

**Combined Financial Statements
and Supplemental Information**

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

August 31, 2013 and 2012



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

500 Boylston Street ■ Boston, MA 02116
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofias.com

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 Foundations”), which comprise the combined statement of financial position as of August 31, 2013 and the related combined statements of activities and changes in net assets, and cash flows for the year 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 audit. We conducted our audit 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 Foundations as of August 31, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The combined financial statements of The Quebec-Labrador Foundation, Inc. and Quebec-Labrador Foundation (Canada), Inc. as of August 31, 2012 were audited by other auditors whose report dated December 21, 2012 expressed an unmodified opinion on those statements.

Mayer Heffman McCann P.C.

January 8, 2014
Boston, Massachusetts

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

Combined Statements of Financial Position

	<i>August 31,</i>	
	<i>2013</i>	<i>2012</i>
Assets		
Cash and cash equivalents	\$ 174,478	\$ 46,786
Contributions receivable, net	227,126	154,592
Contributions receivable from charitable remainder annuity trust	-	327,000
Accounts receivable	22,421	91,817
Prepaid expenses and other current assets	48,541	16,238
Investments	6,863,955	6,870,964
Property and equipment, net	<u>34,243</u>	<u>58,519</u>
Total assets	<u>\$ 7,370,764</u>	<u>\$ 7,565,916</u>
Liabilities and Net Assets		
Liabilities:		
Loan payable to bank	\$ -	\$ 525,000
Accounts payable	9,695	18,359
Deferred revenue	29,713	4,207
Accrued expenses and other current liabilities	4,266	31,163
Note payable	<u>16,229</u>	<u>21,277</u>
Total liabilities	<u>59,903</u>	<u>600,006</u>
Net assets:		
Unrestricted	442,048	(296,355)
Temporarily restricted	1,463,055	1,814,187
Permanently restricted	<u>5,405,758</u>	<u>5,448,078</u>
Total net assets	<u>7,310,861</u>	<u>6,965,910</u>
Total liabilities and net assets	<u>\$ 7,370,764</u>	<u>\$ 7,565,916</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,

	2013			2012	
	<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	\$ 975,018	\$ 152,468	\$ 127,361	\$ 1,254,847	\$ 1,010,525
Government contracts	153,417	-	-	153,417	454,159
Program related	53,590	3,405	-	56,995	267,936
Total public support	1,182,025	155,873	127,361	1,465,259	1,732,620
Revenue and transfers:					
Investment income	-	83,492	-	83,492	208,618
Other income	9,414	-	-	9,414	19,463
Net realized and unrealized gains on investments	-	668,646	-	668,646	171,180
Reclassification of endowment funds	85,000	30,000	(115,000)	-	-
Amount appropriated under endowment spending policy	341,124	(341,124)	-	-	-
Contributions designated for future use	(372,593)	-	-	(372,593)	-
Net assets released from restrictions	611,485	(611,485)	-	-	-
Total revenue and transfers	674,430	(170,471)	(115,000)	388,959	399,261
Total public support, revenue and transfers	1,856,455	(14,598)	12,361	1,854,218	2,131,881
Operating expenses:					
Conservation and stewardship	508,633	-	-	508,633	952,879
Culture and heritage	246,079	-	-	246,079	207,156
Leadership programs	245,059	-	-	245,059	262,159
Community service	196,972	-	-	196,972	185,507
Special projects	132,838	-	-	132,838	120,804
Publications	56,543	-	-	56,543	76,666
Total programs	1,386,124	-	-	1,386,124	1,805,171
Management and general	363,055	-	-	363,055	287,798
Fundraising and development	104,843	-	-	104,843	133,207
Total operating expenses	1,854,022	-	-	1,854,022	2,226,176
Change in net assets from operations	2,433	(14,598)	12,361	196	(94,295)
Other income (expenses):					
Contribution from charitable remainder annuity trust	-	-	-	-	327,000
Transfer of endowment earnings	400,000	(400,000)	-	-	-
Contributions designated for future use	372,593	-	-	372,593	-
Loss on disposal of assets	(9,990)	-	-	(9,990)	(19,500)
Gain (loss) on foreign currency translations	(26,633)	63,466	(54,681)	(17,848)	(16,505)
Increase (decrease) in net assets	738,403	(351,132)	(42,320)	344,951	196,700
Net assets (deficit), beginning of the year	(296,355)	1,814,187	5,448,078	6,965,910	6,769,210
Net assets, end of the year	\$ 442,048	\$ 1,463,055	\$ 5,405,758	\$ 7,310,861	\$ 6,965,910

