

**Combined Financial Statements
and Supplemental Information**

**The Quebec-Labrador Foundation, Inc. and
Quebec-Labrador Foundation (Canada), Inc.**

August 31, 2015 and 2014



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

***Combined Financial Statements
and Supplemental Information***

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Independent Auditors' Report

To the Board of Directors
The Quebec-Labrador Foundation, Inc. and
Quebec-Labrador Foundation (Canada), Inc.

We have audited the accompanying combined financial statements of The Quebec-Labrador Foundation, Inc. and Quebec-Labrador Foundation (Canada), Inc. (collectively “the Organizations”), which comprise the combined statements of financial position as of August 31, 2015 and 2014, and the related combined statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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



Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of August 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maye Hayeman McCann P.C.

December 14, 2015
Boston, Massachusetts

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Combined Statements of Financial Position

	<i>August 31,</i>	
	<i>2015</i>	<i>2014</i>
Assets		
Cash and cash equivalents	\$ 5,298	\$ 15,330
Contributions receivable, net	201,763	125,055
Accounts receivable	71,518	16,639
Prepaid expenses and other current assets	14,901	27,227
Investments	6,793,593	7,454,236
Property and equipment, net	<u>55,527</u>	<u>41,820</u>
Total assets	<u>\$ 7,142,600</u>	<u>\$ 7,680,307</u>
Liabilities and Net Assets		
Liabilities:		
Line of credit	\$ 204,000	\$ 25,150
Accounts payable	50,644	26,227
Deferred revenue	38,532	14,912
Accrued expenses and other current liabilities	17,818	12,481
Note payable	<u>19,123</u>	<u>26,226</u>
Total liabilities	<u>330,117</u>	<u>104,996</u>
Net assets:		
Unrestricted	64,922	162,947
Temporarily restricted	1,823,024	2,151,652
Permanently restricted	<u>4,924,537</u>	<u>5,260,712</u>
Total net assets	<u>6,812,483</u>	<u>7,575,311</u>
Total liabilities and net assets	<u>\$ 7,142,600</u>	<u>\$ 7,680,307</u>

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Combined Statements of Activities and Changes in Net Assets

Years Ended August 31,

	2015			2014	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Public support, revenue and transfers:					
Public support:					
Contributions, grants and other support	\$ 644,290	\$ -	\$ -	\$ 644,290	\$ 710,018
Government contracts	186,708	-	-	186,708	194,552
Program related	53,015	-	-	53,015	63,325
Total public support	884,013	-	-	884,013	967,895
Revenue and transfers:					
Other income	4,531	-	-	4,531	6,208
Redesignation of donor restriction	228,537	-	-	228,537	155,000
Amount appropriated under endowment spending policy	329,321	-	-	329,321	334,874
Contributions designated for future use	100,800	-	-	100,800	268,000
Net assets released from restrictions	148,235	-	-	148,235	162,737
Total revenue and transfers	811,424	-	-	811,424	926,819
Total public support, revenue and transfers	1,695,437	-	-	1,695,437	1,894,714
Operating expenses:					
Conservation and stewardship	477,876	-	-	477,876	498,967
Leadership programs	287,226	-	-	287,226	337,207
Special projects	223,666	-	-	223,666	290,727
Community service	199,078	-	-	199,078	175,671
Culture and heritage	125,507	-	-	125,507	139,265
Publications	42,430	-	-	42,430	61,056
Total programs	1,355,783	-	-	1,355,783	1,502,893
Management and general	221,376	-	-	221,376	302,869
Fundraising and development	118,062	-	-	118,062	88,826
Total operating expenses	1,695,221	-	-	1,695,221	1,894,588
Change in net assets from operations	216	-	-	216	126
Other income (expenses):					
Contributions designated for future use to operating support	(100,800)	-	-	(100,800)	(268,000)
Investment income	8,612	258,373	-	266,985	120,239
Net realized and unrealized gains (losses) on investments	(12,706)	(381,183)	-	(393,889)	965,978
Redesignation of donor restriction to operating support	32,119	(48,814)	(211,842)	(228,537)	(155,000)
Amount appropriated under endowment spending policy	(10,319)	(319,002)	-	(329,321)	(334,874)
Contributions	-	181,906	24,122	206,028	104,108
Net assets released from restrictions	-	(148,235)	-	(148,235)	(162,737)
Gain on disposal of fixed assets	-	-	-	-	566
Gain (loss) on foreign currency translations	(15,147)	128,327	(148,455)	(35,275)	(5,956)
Increase (decrease) in net assets	(98,025)	(328,628)	(336,175)	(762,828)	264,450
Net assets, beginning of the year	162,947	2,151,652	5,260,712	7,575,311	7,310,861
Net assets, end of the year	\$ 64,922	\$ 1,823,024	\$ 4,924,537	\$ 6,812,483	\$ 7,575,311

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Combined Statement of Activities and Changes in Net Assets

