

**Combined Financial Statements
and Supplemental Information**

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

August 31, 2016 and 2015



**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, 2016 and 2015, 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.



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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, 2016 and 2015, 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 Hayman McCann P.C.

February 14, 2017
Boston, Massachusetts

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

Combined Statements of Financial Position

	<i>August 31,</i>	
	<i>2016</i>	<i>2015</i>
Assets		
Cash and cash equivalents	\$ 162,268	\$ 5,298
Contributions receivable, net	114,736	201,763
Accounts receivable	35,600	71,518
Prepaid expenses and other current assets	136,505	14,901
Investments	6,779,291	6,793,593
Property and equipment, net	<u>69,894</u>	<u>55,527</u>
Total assets	<u>\$ 7,298,294</u>	<u>\$ 7,142,600</u>
Liabilities and Net Assets		
Liabilities:		
Line of credit	\$ 250,000	\$ 204,000
Accounts payable	65,969	50,644
Deferred revenue	64,859	38,532
Accrued expenses and other current liabilities	13,148	17,818
Note payable	<u>12,020</u>	<u>19,123</u>
Total liabilities	<u>405,996</u>	<u>330,117</u>
Net assets:		
Unrestricted	292,819	64,922
Temporarily restricted	1,655,580	1,823,024
Permanently restricted	<u>4,943,899</u>	<u>4,924,537</u>
Total net assets	<u>6,892,298</u>	<u>6,812,483</u>
Total liabilities and net assets	<u>\$ 7,298,294</u>	<u>\$ 7,142,600</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,

	2016			2015	
	<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	\$ 757,426	\$ -	\$ -	\$ 757,426	\$ 644,290
Government contracts	174,229	-	-	174,229	186,708
Program related	36,072	-	-	36,072	53,015
Total public support	967,727	-	-	967,727	884,013
Revenue and transfers:					
Other income	8,122	-	-	8,122	4,531
Redesignation of donor restriction	-	-	-	-	228,537
Amount appropriated under endowment spending policy	488,242	-	-	488,242	329,321
Contributions designated for future use	199,973	-	-	199,973	100,800
Net assets released from restrictions	133,130	-	-	133,130	148,235
Total revenue and transfers	829,467	-	-	829,467	811,424
Total public support, revenue and transfers	1,797,194	-	-	1,797,194	1,695,437
Operating expenses:					
Conservation and stewardship	395,833	-	-	395,833	477,876
Leadership programs	557,156	-	-	557,156	287,226
Special projects	183,749	-	-	183,749	223,666
Community service	160,484	-	-	160,484	199,078
Culture and heritage	148,622	-	-	148,622	125,507
Publications	65,704	-	-	65,704	42,430
Total programs	1,511,548	-	-	1,511,548	1,355,783
Management and general	181,684	-	-	181,684	221,376
Fundraising and development	103,918	-	-	103,918	118,062
Total operating expenses	1,797,150	-	-	1,797,150	1,695,221
Change in net assets from operations	44	-	-	44	216
Other income (expenses):					
Contributions designated for future use to operating support	(199,973)	-	-	(199,973)	(100,800)
Investment income	12,541	217,266	-	229,807	266,985
Net realized and unrealized gains (losses) on investments	6,887	123,791	-	130,678	(393,889)
Redesignation of donor restriction to operating support	-	-	-	-	(228,537)
Amount appropriated under endowment spending policy	(11,758)	(476,484)	-	(488,242)	(329,321)
Bequests	400,000	-	-	400,000	-
Contributions	-	126,645	14,000	140,645	206,028
Net assets released from restrictions	-	(133,130)	-	(133,130)	(148,235)
Gain (loss) on foreign currency translations	20,156	(25,532)	5,362	(14)	(35,275)
Increase (decrease) in net assets	227,897	(167,444)	19,362	79,815	(762,828)
Net assets, beginning of the year	64,922	1,823,024	4,924,537	6,812,483	7,575,311
Net assets, end of the year	\$ 292,819	\$ 1,655,580	\$ 4,943,899	\$ 6,892,298	\$ 6,812,483