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

Combined Statement of Activities and Changes in Net Assets

Year Ended August 31, 2012

	<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	\$ 816,815	\$ 181,235	\$ 12,475	\$ 1,010,525
Government contracts	384,763	69,396	-	454,159
Program related	267,936	-	-	267,936
	1,469,514	250,631	12,475	1,732,620
Revenue and transfers:				
Investment income	-	208,618	-	208,618
Other income	19,463	-	-	19,463
Net realized and unrealized gains on investments	-	171,180	-	171,180
Reclassification of endowment funds	45,000	-	(45,000)	-
Transfer of endowment earnings	340,435	(340,435)	-	-
Net assets released from restrictions	370,334	(370,334)	-	-
	775,232	(330,971)	(45,000)	399,261
Total revenue and transfers	775,232	(330,971)	(45,000)	399,261
Total public support, revenue and transfers	2,244,746	(80,340)	(32,525)	2,131,881
Operating expenses:				
Conservation and stewardship	952,879	-	-	952,879
Culture and heritage	207,156	-	-	207,156
Leadership programs	262,159	-	-	262,159
Community service	185,507	-	-	185,507
Special projects	120,804	-	-	120,804
Publications	76,666	-	-	76,666
	1,805,171	-	-	1,805,171
Management and general	287,798	-	-	287,798
Fundraising and development	133,207	-	-	133,207
	2,226,176	-	-	2,226,176
Total operating expenses	2,226,176	-	-	2,226,176
Change in net assets from operations	18,570	(80,340)	(32,525)	(94,295)
Other income (expenses):				
Contribution from charitable remainder annuity trust	-	327,000	-	327,000
Loss on disposal of assets	(19,500)	-	-	(19,500)
Gain (loss) on foreign currency translations	(17,805)	13,596	(12,296)	(16,505)
	(18,735)	260,256	(44,821)	196,700
Increase (decrease) in net assets	(18,735)	260,256	(44,821)	196,700
Net assets (deficit), beginning of the year	(277,620)	1,553,931	5,492,899	6,769,210
Net assets, end of the year	\$ (296,355)	\$ 1,814,187	\$ 5,448,078	\$ 6,965,910

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

Combined Statements of Cash Flows

	<i>Years Ended August 31,</i>	
	<i>2013</i>	<i>2012</i>
Cash flows from operating activities:		
Change in net assets	\$ 344,951	\$ 196,700
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	18,466	21,869
Loss on disposal of fixed assets	9,990	19,500
Realized and unrealized (gains) losses on investments	(668,646)	(171,141)
Changes in operating assets and liabilities:		
Contributions receivable	247,832	(131,924)
Accounts receivable	68,183	(31,325)
Prepaid expenses and other assets	(32,690)	(248)
Accounts payable and accrued expenses	(35,343)	(81,956)
Deferred revenue	26,850	-
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>(20,407)</u>	<u>(178,525)</u>
Cash flows from investing activities:		
Proceeds from sale of restricted long-term investments	3,254,825	4,558,291
Purchases of restricted long-term investments	(2,572,483)	(4,340,912)
Proceeds from sale of property and equipment	500	-
Purchases of property and equipment	(4,695)	(10,403)
	<u> </u>	<u> </u>
Net cash provided by investing activities	<u>678,147</u>	<u>206,976</u>
Cash flows from financing activities:		
Net repayments on line of credit	(525,000)	(30,000)
Net repayments on note payable	(5,048)	(4,805)
	<u> </u>	<u> </u>
Net cash used in financing activities	<u>(530,048)</u>	<u>(34,805)</u>
Net change in cash and cash equivalents	127,692	(6,354)
Cash and cash equivalents, beginning of year	<u>46,786</u>	<u>53,140</u>
Cash and cash equivalents, end of year	\$ <u>174,478</u>	\$ <u>46,786</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ <u>8,479</u>	\$ <u>23,220</u>

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

Notes to Combined Financial Statements

Note 1 - Nature of Operations

Quebec-Labrador Foundation operates as two separate foundations organized in the United States and in Canada (collectively referred to as “the Foundations”) whose joint mission is to improve the quality of life and environment for persons living in rural areas of Eastern Canada, New England and certain foreign countries. The Foundations’ activities and programs promote natural resource conservation, leadership training and community development in those areas. The Foundations’ contributions and grants come primarily from the general public, private foundations and certain governmental agencies throughout 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 Foundations 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. Grants which are limited to the use of various programs of the Foundations are reflected as unrestricted revenue if these funds are received and spent during the same year and if they support the activities of the Foundations. 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 Foundations 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 Foundations to use or expend part or all of the economic benefits derived from the donated assets.