Year Ended August 31, 2014

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Public support, revenue and transfers:				
Public support:				
Contributions, grants and other support	\$ 710,018	\$ -	\$ -	\$ 710,018
Government contracts	194,552	-	-	194,552
Program service revenue	63,325	-	-	63,325
Total public support	967,895	-	-	967,895
Revenue and transfers:				
Other income	6,208	-	-	6,208
Redesignation of donor restriction	155,000	-	-	155,000
Amount appropriated under endowment spending policy	334,874	-	-	334,874
Contributions designated for future use	268,000	-	-	268,000
Net assets released from restrictions	162,737	-	-	162,737
Total revenue and transfers	926,819	-	-	926,819
Total public support, revenue and transfers	1,894,714	-	-	1,894,714
Operating expenses:				
Conservation and stewardship	498,967	-	-	498,967
Culture and heritage	337,207	-	-	337,207
Leadership programs	290,727	-	-	290,727
Community service	175,671	-	-	175,671
Special projects	139,265	-	-	139,265
Publications	61,056	-	-	61,056
Total programs	1,502,893	-	-	1,502,893
Management and general	302,869	-	-	302,869
Fundraising and development	88,826	-	-	88,826
Total operating expenses	1,894,588	-	-	1,894,588
Change in net assets from operations	126	-	-	126
Other income (expenses):				
Contributions designated for future use to operating support	(268,000)	-	-	(268,000)
Investment income	-	120,239	-	120,239
Net realized and unrealized gains on investments	-	965,978	-	965,978
Redesignation of donor restriction to operating support	-	-	(155,000)	(155,000)
Amount appropriated under endowment spending policy	-	(334,874)	-	(334,874)
Contributions	-	66,169	37,939	104,108
Net assets released from restrictions	-	(162,737)	-	(162,737)
Gain (loss) on disposal of fixed assets	566	-	-	566
Gain (loss) on foreign currency translations	(11,793)	33,822	(27,985)	(5,956)
Increase (decrease) in net assets	(279,101)	688,597	(145,046)	264,450
Net assets (deficit), beginning of the year	442,048	1,463,055	5,405,758	7,310,861
Net assets, end of the year	\$ 162,947	\$ 2,151,652	\$ 5,260,712	\$ 7,575,311

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Combined Statements of Cash Flows

	<i>Years Ended August 31,</i>	
	<i>2015</i>	<i>2014</i>
Cash flows from operating activities:		
Change in net assets	\$ (762,828)	\$ 264,450
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	18,594	17,051
Gain on disposal of fixed assets	-	(566)
Realized and unrealized losses (gains) on investments	393,889	(965,978)
Currency translation loss	16,986	2,292
Changes in operating assets and liabilities:		
Contributions receivable	(97,564)	99,715
Accounts receivable	(56,159)	5,274
Prepaid expenses and other assets	10,887	21,009
Accounts payable and accrued expenses	31,217	24,820
Deferred revenue	28,746	(13,996)
	<u>(416,232)</u>	<u>(545,929)</u>
Net cash used in operating activities	(416,232)	(545,929)
Cash flows from investing activities:		
Proceeds from sale of restricted long-term investments	806,527	1,514,344
Purchases of restricted long-term investments	(539,773)	(1,138,648)
Proceeds from sale of fixed assets	-	16,229
Purchases of property and equipment	(32,301)	(3,560)
	<u>234,453</u>	<u>388,365</u>
Net cash provided by investing activities	234,453	388,365
Cash flows from financing activities:		
Net borrowing on line of credit	178,850	25,150
Repayments on note payable	(7,103)	(26,734)
	<u>171,747</u>	<u>(1,584)</u>
Net cash provided by (used in) financing activities	171,747	(1,584)
Net decrease in cash and cash equivalents	(10,032)	(159,148)
Cash and cash equivalents, beginning of the year	15,330	174,478
Cash and cash equivalents, end of the year	\$ <u>5,298</u>	\$ <u>15,330</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ <u>5,541</u>	\$ <u>936</u>
Capital expenditures funded by note payable borrowing	\$ <u>-</u>	\$ <u>36,731</u>

See Independent Auditors' Report and accompanying notes to the combined financial statements.

THE QUEBEC-LABRADOR FOUNDATION, INC. AND QUEBEC-LABRADOR FOUNDATION (CANADA), INC.

Notes to Combined Financial Statements

Note 1 - Nature of Operations

The Quebec-Labrador Foundation operates as two separate organizations in the United States and Canada (collectively referred to as “the Organizations”). The Quebec-Labrador Foundation is a not-for-profit organization in the U.S. and a Registered Charity in Canada. QLF’s Mission is defined in two parts: a regional component (New England and eastern Canada); and an international component, which ties our regional model to a global network. The Organizations’ Mission follows. *The Quebec-Labrador Foundation exists to promote global leadership development, to support the rural communities and environment of eastern Canada and New England, and to create models for stewardship of natural resources and cultural heritage that can be shared worldwide.* The Organizations’ programs demonstrate a commitment and focus on leadership development through community service; community-based conservation; and the stewardship of natural resources and cultural heritage. The Organizations’ contributions and grants are primarily from the general public, private foundations, and government agencies in the United States and Canada.

Note 2 - Summary of Significant Accounting Policies

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Financial Statement Preparation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of grantor or donor-imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to grantor or donor-imposed restrictions or for which restrictions have expired. Contributions which are limited to the use of various programs of the Organizations are reflected as unrestricted revenue if these funds are received and spent during the same year and if they support the activities of the Organizations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets

Net assets subject to explicit or implicit grantor or donor-imposed restrictions that may or will be met either by actions of the Organizations and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to grantor or donor-imposed restrictions that they be maintained permanently, but may permit the Organizations to use or expend part or all of the economic benefits derived from the donated assets.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Principles of Combination

The combined financial statements include the accounts of The Quebec-Labrador Foundation, Inc. (the “U.S. Organization”) and Quebec-Labrador Foundation (Canada), Inc. (the “Canadian Organization”). Inter-Organization balances have been eliminated in combination.

Basis of Accounting

The accompanying combined financial statements have been prepared using accounting principles generally accepted in the United States of America.