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

Combined Statement of Activities and Changes in Net Assets

Year Ended August 31, 2015

	<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	\$ 644,290	\$ -	\$ -	\$ 644,290
Government contracts	186,708	-	-	186,708
Program service revenue	53,015	-	-	53,015
Total public support	884,013	-	-	884,013
Revenue and transfers:				
Other income	4,531	-	-	4,531
Redesignation of donor restriction	228,537	-	-	228,537
Amount appropriated under endowment spending policy	329,321	-	-	329,321
Contributions designated for future use	100,800	-	-	100,800
Net assets released from restrictions	148,235	-	-	148,235
Total revenue and transfers	811,424	-	-	811,424
Total public support, revenue and transfers	1,695,437	-	-	1,695,437
Operating expenses:				
Conservation and stewardship	477,876	-	-	477,876
Culture and heritage	287,226	-	-	287,226
Leadership programs	223,666	-	-	223,666
Community service	199,078	-	-	199,078
Special projects	125,507	-	-	125,507
Publications	42,430	-	-	42,430
Total programs	1,355,783	-	-	1,355,783
Management and general	221,376	-	-	221,376
Fundraising and development	118,062	-	-	118,062
Total operating expenses	1,695,221	-	-	1,695,221
Change in net assets from operations	216	-	-	216
Other income (expenses):				
Contributions designated for future use to operating support	(100,800)	-	-	(100,800)
Investment income	8,612	258,373	-	266,985
Net realized and unrealized gains on investments	(12,706)	(381,183)	-	(393,889)
Redesignation of donor restriction to operating support	32,119	(48,814)	(211,842)	(228,537)
Amount appropriated under endowment spending policy	(10,319)	(319,002)	-	(329,321)
Contributions	-	181,906	24,122	206,028
Net assets released from restrictions	-	(148,235)	-	(148,235)
Gain (loss) on foreign currency translations	(15,147)	128,327	(148,455)	(35,275)
Increase (decrease) in net assets	(98,025)	(328,628)	(336,175)	(762,828)
Net assets, beginning of the year	162,947	2,151,652	5,260,712	7,575,311
Net assets, end of the year	\$ 64,922	\$ 1,823,024	\$ 4,924,537	\$ 6,812,483

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

Combined Statements of Cash Flows

	<i>Years Ended August 31,</i>	
	<i>2016</i>	<i>2015</i>
Cash flows from operating activities:		
Change in net assets	\$ 79,815	\$ (762,828)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	26,962	18,594
Realized and unrealized losses (gains) on investments	(130,678)	393,889
Currency translation loss	16,782	16,986
Changes in operating assets and liabilities:		
Contributions receivable	87,443	(97,564)
Accounts receivable	35,942	(56,159)
Prepaid expenses and other assets	(121,566)	10,887
Accounts payable and accrued expenses	10,545	31,217
Deferred revenue	25,963	28,746
	<u>31,208</u>	<u>(416,232)</u>
Net cash provided by operating activities	31,208	(416,232)
Cash flows from investing activities:		
Proceeds from sale of restricted long-term investments	6,400,961	806,527
Purchases of restricted long-term investments	(6,272,767)	(539,773)
Purchases of property and equipment	(41,329)	(32,301)
	<u>86,865</u>	<u>234,453</u>
Net cash provided by (used in) investing activities	86,865	234,453
Cash flows from financing activities:		
Net borrowing on line of credit	46,000	178,850
Repayments on note payable	(7,103)	(7,103)
	<u>38,897</u>	<u>171,747</u>
Net cash provided by financing activities	38,897	171,747
Net increase (decrease) in cash and cash equivalents	156,970	(10,032)
Cash and cash equivalents, beginning of the year	5,298	15,330
Cash and cash equivalents, end of the year	\$ <u>162,268</u>	\$ <u>5,298</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 4,748	\$ 5,541

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 (“QLF”) 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 (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique.

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 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.

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.

Included in cash and cash equivalents is \$106,692 and \$5,298 of cash to be used for restricted purposes at August 31, 2016 and 2015, respectively.

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, 2016 and 2015.

**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

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.

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, 2016, amounts due from four contributors totaled \$114,394 and represented 96% of gross year-end receivables.