Principles of Combination

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

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

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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 Foundations 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 Foundations to credit risk include cash balances at banks, which may at times exceed the related FDIC or CDIC deposit limits. The Foundations monitor their exposure associated with cash and cash equivalents and have not experienced any losses in such accounts.

Revenue Recognition and Reporting

The Foundations 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 Foundations' 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 Foundations 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, 2013 and 2012.

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 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.

**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)

As of August 31, 2013, amounts due from two contributors totaled \$211,198 and represented 88% of gross year-end receivables.

As of August 31, 2012, amounts due from two contributors totaled \$426,070 and represented 86% of gross year-end receivables.

Grants and Contracts

The Foundation expends 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 Foundations 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 Foundations. Revenue from cost reimbursement contracts and grants is recognized as related costs are incurred on the projects.

Receivable from Charitable Remainder Annuity Trust

During the fiscal year ended August 31, 2012, the U.S. Foundation was the sole beneficiary of a Charitable Remainder Annuity Trust with total estimated proceeds of \$327,000. The proceeds were recorded as temporarily restricted revenue and a receivable from the Charitable Remainder Annuity Trust for the fiscal year ended August 31, 2012 and was therefore included in temporarily restricted net assets as of August 31, 2012. During the fiscal year ended August 31, 2013, the U.S. Foundation collected 100% of the gift balance. The Trust was set up by the late parents of the U.S. Foundation's President, Lawrence Morris. This generous contribution is the largest planned gift received in the Foundations' history.

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, 2013 and 2012, 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 in the general ledger.

**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 Foundations 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 Foundations 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)

Fair Value Measurements

The Foundations 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 Foundations' 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 Foundations 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 Foundations 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.

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 Foundations' financial instruments, see Note 4 - Investments and Fair Value of Financial Instruments.

**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 Foundations 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 Foundation 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 Foundations, management has concluded that disclosure relative to tax provisions is not necessary.

Uncertain Tax Positions

The Foundations 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 Foundations 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 Foundations have determined that such tax positions do not result in an uncertainty requiring recognition. The Foundations are not currently under examination by any taxing jurisdiction. The Foundations’ 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 addition to spending policy transferred to unrestricted; loss on disposal of assets; gain (loss) on foreign currency translation; 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 Foundations’ operations are conducted in Canada through the Canadian Foundation. As of August 31, 2013 and 2012, net assets of the Canadian Foundation amounting to \$1,058,072 and \$1,268,923, respectively, are included in total net assets in the Foundations’ combined statement of financial position.

Foreign Currency Translation

The functional currency of the Foundations’ 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 Foundation. Net (losses) from foreign currency translations totaling (\$17,848) and (\$16,505) during the years ended August 31, 2013 and 2012, 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, functional allocation of expenses and the validity and completeness of satisfaction of donor restrictions.

Publication and Advertising Costs

The Foundations expense publication and advertising costs the first time the publication is issued or the advertising takes place. Publication and advertising costs of \$42,789 and \$55,776 were incurred during the years ended August 31, 2013 and 2012, 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 2012 amounts have been reclassified to conform to the 2013 presentation.

Subsequent Events

The Foundations have evaluated subsequent events through January 8, 2014, 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>2013</i>	<i>2012</i>
Gross amounts due in:		
Less than one year	\$ 121,607	\$ 397,873
One to five years	117,466	95,846
	239,073	493,719
Less: discount to present value	(11,947)	(12,127)
	\$ 227,126	\$ 481,592

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 Foundations' investments according to the fair value hierarchy consisted of the following at August 31:

	<i>2013</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Money market fund	\$ 8,038	\$ -	\$ -	\$ 8,038
Fixed income funds:				
General bond funds	1,368,605	-	-	1,368,605
High yield bond funds	588,566	-	-	588,566
Equity funds:				
Large cap	1,461,580	-	-	1,461,580
Small to mid cap	1,679,847	-	-	1,679,847
International equities and funds	826,786	-	-	826,786
Emerging markets equity fund	240,785	-	-	240,785
Alternative investments:				
Fund of funds	-	-	95,470	95,470
Absolute return	-	-	594,278	594,278
	\$ 6,174,207	\$ -	\$ 689,748	\$ 6,863,955

**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)

	<i>2012</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Money market fund	\$ 356,247	\$ -	\$ -	\$ 356,247
Fixed income funds:				
U.S. Treasuries fund	-	38,267	-	38,267
General bond funds	1,842,021	-	-	1,842,021
High yield bond funds	324,494	-	-	324,494
Equity funds:				
Large cap	1,219,752	-	-	1,219,752
Small to mid cap	1,369,214	-	-	1,369,214
International equities and funds	311,458	-	-	311,458
Alternative investments:				
Fund of funds	-	-	883,589	883,589
Absolute return	-	-	525,922	525,922
Total investments	\$ 5,423,186	\$ 38,267	\$ 1,409,511	\$ 6,870,964

Some of the Foundations' investment funds contain clauses that, under certain circumstances, the fund managers may limit distributions from the related fund. The Foundations have not experienced such limitations over distributions from their funds during the years ended August 31, 2013 and 2012.

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

The Foundations had no unfunded commitments to investments at August 31, 2013.

**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 Foundations 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, 2011	\$ 833,806	\$ 501,494	\$ 1,335,300
Purchases	-	-	-
Sales	-	-	-
Unrealized gains	49,783	24,428	74,211
	<u>883,589</u>	<u>525,922</u>	<u>1,409,511</u>
Balance, August 31, 2012	883,589	525,922	1,409,511
Purchases	-	-	-
Sales	(859,231)	-	(859,231)
Unrealized gains	(71,419)	68,356	(3,063)
Realized gains	142,531	-	142,531
	<u>95,470</u>	<u>594,278</u>	<u>689,748</u>
Balance, August 31, 2013	\$ 95,470	\$ 594,278	\$ 689,748

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

	<i>2013</i>	<i>2012</i>
Interest and dividends	\$ 83,342	\$ 208,618
Net realized and unrealized gains	668,646	171,180
	<u>751,988</u>	<u>379,798</u>
	\$ 751,988	\$ 379,798

**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>2013</i>	<i>2012</i>
Furniture, fixtures and equipment	\$ 47,521	\$ 47,478
Vehicles	28,317	28,317
Capitalized website costs	6,462	6,462
Non-depreciable fine arts	10,000	19,500
	<u>92,300</u>	<u>101,757</u>
Less accumulated depreciation and amortization	<u>(58,057)</u>	<u>(43,238)</u>
	<u>\$ 34,243</u>	<u>\$ 58,519</u>

Note 6 - Loan Payable to Bank

The U.S. Foundation maintains a working capital line of credit (the “Line”) with a bank payable upon demand. The Line is secured by marketable securities and a money market account. Borrowings on the Line are limited to the lesser of \$400,000 or 70% of the current market value of the pledged marketable securities and money market account balances. 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, 2013 and 2012. Prior to May 28, 2013, the borrowing limit on the Line was \$750,000 which was reduced on that date at the Foundations’ request.

The outstanding balance on borrowings from the bank was \$0 and \$525,000 at August 31, 2013 and 2012, respectively. Under the borrowing agreement, the U.S. Foundation is subject to a financial covenant which requires that the market value of the marketable securities that secure the Line to equal or exceed \$572,000 at all times.

Note 7 - Note Payable

Note payable consisted of the following at August 31:

	<i>2013</i>	<i>2012</i>
Note payable to a company, due in monthly installments of \$499, interest at 4.94% per annum through July 2016, secured by a vehicle.	<u>\$ 16,229</u>	<u>\$ 21,277</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:

2014	\$	5,307
2015		5,594
2016		<u>5,328</u>
Total	\$	<u><u>16,229</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>2013</i>	<i>2012</i>
Contributions receivable and donations restricted by donors for use in specific programs:		
Purpose restrictions:		
Conservation and stewardship	\$ 42,500	\$ 125,630
Community service	30,000	-
Culture and heritage	4,839	70,438
Special projects	362	-
Leadership programs	-	50,000
	<u>77,701</u>	<u>246,068</u>
Time restrictions:		
Net contributions receivable, due in future years	<u>218,126</u>	<u>481,592</u>
Reinvested endowment gains:		
General endowment	435,491	542,066
Conservation and stewardship	312,146	245,137
Leadership programs	232,968	168,155
Community service	183,744	131,169
Special projects	2,879	-
	<u>1,167,228</u>	<u>1,086,527</u>
Total temporarily restricted net assets	\$ <u><u>1,463,055</u></u>	\$ <u><u>1,814,187</u></u>

Contributions receivable of \$9,000 relating to annual fund contributions intended for operating use in 2013 are recorded as unrestricted net assets at August 31, 2013.

**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>2013</i>	<i>2012</i>
Satisfaction of time restrictions:		
General	\$ 336,896	\$ -
Leadership programs	34,640	69,349
Conservation and stewardship	19,794	10,898
Community service	4,949	70,000
Special projects	-	9,907
Culture and heritage	-	3,962
	<u>396,279</u>	<u>164,116</u>
Satisfaction of purpose restrictions:		
Conservation and stewardship	177,706	80,603
Leadership programs	30,500	62,081
Community service	7,000	39,034
Special projects	-	4,500
Development	-	20,000
	<u>215,206</u>	<u>206,218</u>
 Total net assets released	\$ 611,485	\$ 370,334

Note 10 - Permanently Restricted Net Assets

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

	<i>2013</i>	<i>2012</i>
General endowment	\$ 3,030,865	\$ 3,065,416
Conservation and stewardship	928,980	868,980
Leadership	759,500	712,269
Community service	636,413	751,413
Special projects	50,000	50,000
	<u>5,405,758</u>	<u>5,448,078</u>
	\$ 5,405,758	\$ 5,448,078

**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:

		2013			
		<u><i>Unrestricted</i></u>	<u><i>Temporarily Restricted</i></u>	<u><i>Permanently Restricted</i></u>	<u><i>Total</i></u>
Donor-restricted endowment funds	\$	-	\$ 1,167,228	\$ 5,405,758	\$ 6,572,986
Board designated endowment funds		290,969	-	-	290,969
Total endowment net assets	\$	<u>290,969</u>	<u>1,167,228</u>	<u>5,405,758</u>	<u>6,863,955</u>
		2012			
		<u><i>Unrestricted</i></u>	<u><i>Temporarily Restricted</i></u>	<u><i>Permanently Restricted</i></u>	<u><i>Total</i></u>
Donor-restricted endowment funds	\$	-	\$ 1,086,527	\$ 5,448,078	\$ 6,534,605
Board designated endowment funds		281,500	55,000	-	336,500
Total endowment net assets	\$	<u>281,500</u>	<u>1,141,527</u>	<u>5,448,078</u>	<u>6,871,105</u>

The Foundations' 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 Foundations' 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, 2011	\$ 287,919	\$ 1,136,462	\$ 5,492,899	\$ 6,917,280
Endowment contributions	-	-	12,475	12,475
Investment income	-	208,619	-	208,619
Net realized and unrealized gains	-	171,180	-	171,180
Due from unrestricted fund	(2,973)	-	-	(2,973)
Satisfaction of purpose restriction	-	(50,000)	-	(50,000)
Revisions of donor restrictions	-	-	(45,000)	(45,000)
Transfer of endowment earnings	-	(340,435)	-	(340,435)
Cumulative translation adjustments	(3,446)	15,701	(12,296)	(41)
Endowment net assets, August 31, 2012	281,500	1,141,527	5,448,078	6,871,105
Endowment contributions	50,000	-	127,361	177,361
Investment income	-	83,342	-	83,342
Net realized and unrealized gains	-	668,646	-	668,646
Reduction of due to unrestricted fund	(25,233)	-	-	(25,233)
Due from unrestricted fund	(2,753)	-	-	(2,753)
Satisfaction of purpose restriction	-	(55,000)	-	(55,000)
Revisions of donor restrictions	-	-	(115,000)	(115,000)
Transfer of endowment earnings	-	(741,124)	-	(741,124)
Cumulative translation adjustments	(12,545)	69,837	(54,681)	2,611
Endowment net assets, August 31, 2013	\$ 290,969	\$ 1,167,228	\$ 5,405,758	\$ 6,863,955