Fair Value Measurements

The Organizations report certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include The Organizations’ investment accounts. Nonrecurring measures include contributions receivable. Fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. In addition, the Organizations report certain investments using the net asset value per share as determined by their investment managers under the so-called “practical expedient.” The practical expedient allows net asset value per share to represent fair value for reporting purposes when criteria for using the method are met. Fair value standards also require The Organizations to classify financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the redemption of the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at net asset value per share with lock up periods of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes investments reported at net asset value per share with lock up periods in excess of 90 days.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risks. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Organizations' financial instruments, see Note 4 - Investments and Fair Value of Financial Instruments.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with a maturity of three months or less at date of purchase. The Organizations maintain their cash balances in several financial institutions, which management believes are of high credit quality. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000 per bank for interest-bearing deposits. The Canadian Deposit Insurance Company (CDIC) insures deposits up to C\$100,000. Financial instruments which potentially subject the Organizations to credit risk include cash balances at banks, which may at times exceed the related FDIC or CDIC deposit limits. The Organizations monitor their exposure associated with cash and cash equivalents and have not experienced any losses in such accounts.

Revenue Recognition and Reporting

The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities and changes in net assets as net assets released from restriction. The Organizations' policy is to report as unrestricted support contributions with donor-imposed restrictions when these restrictions are met in the same year that the contribution was received. Contributions are recognized as revenue when they are received or unconditionally pledged. The Organizations receive contributed services in the form of volunteer labor and donations of goods and services to conduct certain programs funded by government contracts. In accordance with accounting principles generally accepted in the United States of America, contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services of volunteers which do not meet these criteria are not recorded in the financial statements. No contributed services were recognized as revenue for the years ended August 31, 2015 and 2014.

Contributions and Contributions Receivable

Contributions of assets other than cash are recorded at their estimated fair value at the date received. The initially recorded fair value is considered a Level 2 fair value approach. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions and Contributions Receivable (Continued)

cash flows. The discounts on those amounts are computed using a risk-free rate of return as a starting point and then increasing that rate to account for the inherent risk associated with the expected future cash flows of these unconditional promises to give. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Unconditional promises to give with payments due in future periods are recorded as temporarily restricted support unless explicit donor stipulations or circumstances surrounding the receipt of the promise to give make clear that the donor intended it to be used to support activities of the current period.

As of August 31, 2015, amounts due from four contributors totaled \$184,872 and represented 87% of gross year-end receivables.

As of August 31, 2014, amounts due from two contributors totaled \$115,940 and represented 91% of gross year-end receivables.

Grants and Contracts

The Organizations expend resources under government and private sector contracts and grants for specific purposes that are subject to review and audit by grantors or their representatives. Such audits could result in requests for reimbursement to the grantor by the Organizations if expenditures are disallowed. Management does not anticipate such an event. However, management believes that such requests for reimbursement, if made, would not have a significant impact on the financial position of the Organizations. Revenue from cost reimbursement contracts and grants is recognized as related costs are incurred on the projects.

Accounts Receivable

Accounts receivable are carried at their net realizable value. Accounts receivable balances are comprised of amounts due from government agencies for the reimbursement of services provided and taxes paid, and amounts due from co-tenants for the reimbursement of supplies. Revenue is recognized when the work has been performed or when the expense has been incurred. Collectability and aging of accounts receivable are based on contractual terms. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experiences applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as a reduction of bad debt expense when received. Accounts receivable are considered past due if any portion of the receivable is outstanding more than 90 days. Interest is not charged on receivables. Management has reviewed accounts receivable as of August 31, 2015 and 2014, and considers accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is recorded.

Deferred Revenue

Deferred revenue represents revenues collected but not earned as of August 31. This is primarily composed of advance payments on government contracts. Deferred revenue is recorded as a liability until it is earned. Once earned, the liability is reduced and revenue is recorded.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments

The Organizations record investments at fair value. Fair value is determined as per the fair value policies described later in this section.

Realized gains and losses on sales of securities are calculated on a security-by-security basis using the cost of the security as of the date of sale. Interest, dividends and realized capital gains which occur within investment funds are reported as investment income when these events occur, regardless of whether the proceeds of such transactions and events are received in cash or in-kind. In the case of limited partnership interests held for investment and other alternative investment vehicles, the Organizations report the net effects of transactions and other events affecting the fair value of these investments as unrealized gains and losses until funds are withdrawn or holdings are liquidated.

Investment returns are reported as increases or decreases in unrestricted net assets or:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift or state law impose restrictions on the current use of the income or net gains or as decreases, up to any existing unrealized appreciation.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Fair value of donated fixed assets is effectively recorded using a Level 3 market approach. Expenditures that significantly add to the productivity or extend the economic life of the assets are capitalized. Other expenditures for repairs and maintenance are charged to operations in the year the costs are incurred. Property and equipment is depreciated on the straight-line basis over the following estimated useful lives.

Furniture, fixtures, equipment and vehicles	3-5 years
Capitalized website costs	3 years

Website Costs

The costs of website development during the planning stage are expensed as incurred. Website development costs incurred during the application and infrastructure development phase including external direct costs of materials and services consumed in developing the software and creating graphics and website content are capitalized and amortized over the estimated useful lives beginning after all substantial testing is complete and the website is operational.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Organizations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and the tax laws of Canada on income directly related to Organization purposes, and is also exempt from Massachusetts income tax. Accordingly, no provision for income taxes is made in the financial statements. Given the limited taxable activities of the Organizations, management has concluded that disclosure relative to tax provisions is not necessary.

Uncertain Tax Positions

The Organizations account for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Organizations have identified their tax status as a tax exempt entity and their determination as to income being related or unrelated as their only significant tax positions; however, the Organizations have determined that such tax positions do not result in an uncertainty requiring recognition. The Organizations are not currently under examination by any taxing jurisdiction. The Organizations’ United States Federal and state tax returns, and Canadian tax returns, are generally open for examination for three years following the date filed.

Operations

The combined statement of activities and changes in net assets reports the change in net assets from operating and nonoperating activities. Nonoperating revenues consist of: unrestricted funds earmarked for use in future periods; endowment earnings in excess of spending policy transferred to unrestricted; loss on disposal of assets; gain (loss) on foreign currency translation; redesignation of donor restriction to operating support and unrestricted contributions designated by the Board of Directors as acting as endowment. All other activities are reported as operating.

