working capital items		
Accounts receivable	(22,500)	474
Accounts payable and accruals	(270)	270
Due to the YMCAs of Québec	241,133	(35,156)
Deferred revenue	7,500	-
	134,792	(87,463)
Investing activities		
Acquisition of investments	(249,350)	(189,690)
Disposal of investments	364,149	236,942
	114,799	47,252
Increase (decrease) in cash	249,591	(40,211)
Cash, beginning of year	160,318	200,529
Cash, end of year	409,909	160,318

THE YMCAs OF QUÉBEC FOUNDATION

Notes to the financial statements

December 31, 2012 and December 31, 2011

1. Status and nature of activities

The YMCAs of Québec Foundation (the “Foundation”), incorporated on July 13, 1983, under Part III of the *Companies Act* (Québec), was established to perform the fundraising activities of The YMCAs of Québec. Its purpose is to raise funds for the construction of new facilities and to improve and renovate existing facilities. The Foundation is recognized as a charitable organization according to the *Income Tax Act*.

2. Adoption of a new accounting framework

During the year ended December 31, 2012, the Foundation adopted the new Canadian accounting standards for not-for-profit organizations (the “new standards”) adopted by the Canadian Institute of Chartered Accountants (“CICA”). In accordance with Section 1501 of the CICA Handbook, First-time Adoption, (“Section 1501”), the date of transition to the new standards is January 1, 2011 and the Foundation has prepared and presented an opening balance sheet at the date of transition to the new standards. This opening balance sheet is the starting point for the entity’s accounting under the new standards. In its opening balance sheet, under the recommendations of Section 1501, the Foundation:

- a) recognized all assets and liabilities whose recognition is required by the new standards;
- b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- c) reclassified items that it recognized previously as one type of asset, liability or component of fund balances, but are recognized as a different type of asset, liability or component of fund balances under the new standards; and
- d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively.

The Foundation has elected to adopt the exemptions available under Section 1501 relating to financial instruments, allowing for the accounting of certain investments held at the date of transition at fair value.

The adoption of the new standards had no impact on the financial statements other than the now mandatory presentation of the statement of cash flows, which had not been presented in the past.

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Notes to the financial statements

December 31, 2012 and December 31, 2011

3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

Fund accounting

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

i) General Fund

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

ii) Endowment Fund

Endowment contributions are reported in the Endowment Fund. Investment income derived from resources of the Endowment Fund and Endowment Fund expenses are reported in the General Fund.

The Foundation has a policy to allocate annually to the YMCAs of Québec the equivalent of 4% of the fair value of the Endowment Fund as at December 31 of the preceding year. All allocations are made in accordance with donors' wishes. An amount equivalent to 0.5% of the fair value of the Endowment Fund as at December 31 of the preceding year is also remitted to the YMCAs of Québec to contribute to the financing of the management of the Foundation. When the real return of the Endowment Fund is over 4.5%, the Board of Directors endow this excess as internally restricted.

Revenue recognition

Restricted contributions from fundraising activities are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the General Fund in the year they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as contributions received as endowments.

Investment income is recognized as revenue when earned.

Pledges

Fundraising campaign pledges are recorded when contributions are received.

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Notes to the financial statements

December 31, 2012 and December 31, 2011

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments that are recognized at fair value at the date of the financial statements. The investment's fair value is established at bid price. Fair value fluctuations, which include interests earned, accrued interests, realized gain and loss and unrealized gain and loss, are included in the investment's revenue.

The Foundation's investments consist entirely of units held in the Investment Fund of The Greater Montreal Foundation, which comprises bonds and debentures, Canadian and foreign mutual funds and shares, alternative investments, cash and other net assets. The Foundation has 4,321.0046 (4,427.6763 as at December 31, 2011 and 4,479.0213 as at January 1, 2011) units at a price of \$1,065.92 (\$1,003.15 as at December 31, 2011 and \$1,045.94 as at January 1, 2011) each.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest revenue or expense.