**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 Foundations 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 Foundations in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundations 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 Foundations, and (7) the Foundations’ 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 Foundations 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 approximately \$0 and \$534 at August 31, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The Foundations’ investment portfolio is managed to provide for the long-term support of the Foundations. 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 Foundations 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 Foundations 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 Foundations 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 Foundations considered the long-term expected return on their endowments. Accordingly, over the long-term, the Foundations expect the current spending policy to allow their endowments to grow at the total return less the spending policy. This is consistent with the Foundations' 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 \$332,324 for the fiscal year ended August 31, 2013 based on 4.8% of the endowment funds' average fair value over the previous 12 quarters through June 30, 2012. A portion of the Foundations' cumulative investment income and net appreciation is allocated to operations in accordance with the Foundations' investment policies and procedure.

During the years ended August 31, 2013 and 2012, the Board of Directors approved total transfers of endowment earnings of \$341,124 and \$340,435, respectively. These amounts include investment management fees of \$8,800 and \$8,300 for the years ended August 31, 2013 and 2012, respectively. During the fiscal year ended August 31, 2013, the Board of Directors approved the transfer of endowment earnings of \$400,000 to eliminate the deficit in the unrestricted fund and to retire debt.

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

	<i>2013</i>	<i>2012</i>
Spending policy plus management fees	\$ 341,124	\$ 340,435
Eliminate unrestricted deficit and pay down debt	<u>400,000</u>	<u>-</u>
	<u>\$ 741,124</u>	<u>\$ 340,435</u>

The Board of Directors has approved an appropriation of \$326,842 in endowment earnings to be spent in support of operations for the year ending August 31, 2014.

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

Notes to Combined Financial Statements

Note 12 - Commitments and Contingencies

Leases - General

The Foundations lease certain vehicles, equipment and facilities under operating leases expiring at various times through October 14, 2019. Rent expense was \$61,394 and \$81,013 during the years ended August 31, 2013 and 2012, respectively.

Lease Agreement for Office Space - Ipswich, Massachusetts, USA

The U.S. Foundation has a lease agreement for its office space in Ipswich, Massachusetts through December 31, 2016. Rent expense under the operating lease was \$30,919 and \$37,560 for the years ended August 31, 2013 and 2012, respectively.

Lease Agreement for Office Space - Montreal, Canada

The Canadian Foundation had an agreement to lease office space in Montreal, Canada from the period of June 1, 2008 to May 31, 2013. Rent expense under this agreement was \$11,753 and \$17,326 for the years ended August 31, 2013 and 2012, respectively.

Upon expiration of the above lease, the Canadian Foundation entered into a new agreement to lease office space in Montreal, Canada from the period of June 1, 2013 to May 31, 2018. Rent expense under this agreement was \$3,451 for the year ended August 31, 2013.

Future Lease Payments

Future minimum rental payments under non-cancelable operating leases with initial lease terms longer than one year are as follows:

2014	\$	42,179
2015		41,110
2016		39,487
2017		17,531
2018		4,945
	\$	<u><u>145,252</u></u>

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

Notes to Combined Financial Statements

Note 13 - Retirement Plan

The U.S. Foundation sponsors a defined contribution retirement plan (the “Plan”) for eligible employees. The Foundation’s contribution to the Plan was \$17,672 and \$31,861 for the years ended August 31, 2013 and 2012, respectively.

Note 14 - Subsequent Event

In September 2013, the U.S. Foundation entered into a \$32,782 note payable with a company due in monthly installments of \$546, interest at 0% per annum through October 2018, secured by a vehicle.

Supplemental Information



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

500 Boylston Street ■ Boston, MA 02116
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofias.com

*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 Foundations”) as of and for the year ended August 31, 2013 and have issued our report thereon dated January 8, 2014 which contained an unmodified opinion on those financial statements. Our audit was 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.