Foreign Operations

Certain of the Organizations’ operations are conducted in Canada through the Canadian Organization. As of August 31, 2015 and 2014, net assets of the Canadian Organization amounting to \$1,354,639 and \$1,034,504, respectively, are included in total net assets in the Organizations’ combined statement of financial position.

Foreign Currency Translation

The functional currency of the Organizations’ Canadian operation is its local currency (“CAD”), which differs from its reporting currency in the combined financial statements. Accordingly, monetary assets and liabilities are translated to U.S. dollars (“USD”) at current rates. Revenue and expense items are translated at average annual rates. Endowment investments are invested in U.S. currency financial instruments and translation gains or losses are allocated to the Canadian Organization. Net losses from foreign currency translations totaling (\$35,275) and (\$5,956) during the years ended August 31, 2015 and 2014, respectively, are included in the combined statement of activities and changes in net assets.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates and assumptions. Significant management estimates included in the financial statements relate to the allowance for contributions receivable and accounts receivable, useful lives of depreciable assets, fair value of alternative investments, intercompany management fee, functional allocation of expenses and the validity and completeness of satisfaction of donor restrictions.

Publication and Advertising Costs

The Organizations expense publication and advertising costs the first time the publication is issued or the advertising takes place. Publication and advertising costs of \$34,957 and \$33,220 were incurred during the years ended August 31, 2015 and 2014, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the combined statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain 2014 amounts have been reclassified to conform to the 2015 presentation. The reclassifications had no impact on the change in net assets.

Subsequent Events

The Organizations have evaluated subsequent events through December 14, 2015, the date that the financial statements were authorized to be issued.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 3 - Contributions Receivable

Contributions receivable consisted of the following at August 31:

	<i>2015</i>	<i>2014</i>
Gross amounts due in:		
Less than one year	\$ 128,146	\$ 104,220
One to five years	83,292	22,970
	211,438	127,190
Less: discount to present value	(9,675)	(2,135)
Contributions receivable, net	\$ 201,763	\$ 125,055

Contributions receivable that are expected to be collected after one year have been discounted at 5% and are reflected at their net present value.

Note 4 - Investments and Fair Value of Financial Instruments

The valuation of the Organizations' investments according to the fair value hierarchy consisted of the following at August 31:

	<i>2015</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Money market fund	\$ 2,120	\$ -	\$ -	\$ 2,120
Fixed income funds:				
General bond funds	675,391	-	-	675,391
Equity funds:				
Large cap	1,697,691	-	-	1,697,691
Small to mid cap	1,634,005	-	-	1,634,005
International equities and funds	1,379,671	-	-	1,379,671
Emerging markets equity fund	238,663	-	-	238,663
Alternative energy fund	190,945	-	-	190,945
Alternative investments:				
Absolute return	-	-	975,107	975,107
Total investments	\$ 5,818,486	\$ -	\$ 975,107	\$ 6,793,593

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 4 - Investments and Fair Value of Financial Instruments (Continued)

	2014			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Money market fund	\$ 13,974	\$ -	\$ -	\$ 13,974
Fixed income funds:				
General bond funds	997,948	-	-	997,948
High yield bond funds	252,227	-	-	252,227
Equity funds:				
Large cap	1,666,446	-	-	1,666,446
Small to mid cap	1,737,469	-	-	1,737,469
International equities and funds	1,517,508	-	-	1,517,508
Emerging markets equity fund	324,443	-	-	324,443
Alternative investments:				
Absolute return	-	-	944,221	944,221
Total investments	\$ 6,510,015	\$ -	\$ 944,221	\$ 7,454,236

Some of the Organizations' investment funds contain clauses that, under certain circumstances, the fund managers may limit distributions from the related fund. The Organizations have not experienced such limitations over distributions from their funds during the years ended August 31, 2015 and 2014.

Management has no intentions or plans to liquidate any net asset value practical expedient investments at other than net asset value per share. All limited partnerships and alternative investments were accounted for in accordance with the net asset value practical expedient rules.

The Organizations had no unfunded commitments to investments at August 31, 2015.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 4 - Investments and Fair Value of Financial Instruments (Continued)

The changes in instruments measured at fair value for which the Organizations have used Level 3 inputs to determine fair value are as follows:

	<i>Fund of Funds</i>	<i>Absolute Return</i>	<i>Total</i>
Balance, September 1, 2013	\$ 95,470	\$ 594,278	\$ 689,748
Purchases	-	300,000	300,000
Sales	(95,470)	-	(95,470)
Unrealized gains (losses)	(15,837)	49,943	34,106
Realized gains	15,837	-	15,837
	<hr/>	<hr/>	<hr/>
Balance, August 31, 2014	-	944,221	944,221
Unrealized gains	-	30,886	30,886
	<hr/>	<hr/>	<hr/>
Balance, August 31, 2015	\$ -	\$ 975,107	\$ 975,107
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Investment return consisted of the following for the years ended August 31:

	<i>2015</i>	<i>2014</i>
Interest and dividends	\$ 266,985	\$ 120,239
Net realized and unrealized gains (losses)	(393,889)	965,978
	<hr/>	<hr/>
	\$ (126,904)	\$ 1,086,217
	<hr/> <hr/>	<hr/> <hr/>

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 5 - Property and Equipment

Property and equipment consisted of the following at August 31:

	<i>2015</i>	<i>2014</i>
Furniture, fixtures and equipment	\$ 65,622	\$ 51,081
Vehicles	36,731	36,731
Capitalized website costs	24,222	6,462
	<u>126,575</u>	<u>94,274</u>
Less accumulated depreciation and amortization	<u>(71,048)</u>	<u>(52,454)</u>
	<u>\$ 55,527</u>	<u>\$ 41,820</u>

Note 6 - Line of Credit

The U.S. Organization maintains a working capital line of credit (the “Line”) with a bank payable upon demand. The Line is secured by marketable securities. Borrowings on the Line are limited to \$400,000. The rate of interest on the Line is the Wall Street Journal prime rate with a floor of 4.50%. The interest rate on the Line was 4.50% per annum at both August 31, 2015 and 2014.