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

Quebec Labrador Foundation Alumni Congress

In November 2016, the Organization held the second QLF Alumni Congress in Barcelona Spain (the "Congress"). The Congress provided an opportunity for alumni to convene and network, while participating in a two-day stewardship workshop. In addition, it provided an opportunity to share knowledge and expertise among a multi-disciplinary, global network of conservation leaders and practitioners who continue to influence public policy at a regional and global level.

During the year ended August 31, 2016, the Organization collected participant fees, donor contributions for the purpose of the Congress, and incurred costs related to the Congress. Any participant fees collected in advance of August 31, 2016 have been reported as deferred revenue on the combined statement of financial position. Donor restricted contributions that have been satisfied in the current year are recorded as unrestricted contributions, grants and other support on the combined statement of activities and changes in net assets. Donor restricted contributions whereby the donor restriction has not been met in the current year have been recorded as non-operating temporarily restricted contributions. The amount of temporarily restricted non-operating revenue recorded on the combined statement of activities and changes in net assets relative to the Congress amounted to \$31,722 during the year ended August 31, 2016. Expenses incurred and paid in advance of August 31, 2016 and are contingent upon the event happening are recorded as prepaid expenses on the combined statement of financial position. Expenses incurred in advance of August 31, 2016 that are not contingent upon the event happening are recorded in the leadership programmatic expense on 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)

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, 2016 and 2015, 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, and advance participant fees on the Congress. Deferred revenue is recorded as a liability until it is earned. Once earned, the liability is reduced and revenue is recorded.

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.

**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 (Continued)

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.

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

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions (Continued)

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 non-operating activities. Non-operating activities consist of: unrestricted funds earmarked for use in future periods; endowment earnings in excess of spending policy transferred to unrestricted; gain (loss) on foreign currency translation; redesignation of donor restriction to operating support; temporarily and permanently restricted contributions; releases from restrictions and bequests. 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, 2016 and 2015, net assets of the Canadian Organization amounting to \$1,434,963 and \$1,392,916, 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 (\$1,412) and (\$35,275) during the years ended August 31, 2016 and 2015, respectively, are included in the combined statement of activities and changes in net assets.

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.

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

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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 \$37,832 and \$34,957 were incurred during the years ended August 31, 2016 and 2015, 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.

Related Party Expenses

During the year ended August 31, 2016, the Organizations paid fees to a board member in connection with certain consulting services. The Board of Directors approved these services. Consulting services fees incurred and paid during the year ended August 31, 2016 amounted to \$15,000. There were no related party expenses incurred during the year ended August 31, 2015.

The U.S. Organization charges the Canadian Organization a management fee for bookkeeping and accounting services. The charge is recognized as non-operating revenues and expenses on the combining statement of activities and changes in net assets. Management fees in connection with these services totaled \$35,209 and \$38,277 for the years ended August 31, 2016 and 2015, respectively, and is eliminated on combination. In addition, during the year ended August 31, 2015, there was \$254,780 of intercompany debt forgiven between the two Organizations.

Reclassifications

During 2016, the Organizations retrospectively adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2015-07, Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), and investments valued at net asset value (“NAV”) are now presented in a separate column in the related footnote disclosure for 2016 and 2015.

Subsequent Events

The Organizations have evaluated subsequent events through February 14, 2017, 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>2016</i>	<i>2015</i>
Gross amounts due in:		
Less than one year	\$ 88,998	\$ 128,146
One to five years	30,521	83,292
	119,519	211,438
Less: discount to present value	(4,783)	(9,675)
	\$ 114,736	\$ 201,763

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>2016</i>			
<i>Investments Measured at NAV</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>	
Cash	\$ -	\$ 5,602	\$ -	\$ 5,602
Money market fund		79,040		79,040
Equity funds:				
Large cap	-	2,116,615	-	2,116,615
Small to mid cap	-	693,257	-	693,257
International equities and funds	-	1,594,665	-	1,594,665
Preferred securities	-	262,021	-	262,021
Growth fund	-	266,266	-	266,266
Long-short equity	-	240,135	-	240,135
Alternative investments:				
Real estate investment trust	-	-	556,689	556,689
Absolute return	965,001	-	-	965,001
	\$ 965,001	\$ 5,257,601	\$ 556,689	\$ 6,779,291

**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>2015</i>		
	<i>Investments Measured at NAV</i>	<i>Level 1</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	\$ 975,107	\$ 5,818,486	\$ 6,793,593

\$965,001 and \$975,107 of the investments measured at NAV have redemption periods over 90 days as of August 31, 2016 and 2015, respectively.