With respect to financial assets measured at amortized cost, the Foundation recognized in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously impairment loss shall be reversed in the statement of operations in the period the reversal occurs.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

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Notes to the financial statements

December 31, 2012 and December 31, 2011

4. Pledges

Pledges are as follows:

	December 31,		January 1,
	2012	2011	2011
	\$	\$	\$
Short-term			
Development of camp YMCA Kanawana	143,250	278,030	649,741
Development of Cartierville YMCA Center	21,000	21,000	-
Endowment Fund	12,826	14,960	15,321
SNC Lavalin – School Perseverance Program	65,000	-	-
Telus Québec – Alternative Suspension program and golf tournament	25,000	-	-
Banque Nationale du Canada – Dialogue and Destination Youth Programs	15,000	-	-
Long-term			
Development of camp YMCA Kanawana	48,122	68,202	137,762
Development of Cartierville YMCA Center	2,000	13,000	-
Endowment Fund	13,932	22,472	33,912
SNC Lavalin – School Perseverance Program	130,000	-	-
Telus Québec – Alternative Suspension program and golf tournament	25,000	-	-
Banque Nationale du Canada – Dialogue and Destination Youth Programs	15,000	-	-
	516,130	417,664	836,736

5. Investment income

Total investment income included the following:

	2012	2011
	\$	\$
Interest income earned on resources held for endowment	121,236	136,967
Loss on disposal of resources held in the Endowment Fund	(281)	(389)
Change in the unrealized fair value of investments held by the Endowment Fund	279,298	(195,546)
Total investment income earned and recognized as revenue	400,253	(58,968)

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6. Related party transactions

Amounts collected from contributions from the annual campaign and special events are donated to The YMCAs of Québec. A total of \$1,336,334 (\$1,385,579 in 2011) was donated to The YMCAs of Québec. These donations are intended primarily to finance the YMCA community programs and international programs and the Camp Kanawana Revitalization program.

The contribution made by The YMCAs of Québec to the Foundation's operations amounted to \$319,208 in 2012 (\$325,825 in 2011) and is presented as a reduction of general administration expenses in the General Fund statement of operations.

Transactions concluded with The YMCAs of Québec are carried out in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Externally restricted fund balances

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

	December 31,		January 1,
	2012	2011	2011
	\$	\$	\$
Literacy Fund	400,000	400,000	400,000
Pointe St. Charles Fund	320,344	320,344	320,344
Support of the YMCA Mission	1,010,692	994,102	972,004
Partnership projects in Third World countries	24,422	24,422	24,422
Renovation and refurbishing of YMCA facilities	15,500	15,500	15,500
Youth leadership development	142,628	139,628	136,628
Access to YMCA activities for the economically disadvantaged	22,635	22,635	22,635
Campership grants for young people	112,415	112,415	112,415
Community Justice Initiatives	15,500	15,500	15,500
Development of camp Kanawana	445,604	420,212	394,572
Full participation of ethnic minority groups in the economic and social life of the community	2,500	2,500	2,500
Assistance for unemployed young people	6,225	6,225	6,225
Westmount Fund	63,300	63,300	63,300
Gabrielle and Maurice A. Massé Award	30,000	30,000	30,000
Du Parc Youth Center Fund	5,465	5,465	5,465
NDG Youth Center Fund	1,322	1,322	1,322
Yasmin Meherally Fund	100	100	100
Basketball / Outright Owne	5,000	5,000	5,000
Heritage club	19,830	19,830	19,830
Artwork	9,540	9,540	9,540
	2,653,022	2,608,040	2,557,302

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Notes to the financial statements

December 31, 2012 and December 31, 2011

8. Internally restricted fund balances

The Board of Directors of the Foundation has imposed an internal restriction on a portion of the investment income earned on resources held for endowment and on unrestricted donations received. The purpose of this internal restriction is to ensure funding for the programs of The YMCAs of Québec. The capital of these funds cannot be used without the authorization of the Board.

The balances of the internally restricted endowment funds are as follows:

	December 31,		January 1,
	2012	2011	2011
	\$	\$	\$
Investment revenue from resources held for endowment	1,024,834	1,025,115	1,025,504
Donations	856,332	856,332	856,332
	1,881,166	1,881,447	1,881,836

9. Financial instruments

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

Interest rate

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

Foreign exchange risk

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

Price risk

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

Credit risk

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