The outstanding balance on borrowings from the bank was \$204,000 and \$25,150 at August 31, 2015 and 2014, respectively. Under the borrowing agreement, the U.S. Organization is subject to financial covenants which require that the market value of the Short-Term Bond Index fund used to secure the Line to equal or exceed \$500,000 at all times; and the ratio of earnings before interest, taxes, depreciation and amortization (“EBITDA”) after distributions to current maturity of long-term debt (“CMLTD”) plus interest to be not less than 1.2 to 1.0 for any fiscal year. The Organization was in compliance with these covenants at August 31, 2015.

Note 7 - Note Payable

Note payable consisted of the following at August 31:

	<i>2015</i>	<i>2014</i>
Note payable to a company, due in monthly installments of \$546, interest at 0% per annum through July 2018, secured by a vehicle.	\$ <u>19,123</u>	\$ <u>26,226</u>
	<u>\$ 19,123</u>	<u>\$ 26,226</u>

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 7 - Note Payable (Continued)

The aggregate principal payments on the note are as follows for the years ending August 31:

2016	\$	6,556
2017		6,556
2018		<u>6,011</u>
Total	\$	<u><u>19,123</u></u>

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or future periods as follows at August 31:

	<i>2015</i>	<i>2014</i>
Contributions receivable and donations restricted by donors for use in specific programs:		
Purpose restrictions:		
Conservation and stewardship	\$ <u>23,000</u>	\$ <u>80,501</u>
Time restrictions:		
Net contributions receivable, due in future years	<u>184,127</u>	<u>113,805</u>
Reinvested endowment gains:		
General endowment	731,878	906,496
Conservation and stewardship	344,215	427,818
Leadership programs	302,748	335,804
Community service	232,547	279,160
Special projects	4,509	8,068
	<u>1,615,897</u>	<u>1,957,346</u>
Total temporarily restricted net assets	\$ <u><u>1,823,024</u></u>	\$ <u><u>2,151,652</u></u>

Contributions receivable relating to annual fund contributions intended for operating use in the current year of \$17,636 and \$11,250 are recorded as unrestricted net assets at August 31, 2015 and 2014, respectively.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 9 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions as specified by the donors as follows for the years ended August 31:

	<i>2015</i>	<i>2014</i>
Satisfaction of time restrictions:		
Community service	\$ -	\$ 74,644
Leadership programs	-	27,861
General	4,147	9,287
Conservation and stewardship	57,500	-
	61,647	111,792
Satisfaction of purpose restrictions:		
Community service	70,000	30,000
Conservation and stewardship	16,588	17,500
Culture and heritage	-	3,083
Special projects	-	362
	86,588	50,945
Total net assets released	\$ 148,235	\$ 162,737

Note 10 - Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following at August 31:

	<i>2015</i>	<i>2014</i>
General endowment	\$ 2,897,709	\$ 3,023,843
Conservation and stewardship	929,980	928,980
Leadership programs	757,276	776,476
Community service	289,572	481,413
Special projects	50,000	50,000
	\$ 4,924,537	\$ 5,260,712
	\$ 4,924,537	\$ 5,260,712

During the years ended August 31, 2015 and 2014, permanently restricted net assets for community service totaling \$211,842 and \$155,000 were redesignated for operating support by a donor, respectively. Translation of foreign currency accounted for \$148,455 and \$27,985 of the decrease in permanently restricted net assets for the years ended August 31, 2015 and 2014, respectively.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 11 - Endowment Assets and Those Functioning as Endowment Assets

Endowment

The following is the composition of endowment assets and those functioning as endowment assets by net asset class at August 31:

		2015			
		<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$	(5,775)	\$ 1,615,898	\$ 4,924,537	\$ 6,534,660
Board designated endowment funds		253,934	-	-	253,934
Total endowment net assets	\$	<u>248,159</u>	<u>\$ 1,615,898</u>	<u>\$ 4,924,537</u>	<u>\$ 6,788,594</u>
		2014			
		<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$	(1,566)	\$ 1,957,346	\$ 5,260,712	\$ 7,216,492
Board designated endowment funds		232,744	-	-	232,744
Total endowment net assets	\$	<u>231,178</u>	<u>\$ 1,957,346</u>	<u>\$ 5,260,712</u>	<u>\$ 7,449,236</u>

The Organizations' endowment funds are comprised of approximately eighteen individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. The Organizations' Board designated funds represent amounts received from donors without specific donor stipulations that the funds be restricted in perpetuity. Management has elected to invest these funds in the endowment in order to maximize their investment return until they are expended.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 11 - Endowment Assets and Those Functioning as Endowment Assets (Continued)

Endowment (Continued)