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, 2016 and 2015.

Management has no intentions or plans to liquidate any net asset value practical expedient investments at other than net asset value per share.

The Organizations had no unfunded commitments to investments at August 31, 2016.

**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>2016</i>	<i>2015</i>
Furniture, fixtures and equipment	\$ 75,436	\$ 65,622
Vehicles	36,731	36,731
Capitalized website costs	55,737	24,222
	<u>167,904</u>	<u>126,575</u>
Less: accumulated depreciation and amortization	<u>(98,010)</u>	<u>(71,048)</u>
	<u>\$ 69,894</u>	<u>\$ 55,527</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, 2016 and 2015.

The outstanding balance on borrowings from the bank was \$250,000 and \$204,000 at August 31, 2016 and 2015, 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.

Note 7 - Note Payable

Note payable consisted of the following at August 31:

	<i>2016</i>	<i>2015</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>12,020</u>	\$ <u>19,123</u>
	<u>\$ 12,020</u>	<u>\$ 19,123</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:

2017	\$	6,556
2018		<u>5,464</u>
Total	\$	<u><u>12,020</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>2016</i>	<i>2015</i>
Contributions receivable and donations restricted by donors for use in specific programs:		
Purpose restrictions:		
Conservation and stewardship	\$ 78,692	\$ 23,000
Leadership programs	<u>25,000</u>	<u>-</u>
	<u>103,692</u>	<u>23,000</u>
Time restrictions:		
Net contributions receivable, due in future years	<u>94,411</u>	<u>184,126</u>
Reinvested endowment gains:		
General endowment	716,493	731,878
Conservation and stewardship	347,814	344,215
Leadership programs	304,773	302,748
Community service	83,753	232,547
Special projects	<u>4,644</u>	<u>4,510</u>
	<u>1,457,477</u>	<u>1,615,898</u>
Total temporarily restricted net assets	\$ <u><u>1,655,580</u></u>	\$ <u><u>1,823,024</u></u>

Contributions receivable relating to annual fund contributions intended for operating use in the current year of \$20,325 and \$17,636 are recorded as unrestricted net assets at August 31, 2016 and 2015, 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>2016</i>	<i>2015</i>
Satisfaction of time restrictions:		
General	\$ -	\$ 4,147
Conservation and stewardship	110,130	57,500
	110,130	61,647
Satisfaction of purpose restrictions:		
Community service	-	70,000
Conservation and stewardship	23,000	16,588
	23,000	86,588
Total net assets released	\$ 133,130	\$ 148,235

Note 10 - Permanently Restricted Net Assets

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

	<i>2016</i>	<i>2015</i>
General endowment	\$ 2,916,346	\$ 2,897,709
Conservation and stewardship	929,980	929,980
Leadership programs	758,001	757,276
Community service	289,572	289,572
Special projects	50,000	50,000
	\$ 4,943,899	\$ 4,924,537
	\$ 4,943,899	\$ 4,924,537

During the year ended August 31, 2015, \$211,842 was redesignated for operating support by a donor. Translation of foreign currency accounted for \$5,362 and \$148,455 of the change in permanently restricted net assets for the years ended August 31, 2016 and 2015, respectively (see Note 11).