January 8, 2014
Boston, Massachusetts

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

Combining Statement of Financial Position

August 31, 2013

	<i>QLF</i>	<i>QLF Canada</i>	<i>Eliminating Entries</i>	<i>Total</i>
Assets				
Cash and cash equivalents	\$ 139,282	\$ 35,196	\$ -	\$ 174,478
Contributions receivable, net	140,292	86,834	-	227,126
Accounts receivable	870	21,551	-	22,421
Due from affiliated entity	378,712	-	(378,712)	-
Prepaid expenses and other current assets	39,857	8,684	-	48,541
Investments	5,547,620	1,316,335	-	6,863,955
Property and equipment, net	34,243	-	-	34,243
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 6,280,876	\$ 1,468,600	\$ (378,712)	\$ 7,370,764
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 7,592	\$ 2,103	\$ -	\$ 9,695
Deferred revenue	-	29,713	-	29,713
Accrued expenses and other current liabilities	4,266	-	-	4,266
Due to affiliated entity	-	378,712	(378,712)	-
Note payable	16,229	-	-	16,229
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	28,087	410,528	(378,712)	59,903
Net assets:				
Unrestricted	548,375	(106,327)	-	442,048
Temporarily restricted	1,169,649	293,406	-	1,463,055
Permanently restricted	4,534,765	870,993	-	5,405,758
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net assets	6,252,789	1,058,072	-	7,310,861
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	\$ 6,280,876	\$ 1,468,600	\$ -	\$ 7,370,764

**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, 2013

	<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	\$ 949,239	\$ 146,241	\$ 127,361	\$ 1,222,841	\$ 25,779	\$ 6,227	\$ -	\$ 32,006	\$ -	\$ 1,254,847
Government contracts	72,765	-	-	72,765	80,652	-	-	80,652	-	153,417
Program related	18,928	-	-	18,928	34,662	3,405	-	38,067	-	56,995
Total public support	1,040,932	146,241	127,361	1,314,534	141,093	9,632	-	150,725	-	1,465,259
Revenue and transfers:										
Investment income	-	67,540	-	67,540	-	15,952	-	15,952	-	83,492
Other income	5,024	-	-	5,024	4,390	-	-	4,390	-	9,414
Net realized and unrealized gains on investments	-	540,661	-	540,661	-	127,985	-	127,985	-	668,646
Reclassification of endowment funds	85,000	30,000	(115,000)	-	-	-	-	-	-	-
Amount appropriated under endowment spending policy	281,537	(281,537)	-	-	59,587	(59,587)	-	-	-	-
Contributions designated for future use	(372,593)	-	-	(372,593)	-	-	-	-	-	(372,593)
Net assets released from restrictions	472,880	(472,880)	-	-	138,605	(138,605)	-	-	-	-
Total revenue and transfers	471,848	(116,216)	(115,000)	240,632	202,582	(54,255)	-	148,327	-	388,959
Total public support, revenue and transfers	1,512,780	30,025	12,361	1,555,166	343,675	(44,623)	-	299,052	-	1,854,218
Operating expenses:										
Conservation and stewardship	390,512	-	-	390,512	118,121	-	-	118,121	-	508,633
Culture and heritage	90,833	-	-	90,833	155,246	-	-	155,246	-	246,079
Leadership programs	178,491	-	-	178,491	66,568	-	-	66,568	-	245,059
Community service	181,686	-	-	181,686	15,286	-	-	15,286	-	196,972
Special projects	112,857	-	-	112,857	19,981	-	-	19,981	-	132,838
Publications	49,431	-	-	49,431	7,112	-	-	7,112	-	56,543
Total programs	1,003,810	-	-	1,003,810	382,314	-	-	382,314	-	1,386,124
Management and general	266,244	-	-	266,244	96,811	-	-	96,811	-	363,055
Fundraising and development	92,453	-	-	92,453	12,390	-	-	12,390	-	104,843
Total operating expenses	1,362,507	-	-	1,362,507	491,515	-	-	491,515	-	1,854,022
Change in net assets from operations	150,273	30,025	12,361	192,659	(147,840)	(44,623)	-	(192,463)	-	196
Other income (expenses):										
Transfer of endowment earnings	400,000	(400,000)	-	-	-	-	-	-	-	-
Contributions designated for future use	372,593	-	-	372,593	-	-	-	-	-	372,593
Loss on disposal of assets	(9,450)	-	-	(9,450)	(540)	-	-	(540)	-	(9,990)
Gain (loss) on foreign currency translations	-	-	-	-	(26,633)	63,466	(54,681)	(17,848)	-	(17,848)
Increase (decrease) in net assets	913,416	(369,975)	12,361	555,802	(175,013)	18,843	(54,681)	(210,851)	-	344,951
Net assets (deficit), beginning of the year	(365,041)	1,539,624	4,522,404	5,696,987	68,686	274,563	925,674	1,268,923	-	6,965,910
Net assets, end of the year	\$ 548,375	\$ 1,169,649	\$ 4,534,765	\$ 6,252,789	\$ (106,327)	\$ 293,406	\$ 870,993	\$ 1,058,072	\$ -	\$ 7,310,861

QUEBEC-LABRADOR FOUNDATION (CANADA), INC.