The following represents the required disclosure relative to the composition of endowment assets and those functioning as endowment assets at August 31:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, September 1, 2013	\$ 240,969	\$ 1,167,228	\$ 5,405,758	\$ 6,813,955
Endowment contributions	-	1,000	37,939	38,939
Investment income	-	120,239	-	120,239
Net realized and unrealized gains	-	965,978	-	965,978
Redesignation of donor restrictions to operating support	-	-	(155,000)	(155,000)
Amount appropriated under endowment spending policy	-	(334,874)	-	(334,874)
Cumulative translation adjustments	<u>(9,791)</u>	<u>37,775</u>	<u>(27,985)</u>	<u>(1)</u>
Endowment net assets, August 31, 2014	231,178	1,957,346	5,260,712	7,449,236
Cumulative reallocation of earnings	32,119	(32,119)	-	-
Endowment contributions	-	-	24,122	24,122
Investment income	8,612	258,373	-	266,985
Net realized and unrealized losses	(12,706)	(381,183)	-	(393,889)
Redesignation of donor restrictions to operating support	-	(16,695)	(211,842)	(228,537)
Amount appropriated under endowment spending policy	(10,319)	(319,002)	-	(329,321)
Cumulative translation adjustments	<u>(725)</u>	<u>149,178</u>	<u>(148,455)</u>	<u>(2)</u>
Endowment net assets, August 31, 2015	\$ <u>248,159</u>	\$ <u>1,615,898</u>	\$ <u>4,924,537</u>	\$ <u>6,788,594</u>

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 11 - Endowment Assets and Those Functioning as Endowment Assets (Continued)

Interpretation of Relevant Law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), as adopted by the Commonwealth of Massachusetts, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organizations classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organizations, and (7) the Organizations’ investment policies.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Organizations to retain as a fund of perpetual duration. Deficiencies of this nature are reported in temporarily restricted net assets. The aggregate deficiency between the fair value of the investments of the endowment fund and the levels required by donor stipulation are \$5,775 and \$1,566 at August 31, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The Organizations’ investment portfolio is managed to provide for the long-term support of the Organizations. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. It is the goal of the aggregate long-term investments to generate an average annual real total return, net of investment management fees, of 5.0% to 5.5%, as measured over rolling five-year periods.

Strategies Employed for Achieving Objectives

To satisfy their long-term rate-of-return objectives, the Organizations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organizations target a diversified asset allocation of 70% equity securities and alternative investments and 30% fixed income securities and cash equivalents.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 11 - Endowment Assets and Those Functioning as Endowment Assets (Continued)

Spending Policy and How the Investment Objectives Relate to the Spending Policy

As approved by their Board of Directors, the Organizations have a policy of appropriating for distribution each year a percentage of their endowment funds' average fair value over the previous 12 quarters through June 30. Previously this percentage was fixed at 5%; however, during the year ended August 31, 2011, the Board of Directors voted to incrementally reduce this spending rate by ten basis points per year over five years (beginning during the year ended August 31, 2012) until the spending rate is equal to 4.5% of the endowment funds' fair value over the previous 12 quarters through June 30. This amount is then compared to a 4.25% spending floor and a 5.75% spending cap, using the June 30 endowment market value. In establishing this policy, the Organizations considered the long-term expected return on their endowments. Accordingly, over the long-term, the Organizations expect grants current spending policy to allow their endowments to grow at the total return less the spending policy. This is consistent with the Organizations' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. In accordance with the spending policy, the Board of Directors approved an endowment appropriation of \$321,256 for the fiscal year ended August 31, 2015 based on 4.6% of the endowment funds' average fair value over the previous 12 quarters through June 30, 2014. A portion of the Organizations' cumulative investment income and net appreciation is allocated to operations in accordance with the Organizations' investment policies and procedure.

During the years ended August 31, 2015 and 2014, the Board of Directors approved total transfers of endowment earnings of \$329,321 and \$334,874, respectively. These amounts include investment management fees of \$8,065 and \$8,032 for the years ended August 31, 2015 and 2014, respectively.

The following summarizes the transfer of endowment earnings to unrestricted for the years ended August 31:

	<i>2015</i>	<i>2014</i>
Spending policy plus investment management fees	\$ <u>329,321</u>	\$ <u>334,874</u>
	\$ <u><u>329,321</u></u>	\$ <u><u>334,874</u></u>

The Board of Directors has approved an appropriation of \$321,404 in endowment earnings to be spent in support of operations for the year ending August 31, 2016.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Notes to Combined Financial Statements

Note 12 - Commitments and Contingencies

Leases - General

The Organizations lease certain vehicles, equipment and facilities under operating leases expiring at various times through October 14, 2019. Rent expense was \$61,470 and \$58,888 during the years ended August 31, 2015 and 2014, respectively.

Lease Agreement for Office Space - Ipswich, Massachusetts, USA

The U.S. Organization has a lease agreement for its office space in Ipswich, Massachusetts through December 31, 2016. Rent expense under the operating lease was \$31,958 and \$31,331 for the years ended August 31, 2015 and 2014, respectively.

Lease Agreement for Office Space - Montreal, Canada

The Canadian Organization has a lease agreement for its office space in Montreal, Canada through May 31, 2018. Rent expense under this agreement was \$12,978 and \$12,996 for the years ended August 31, 2015 and 2014, respectively.

Future Lease Payments

Future minimum rental payments under non-cancelable operating leases with initial lease terms longer than one year are as follows for the years ended August 31:

2016	\$	42,041
2017		20,054
2018		7,435
2019		959
2020		<u>120</u>
	\$	<u><u>70,609</u></u>

Note 13 - Retirement Plan

The U.S. Organization sponsors a defined contribution retirement plan (the "Plan") for eligible employees. The Organization's contribution to the Plan was \$23,829 and \$22,347 for the years ended August 31, 2015 and 2014, respectively. Approximately \$15,100 and \$7,400 of the contribution to the Plan is included in accrued expenses and other liabilities at August 31, 2015 and 2014, respectively.

Supplemental Information



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*Independent Auditors' Report
on Supplemental Information*

To the Board of Directors
The Quebec-Labrador Foundation, Inc. and
Quebec-Labrador Foundation (Canada), Inc.

We have audited the combined financial statements of The Quebec-Labrador Foundation, Inc. and Quebec-Labrador Foundation (Canada), Inc. (collectively “the Organizations”) as of and for the years ended August 31, 2015 and 2014, and have issued our report thereon dated December 14, 2015, which contained an unmodified opinion on those combined financial statements. Our audits were performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and of activities and changes in net assets and Quebec-Labrador Foundation (Canada), Inc. statements of financial position (USD and CAD) and of activities and changes in net assets (USD and CAD) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Mayer Hoffman McCann P.C.