**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:

		2016			
		<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	\$	(5,613)	\$ 1,457,477	\$ 4,943,899	\$ 6,395,763
Board designated endowment funds		255,583	-	-	255,583
Total endowment net assets	\$	<u>249,970</u>	<u>1,457,477</u>	<u>4,943,899</u>	<u>6,651,346</u>
		2015			
		<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	\$	(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>

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, 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)
Currency translation adjustments	(725)	149,178	(148,455)	(2)
Endowment net assets, August 31, 2015	248,159	1,615,898	4,924,537	6,788,594
Endowment contributions	-	-	14,000	14,000
Investment income	12,541	217,266	-	229,807
Net realized and unrealized gains	6,887	123,791	-	130,678
Amount appropriated under endowment spending policy	(11,758)	(476,484)	-	(488,242)
Currency translation adjustments	(5,859)	(22,994)	5,362	(23,491)
Endowment net assets, August 31, 2016	\$ <u>249,970</u>	\$ <u>1,457,477</u>	\$ <u>4,943,899</u>	\$ <u>6,651,346</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 \$5,613 and \$5,775 at August 31, 2016 and 2015, 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 the 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 \$321,407 for the fiscal year ended August 31, 2016 based on 4.5% of the endowment funds' average fair value over the previous 12 quarters through June 30, 2015. 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, 2016 and 2015, the Board of Directors approved total transfers of endowment earnings of \$338,158 and \$329,321, respectively. These amounts include investment management fees of \$16,751 and \$8,065 for the years ended August 31, 2016 and 2015, respectively. During the year ended August 31, 2016, the Board of Directors also approved a one-time additional appropriation of \$150,084 for the accumulated earnings on a previously released donor restricted fund.

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

	<i>2016</i>	<i>2015</i>
Spending policy	\$ 321,407	\$ 321,256
Management fees	16,751	8,065
One-time additional board approved appropriation	<u>150,084</u>	<u>-</u>
	<u>\$ 488,242</u>	<u>\$ 329,321</u>

In October 2016, the Board of Directors voted to reduce the spending rate by an additional ten basis points. In accordance with the spending policy, the Board of Directors has approved an appropriation of \$308,029 in endowment earnings to be spent in support of operations for the year ending August 31, 2017, based on 4.4% of the endowments fund's average fair value over the previous 12 quarters through June 30, 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 \$7,441 and \$7,460 during the years ended August 31, 2016 and 2015, 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 \$42,536 and \$31,958 for the years ended August 31, 2016 and 2015, respectively. The U.S. Organization elected to not renew this lease, and subsequent to year end signed a lease for new office space of six units in Ipswich, Massachusetts beginning January 1, 2017 through September 30, 2019.

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 \$14,848 and \$12,978 for the years ended August 31, 2016 and 2015, 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 ending August 31:

2017	\$	54,342
2018		54,014
2019		43,736
2020		4,275
		<hr/>
	\$	<u>156,367</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 \$16,866 and \$23,829 for the years ended August 31, 2016 and 2015, respectively. Approximately \$9,400 and \$15,100 of the contribution to the Plan is included in accrued expenses and other liabilities at August 31, 2016 and 2015, 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, 2016 and 2015, and have issued our report thereon dated February 14, 2017, 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 combined 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.

Maye Heyman McCann P.C.

February 14, 2017
Boston, Massachusetts



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

Combining Statement of Financial Position

August 31, 2016

	<i>QLF</i>	<i>QLF Canada</i>	<i>Eliminating Entries</i>	<i>Total</i>
Assets				
Cash and cash equivalents	\$ 22,678	\$ 139,590	\$ -	\$ 162,268
Contributions receivable, net	20,325	94,411	-	114,736
Accounts receivable	30,357	5,243	-	35,600
Due from affiliated entity	134,890	-	(134,890)	-
Prepaid expenses and other current assets	131,705	4,800	-	136,505
Investments	5,394,863	1,384,428	-	6,779,291
Property and equipment, net	69,894	-	-	69,894
	<u>5,804,712</u>	<u>1,628,472</u>	<u>(134,890)</u>	<u>7,298,294</u>
Total assets	\$ 5,804,712	\$ 1,628,472	\$ (134,890)	\$ 7,298,294
Liabilities and Net Assets				
Liabilities:				
Line of credit	\$ 250,000	\$ -	\$ -	\$ 250,000
Accounts payable	52,069	13,900	-	65,969
Deferred revenue	20,140	44,719	-	64,859
Accrued expenses and other current liabilities	13,148	-	-	13,148
Due to affiliated entity	-	134,890	(134,890)	-
Note payable	12,020	-	-	12,020
	<u>347,377</u>	<u>193,509</u>	<u>(134,890)</u>	<u>405,996</u>
Total liabilities	347,377	193,509	(134,890)	405,996
Net assets:				
Unrestricted	69,534	223,285	-	292,819
Temporarily restricted	1,145,939	509,641	-	1,655,580
Permanently restricted	4,241,862	702,037	-	4,943,899
	<u>5,457,335</u>	<u>1,434,963</u>	<u>-</u>	<u>6,892,298</u>
Total net assets	5,457,335	1,434,963	-	6,892,298
Total liabilities and net assets	\$ 5,804,712	\$ 1,628,472	\$ -	\$ 7,298,294