Statement of Financial Position (USD and CAD)

August 31, 2013

Assets	USD	CAD
Cash and cash equivalents	\$ 35,196	\$ 37,075
Contributions receivable, net	86,834	91,472
Accounts receivable	21,551	22,702
Prepaid expenses and other current assets	8,684	9,147
Investments	<u>1,316,335</u>	<u>1,386,638</u>
Total assets	\$ <u>1,468,600</u>	\$ <u>1,547,034</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,103	\$ 2,215
Deferred revenue	29,713	31,300
Due to U.S. Foundation	<u>378,712</u>	<u>398,939</u>
Total liabilities	<u>410,528</u>	<u>432,454</u>
Net assets:		
Unrestricted	(106,327)	(110,509)
Temporarily restricted	293,406	307,579
Permanently restricted	<u>870,993</u>	<u>917,510</u>
Total net assets	<u>1,058,072</u>	<u>1,114,580</u>
Total liabilities and net assets	\$ <u>1,468,600</u>	\$ <u>1,547,034</u>

QUEBEC-LABRADOR FOUNDATION (CANADA), INC.

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

For the Year Ended August 31, 2013

	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	\$ 25,779	\$ 6,227	\$ -	\$ 32,006	\$ 26,048	\$ 6,292	\$ -	\$ 32,340
Government contracts	80,652	-	-	80,652	81,491	-	-	81,491
Program related	34,662	3,405	-	38,067	35,022	3,440	-	38,462
Total public support	141,093	9,632	-	150,725	142,561	9,732	-	152,293
Revenue and transfers:								
Investment income	-	15,952	-	15,952	-	16,119	-	16,119
Other income	4,390	-	-	4,390	4,436	-	-	4,436
Net realized and unrealized gains on investments	-	127,985	-	127,985	-	129,317	-	129,317
Amounts appropriated under endowment spending policy	59,587	(59,587)	-	-	60,207	(60,207)	-	-
Net assets released from restrictions	138,605	(138,605)	-	-	140,047	(140,047)	-	-
Total revenue and transfers	202,582	(54,255)	-	148,327	204,690	(54,818)	-	149,872
Total public support, revenue and transfers	343,675	(44,623)	-	299,052	347,251	(45,086)	-	302,165
Operating expenses:								
Conservation and stewardship	118,121	-	-	118,121	119,350	-	-	119,350
Culture and heritage	155,246	-	-	155,246	156,862	-	-	156,862
Leadership programs	66,568	-	-	66,568	67,261	-	-	67,261
Community service	15,286	-	-	15,286	15,445	-	-	15,445
Special projects	19,981	-	-	19,981	20,189	-	-	20,189
Publications	7,112	-	-	7,112	7,186	-	-	7,186
Total programs	382,314	-	-	382,314	386,293	-	-	386,293
Management and general	96,811	-	-	96,811	97,818	-	-	97,818
Fundraising and development	12,390	-	-	12,390	12,519	-	-	12,519
Total operating expenses	491,515	-	-	491,515	496,630	-	-	496,630
Change in net assets from operations	(147,840)	(44,623)	-	(192,463)	(149,379)	(45,086)	-	(194,465)
Other income (expenses):								
Loss on disposal of assets	(540)	-	-	(540)	(546)	-	-	(546)
Gain (loss) on foreign currency translations	(26,633)	63,466	(54,681)	(17,848)	(28,427)	80,292	-	51,865
Increase (decrease) in net assets	(175,013)	18,843	(54,681)	(210,851)	(178,352)	35,206	-	(143,146)
Net assets (deficit), beginning of the year	68,686	274,563	925,674	1,268,923	67,843	272,373	917,510	1,257,726
Net assets, end of the year	\$ (106,327)	\$ 293,406	\$ 870,993	\$ 1,058,072	\$ (110,509)	\$ 307,579	\$ 917,510	\$ 1,114,580