December 14, 2015
Boston, Massachusetts

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Combining Statement of Financial Position

August 31, 2015

	<i>QLF</i>	<i>QLF Canada</i>	<i>Eliminating Entries</i>	<i>Total</i>
Assets				
Cash and cash equivalents	\$ 2,047	\$ 3,251	\$ -	\$ 5,298
Contributions receivable, net	27,741	174,022	-	201,763
Accounts receivable	61,954	9,564	-	71,518
Due from affiliated entity	126,476	-	(126,476)	-
Prepaid expenses and other current assets	10,729	4,172	-	14,901
Investments	5,413,934	1,379,659	-	6,793,593
Property and equipment, net	<u>55,527</u>	<u>-</u>	<u>-</u>	<u>55,527</u>
Total assets	<u>\$ 5,698,408</u>	<u>\$ 1,570,668</u>	<u>\$ (126,476)</u>	<u>\$ 7,142,600</u>
Liabilities and Net Assets				
Liabilities:				
Line of credit	\$ 204,000	\$ -	\$ -	\$ 204,000
Accounts payable	37,900	12,744	-	50,644
Deferred revenue	-	38,532	-	38,532
Accrued expenses and other current liabilities	17,818	-	-	17,818
Due to affiliated entity	-	126,476	(126,476)	-
Note payable	<u>19,123</u>	<u>-</u>	<u>-</u>	<u>19,123</u>
Total liabilities	<u>278,841</u>	<u>177,752</u>	<u>(126,476)</u>	<u>330,117</u>
Net assets:				
Unrestricted	(23,344)	88,266	-	64,922
Temporarily restricted	1,215,049	607,975	-	1,823,024
Permanently restricted	<u>4,227,862</u>	<u>696,675</u>	<u>-</u>	<u>4,924,537</u>
Total net assets	<u>5,419,567</u>	<u>1,392,916</u>	<u>-</u>	<u>6,812,483</u>
Total liabilities and net assets	<u>\$ 5,698,408</u>	<u>\$ 1,570,668</u>	<u>\$ -</u>	<u>\$ 7,142,600</u>

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
QUEBEC-LABRADOR FOUNDATION (CANADA), INC.**

Combining Statement of Activities and Changes in Net Assets

For the Year Ended August 31, 2015

	<i>QLF</i>			<i>QLF Canada</i>				<i>Eliminating Entries</i>	<i>Combined Total</i>	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>			<i>Total</i>
Public support, revenue and transfers:										
Public support:										
Contributions, grants and other support	\$ 573,724	\$ -	\$ -	\$ 573,724	\$ 70,566	\$ -	\$ -	\$ 70,566	\$ -	\$ 644,290
Government contracts	86,895	-	-	86,895	99,813	-	-	99,813	-	186,708
Program service revenue	15,352	-	-	15,352	37,663	-	-	37,663	-	53,015
Total public support	675,971	-	-	675,971	208,042	-	-	208,042	-	884,013
Revenue and transfers:										
Other income	1,314	-	-	1,314	3,217	-	-	3,217	-	4,531
Redesignation of donor restriction	228,537	-	-	228,537	-	-	-	-	-	228,537
Amount appropriated under endowment spending policy	264,460	-	-	264,460	64,861	-	-	64,861	-	329,321
Contributions designated for future use	100,800	-	-	100,800	-	-	-	-	-	100,800
Net assets released from restrictions	127,500	-	-	127,500	20,735	-	-	20,735	-	148,235
Total revenue and transfers	722,611	-	-	722,611	88,813	-	-	88,813	-	811,424
Total public support, revenue and transfers	1,398,582	-	-	1,398,582	296,855	-	-	296,855	-	1,695,437
Operating expenses:										
Conservation and stewardship	432,464	-	-	432,464	53,296	-	-	53,296	(7,884)	477,876
Leadership programs	259,684	-	-	259,684	32,324	-	-	32,324	(4,782)	287,226
Special projects	204,294	-	-	204,294	22,735	-	-	22,735	(3,363)	223,666
Community service	199,022	-	-	199,022	66	-	-	66	(10)	199,078
Culture and heritage	5,131	-	-	5,131	141,275	-	-	141,275	(20,899)	125,507
Publications	41,522	-	-	41,522	1,066	-	-	1,066	(158)	42,430
Total programs	1,142,117	-	-	1,142,117	250,762	-	-	250,762	(37,096)	1,355,783
Management and general	216,488	-	-	216,488	5,737	-	-	5,737	(849)	221,376
Fundraising and development	116,148	-	-	116,148	2,246	-	-	2,246	(332)	118,062
Total operating expenses	1,474,753	-	-	1,474,753	258,745	-	-	258,745	(38,277)	1,695,221
Change in net assets from operations	(76,171)	-	-	(76,171)	38,110	-	-	38,110	38,277	216
Other income (expenses):										
Contributions designated for future use to operating support	(100,800)	-	-	(100,800)	-	-	-	-	-	(100,800)
Investment income	-	212,848	-	212,848	8,612	45,525	-	54,137	-	266,985
Net realized and unrealized gains (losses) on investments	-	(314,021)	-	(314,021)	(12,706)	(67,162)	-	(79,868)	-	(393,889)
Reclassification of endowment funds	-	(16,695)	(211,842)	(228,537)	32,119	(32,119)	-	-	-	(228,537)
Donated services (provided to) received from an affiliate	(38,277)	-	-	(38,277)	38,277	-	-	38,277	-	-
Intercompany debt forgiven	(254,780)	-	-	(254,780)	254,780	-	-	254,780	-	-
Management fee revenue	38,277	-	-	38,277	-	-	-	-	(38,277)	-
Amount appropriated under endowment spending policy	-	(264,460)	-	(264,460)	(10,319)	(54,542)	-	(64,861)	-	(329,321)
Contributions	-	10,181	22,000	32,181	-	171,725	2,122	173,847	-	206,028
Net assets released from restrictions	-	(127,500)	-	(127,500)	-	(20,735)	-	(20,735)	-	(148,235)
Gain on disposal of assets	-	-	-	-	-	-	-	-	-	-
Gain (loss) on foreign currency translations	-	-	-	-	(15,147)	128,327	(148,455)	(35,275)	-	(35,275)
Increase (decrease) in net assets	(431,751)	(499,647)	(189,842)	(1,121,240)	333,726	171,019	(146,333)	358,412	-	(762,828)
Net assets, beginning of the year	408,407	1,714,696	4,417,704	6,540,807	(245,460)	436,956	843,008	1,034,504	-	7,575,311
Net assets, end of the year	\$ (23,344)	\$ 1,215,049	\$ 4,227,862	\$ 5,419,567	\$ 88,266	\$ 607,975	\$ 696,675	\$ 1,392,916	\$ -	\$ 6,812,483