**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, 2016

	<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>		
Public support, revenue and transfers:									
Public support:									
Contributions, grants and other support	\$ 664,817	\$ -	\$ -	\$ 664,817	\$ 92,609	\$ -	\$ -	\$ 92,609	\$ 757,426
Government contracts	59,092	-	-	59,092	115,137	-	-	115,137	174,229
Program service revenue	27,717	-	-	27,717	8,355	-	-	8,355	36,072
Total public support	751,626	-	-	751,626	216,101	-	-	216,101	967,727
Revenue and transfers:									
Other income	2,809	-	-	2,809	5,313	-	-	5,313	8,122
Amount appropriated under endowment spending policy	419,578	-	-	419,578	68,664	-	-	68,664	488,242
Contributions designated for future use	199,973	-	-	199,973	-	-	-	-	199,973
Net assets released from restrictions	33,182	-	-	33,182	99,948	-	-	99,948	133,130
Total revenue and transfers	655,542	-	-	655,542	173,925	-	-	173,925	829,467
Total public support, revenue and transfers	1,407,168	-	-	1,407,168	390,026	-	-	390,026	1,797,194
Operating expenses:									
Conservation and stewardship	388,665	-	-	388,665	42,377	-	-	42,377	(35,209)
Leadership programs	485,534	-	-	485,534	71,622	-	-	71,622	-
Special projects	178,591	-	-	178,591	5,158	-	-	5,158	-
Community service	158,987	-	-	158,987	1,497	-	-	1,497	-
Culture and heritage	3,559	-	-	3,559	145,063	-	-	145,063	-
Publications	64,917	-	-	64,917	787	-	-	787	-
Total programs	1,280,253	-	-	1,280,253	266,504	-	-	266,504	(35,209)
Management and general	172,600	-	-	172,600	9,084	-	-	9,084	-
Fundraising and development	100,965	-	-	100,965	2,953	-	-	2,953	-
Total operating expenses	1,553,818	-	-	1,553,818	278,541	-	-	278,541	(35,209)
Change in net assets from operations	(146,650)	-	-	(146,650)	111,485	-	-	111,485	35,209
Other income (expenses):									
Contributions designated for future use to operating support	(199,973)	-	-	(199,973)	-	-	-	-	(199,973)
Investment income	3,650	178,863	-	182,513	8,891	38,403	-	47,294	-
Net realized and unrealized gains on investments	2,080	101,910	-	103,990	4,807	21,881	-	26,688	-
Intercompany debt forgiven	(1,438)	-	-	(1,438)	1,438	-	-	1,438	-
Management fee revenue	35,209	-	-	35,209	-	-	-	-	(35,209)
Amount appropriated under endowment spending policy	-	(419,578)	-	(419,578)	(11,758)	(56,906)	-	(68,664)	-
Bequests	400,000	-	-	400,000	-	-	-	-	400,000
Contributions	-	102,877	14,000	116,877	-	23,768	-	23,768	-
Net assets released from restrictions	-	(33,182)	-	(33,182)	-	(99,948)	-	(99,948)	-
Gain (loss) on foreign currency translations	-	-	-	-	20,156	(25,532)	5,362	(14)	(14)
Increase (decrease) in net assets	92,878	(69,110)	14,000	37,768	135,019	(98,334)	5,362	42,047	-
Net assets, beginning 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
Net assets, end of the year	\$ 69,534	\$ 1,145,939	\$ 4,241,862	\$ 5,457,335	\$ 223,285	\$ 509,641	\$ 702,037	\$ 1,434,963	\$ 6,892,298

QUEBEC-LABRADOR FOUNDATION (CANADA), INC.

Statement of Financial Position (USD and CAD)

August 31, 2016

Assets	USD	CAD
Cash and cash equivalents	\$ 139,590	\$ 182,942
Contributions receivable, net	94,411	123,732
Accounts receivable	5,243	6,871
Prepaid expenses and other current assets	4,800	6,291
Investments	<u>1,384,428</u>	<u>1,814,389</u>
Total assets	\$ <u>1,628,472</u>	\$ <u>2,134,225</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 13,900	\$ 18,217
Deferred revenue	44,719	58,607
Due to U.S. Foundation	<u>134,890</u>	<u>176,077</u>
Total liabilities	<u>193,509</u>	<u>252,901</u>
Net assets:		
Unrestricted	223,285	300,136
Temporarily restricted	509,641	661,120
Permanently restricted	<u>702,037</u>	<u>920,068</u>
Total net assets	<u>1,434,963</u>	<u>1,881,324</u>
Total liabilities and net assets	\$ <u>1,628,472</u>	\$ <u>2,134,225</u>

QUEBEC-LABRADOR FOUNDATION (CANADA), INC.

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

For the Year Ended August 31, 2016

	USD				CAD			
	<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	\$ 92,609	\$ -	\$ -	\$ 92,609	\$ 122,770	\$ -	\$ -	\$ 122,770
Government contracts	115,137	-	-	115,137	152,635	-	-	152,635
Program related	8,355	-	-	8,355	11,076	-	-	11,076
Total public support	216,101	-	-	216,101	286,481	-	-	286,481
Revenue and transfers:								
Other income	5,313	-	-	5,313	7,043	-	-	7,043
Amounts appropriated under endowment spending policy	68,664	-	-	68,664	91,027	-	-	91,027
Net assets released from restrictions	99,948	-	-	99,948	132,499	-	-	132,499
Total revenue and transfers	173,925	-	-	173,925	230,569	-	-	230,569
Total public support, revenue and transfers	390,026	-	-	390,026	517,050	-	-	517,050
Operating expenses:								
Conservation and stewardship	42,377	-	-	42,377	56,178	-	-	56,178
Leadership programs	71,622	-	-	71,622	94,948	-	-	94,948
Special projects	5,158	-	-	5,158	6,838	-	-	6,838
Community service	1,497	-	-	1,497	1,985	-	-	1,985
Culture and heritage	145,063	-	-	145,063	192,308	-	-	192,308
Publications	787	-	-	787	1,043	-	-	1,043
Total programs	266,504	-	-	266,504	353,300	-	-	353,300
Management and general	9,084	-	-	9,084	12,043	-	-	12,043
Fundraising and development	2,953	-	-	2,953	3,915	-	-	3,915
Total operating expenses	278,541	-	-	278,541	369,258	-	-	369,258
Change in net assets from operations	111,485	-	-	111,485	147,792	-	-	147,792
Other income (expenses):								
Investment income	8,891	38,403	-	47,294	11,787	50,910	-	62,697
Net realized and unrealized gains on investments	4,807	21,881	-	26,688	6,373	29,007	-	35,380
Intercompany debt forgiven	1,438	-	-	1,438	1,906	-	-	1,906
Amount appropriated under endowment spending policy	(11,758)	(56,906)	-	(68,664)	(15,587)	(75,440)	-	(91,027)
Contributions	-	23,768	-	23,768	-	31,509	-	31,509
Net assets released from restrictions	-	(99,948)	-	(99,948)	-	(132,499)	-	(132,499)
Gain (loss) on foreign currency translations	20,156	(25,532)	5,362	(14)	2,644	(16,637)	-	(13,993)
Increase (decrease) in net assets	135,019	(98,334)	5,362	42,047	154,915	(113,150)	-	41,765
Net assets (deficit), beginning of the year	88,266	607,975	696,675	1,392,916	145,221	774,270	920,068	1,839,559
Net assets, end of the year	\$ 223,285	\$ 509,641	\$ 702,037	\$ 1,434,963	\$ 300,136	\$ 661,120	\$ 920,068	\$ 1,881,324