QUEBEC-LABRADOR FOUNDATION (CANADA), INC.

Statement of Financial Position (USD and CAD)

August 31, 2015

Assets	USD	CAD
Cash and cash equivalents	\$ 3,251	\$ 4,292
Contributions receivable, net	174,022	229,823
Accounts receivable	9,564	12,631
Prepaid expenses and other current assets	4,172	5,509
Investments	<u>1,379,659</u>	<u>1,822,054</u>
Total assets	\$ <u>1,570,668</u>	\$ <u>2,074,309</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 12,744	\$ 16,830
Deferred revenue	38,532	50,888
Due to U.S. Foundation	<u>126,476</u>	<u>167,032</u>
Total liabilities	<u>177,752</u>	<u>234,750</u>
Net assets:		
Unrestricted	88,266	145,221
Temporarily restricted	607,975	774,270
Permanently restricted	<u>696,675</u>	<u>920,068</u>
Total net assets	<u>1,392,916</u>	<u>1,839,559</u>
Total liabilities and net assets	\$ <u>1,570,668</u>	\$ <u>2,074,309</u>

QUEBEC-LABRADOR FOUNDATION (CANADA), INC.

Statement of Activities and Changes in Net Assets (USD and CAD)

For the Year Ended August 31, 2015

	USD				CAD			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenue and transfers:								
Public support:								
Contributions, grants and other support	\$ 70,566	\$ -	\$ -	\$ 70,566	\$ 85,081	\$ -	\$ -	\$ 85,081
Government contracts	99,813	-	-	99,813	120,344	-	-	120,344
Program related	37,663	-	-	37,663	45,410	-	-	45,410
Total public support	208,042	-	-	208,042	250,835	-	-	250,835
Revenue and transfers:								
Other income	3,217	-	-	3,217	3,879	-	-	3,879
Amounts appropriated under endowment spending policy	64,861	-	-	64,861	78,202	-	-	78,202
Net assets released from restrictions	20,735	-	-	20,735	25,000	-	-	25,000
Total revenue and transfers	88,813	-	-	88,813	107,081	-	-	107,081
Total public support, revenue and transfers	296,855	-	-	296,855	357,916	-	-	357,916
Operating expenses:								
Culture and heritage	141,275	-	-	141,275	169,109	-	-	169,109
Conservation and stewardship	53,296	-	-	53,296	63,799	-	-	63,799
Leadership programs	32,324	-	-	32,324	38,691	-	-	38,691
Special projects	22,735	-	-	22,735	27,215	-	-	27,215
Publications	1,066	-	-	1,066	1,277	-	-	1,277
Community service	66	-	-	66	79	-	-	79
Total programs	250,762	-	-	250,762	300,170	-	-	300,170
Management and general	5,737	-	-	5,737	9,085	-	-	9,085
Fundraising and development	2,246	-	-	2,246	2,705	-	-	2,705
Total operating expenses	258,745	-	-	258,745	311,960	-	-	311,960
Change in net assets from operations	38,110	-	-	38,110	45,956	-	-	45,956
Other income (expenses):								
Investment income	8,612	45,525	-	54,137	10,384	54,888	-	65,272
Net realized and unrealized losses on investments	(12,706)	(67,162)	-	(79,868)	(15,320)	(80,977)	-	(96,297)
Donated services received from an affiliate	38,277	-	-	38,277	50,550	-	-	50,550
Reclassification of endowment funds	32,119	(32,119)	-	-	38,726	(38,726)	-	-
Intercompany debt forgiven	254,780	-	-	254,780	307,186	-	-	307,186
Amount appropriated under endowment spending policy	(10,319)	(54,542)	-	(64,861)	(12,441)	(65,761)	-	(78,202)
Contributions	-	171,725	2,122	173,847	-	207,047	2,558	209,605
Net assets released from restrictions	-	(20,735)	-	(20,735)	-	(25,000)	-	(25,000)
Gain (loss) on foreign currency translations	(15,147)	128,327	(148,455)	(35,275)	(14,454)	249,015	-	234,561
Increase (decrease) in net assets	333,726	171,019	(146,333)	358,412	410,587	300,486	2,558	713,631
Net assets (deficit), beginning of the year	(245,460)	436,956	843,008	1,034,504	(265,366)	473,784	917,510	1,125,928
Net assets, end of the year	\$ 88,266	\$ 607,975	\$ 696,675	\$ 1,392,916	\$ 145,221	\$ 774,270	\$ 920,068	\$ 1,839,559

See Independent Auditors' Report on Supplemental Information.