

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

Combined Financial Statements
and Supplementary Information

August 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

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

Combined Financial Statements
and Supplementary Information

Table of Contents

Combined Financial Statements:

Independent Auditors' Report	1-2
Combined Statements of Financial Position	3
Combined Statements of Activities and Changes in Net Assets	4-5
Combined Statements of Cash Flows	6
Combined Statement of Functional Expenses	7
Notes to Combined Financial Statements	8-28

Supplementary Information:

Combining Statement of Financial Position	29
Combining Statement of Activities and Changes in Net Assets	30
Statement of Financial Position (USD and CAD)	31
Statement of Activities and Changes in Net Assets (USD and CAD)	32



INDEPENDENT AUDITORS' REPORT

The Boards 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 statement of financial position as of August 31, 2019, and the related combined statements of activities and changes in net assets, cash flows, and functional expenses 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 statement referred to above present fairly, in all material respects, the combined financial position of the Organizations as of August 31, 2019, and the changes in their net assets, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying supplementary information on pages 28 to 31 for The Quebec-Labrador Foundation, Inc. and Quebec-Labrador Foundation (Canada), Inc., is presented for purposes of additional analysis and is 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 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.

Prior Period Audit and Restatement

The financial statements of the Organizations for the year ended August 31, 2018, before the restatement described in Note 14, were audited by another auditor whose report dated June 26, 2019 expressed an unmodified opinion on those statements.

As part of our audit of the August 31, 2019 financial statements, we also audited the adjustments described in Note 14 that were applied to restate the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

Nardella + Taylor LLP

February 21, 2020

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

Combined Statements of Financial Position

August 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 35,517	\$ 304,603
Short-term investments	11,261	-
Contributions receivable, net	116,977	133,835
Accounts receivable	99,522	(2,920)
Prepaid expenses and other assets	16,341	14,368
Investments - Endowment	6,363,418	7,064,395
Property and equipment, net	26,239	44,146
Total assets	\$ 6,669,275	\$ 7,558,427
Liabilities and Net Assets		
Liabilities:		
Line of credit	\$ 62,000	\$ 394,017
Accounts payable	54,135	95,442
Accrued expenses and other liabilities	39,798	25,543
Deferred revenue	22,637	57,961
Note payable	12,958	17,166
Total liabilities	191,528	590,129
Net assets:		
Without donor restrictions:		
Undesignated	13,987	(19,921)
Designated by the Board for endowment	310,260	319,630
	324,247	299,709
With donor restrictions	6,153,500	6,668,589
Total net assets	6,477,747	6,968,298
Total liabilities and net assets	\$ 6,669,275	\$ 7,558,427

The accompanying notes are an integral part of these financial statements.

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

Combined Statements of Activities and Changes in Net Assets

For the Years Ended August 31, 2019 and 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public support, revenue and transfers:				
Public support:				
Contributions, grants and other support	\$ 558,221	\$ -	\$ 558,221	\$ 677,302
Government contracts	237,621	-	237,621	91,622
Program related	13,143	-	13,143	19,941
Total public support	808,985	-	808,985	788,865
Revenue and transfers:				
Other income	3,057	-	3,057	2,888
Appropriations from endowment funds	629,696	-	629,696	712,851
Net assets released from restrictions	108,178	-	108,178	160,488
Total revenue and transfers	740,931	-	740,931	876,227
Total public support, revenue and transfers	1,549,916	-	1,549,916	1,665,092
Operating expenses:				
Conservation and stewardship	537,699	-	537,699	473,396
Leadership programs	189,100	-	189,100	510,433
Special projects	231,304	-	231,304	191,970
Community service	103,274	-	103,274	45,436
Culture and heritage	89,359	-	89,359	95,883
Communications	210,277	-	210,277	87,892
Total programs	1,361,013	-	1,361,013	1,405,010
Management and general	100,930	-	100,930	197,509
Development	64,897	-	64,897	117,567
Total support services	165,827	-	165,827	315,076
Total operating expenses	1,526,840	-	1,526,840	1,720,086
Change in net assets from operations	23,076	-	23,076	(54,994)
Other income (expenses):				
Investment income, net	6,837	133,407	140,244	118,555
Net realized and unrealized gains (losses) on investments	(1,273)	(24,843)	(26,116)	628,652
Appropriations from endowment funds	(14,932)	(614,764)	(629,696)	(712,851)
Reclassification of endowment funds	11,706	(11,706)	-	-
Bequests	-	-	-	66,516
Contributions, grants and other support	-	112,737	112,737	129,883
Net assets released from restrictions	-	(108,178)	(108,178)	(160,488)
Gain on disposal of fixed assets	-	-	-	3,047
Increase (decrease) in net assets before foreign currency translation	25,414	(513,347)	(487,933)	18,320
Loss on foreign currency translations	(876)	(1,742)	(2,618)	(96,703)
Increase (decrease) in net assets after foreign currency translation	24,538	(515,089)	(490,551)	(78,383)
Net assets at beginning of year, as previously reported	299,709	6,668,589	6,968,298	7,057,204
Adjustments to beginning net assets	-	-	-	(10,523)
Net assets at beginning of year, as restated	299,709	6,668,589	6,968,298	7,046,681
Net assets, end of the year	\$ 324,247	\$ 6,153,500	\$ 6,477,747	\$ 6,968,298

The accompanying notes are an integral part of these financial statements.

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

Combined Statement of Activities and Changes in Net Assets

For the Year Ended August 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue and transfers:			
Public support:			
Contributions, grants and other support	\$ 677,302	\$ -	\$ 677,302
Government contracts	91,622	-	91,622
Program related	19,941	-	19,941
Total public support	788,865	-	788,865
Revenue and transfers:			
Other income	2,888	-	2,888
Appropriations from endowment funds	712,851	-	712,851
Net assets released from restrictions	160,488	-	160,488
Total revenue and transfers	876,227	-	876,227
Total public support, revenue and transfers	1,665,092	-	1,665,092
Operating expenses:			
Conservation and stewardship	473,396	-	473,396
Leadership programs	510,433	-	510,433
Special projects	191,970	-	191,970
Community service	45,436	-	45,436
Culture and heritage	95,883	-	95,883
Communications	87,892	-	87,892
Total programs	1,405,010	-	1,405,010
Management and general	197,509	-	197,509
Development	117,567	-	117,567
Total operating expenses	1,720,086	-	1,720,086
Change in net assets from operations	(54,994)	-	(54,994)
Other income (expenses):			
Investment income	5,935	112,620	118,555
Net realized and unrealized gains on investments	25,917	602,735	628,652
Reclassification of endowment funds	50,000	(50,000)	-
Appropriations from endowment funds	-	(712,851)	(712,851)
Spending draw receivable	215,000	(215,000)	-
Bequests	66,516	-	66,516
Contributions, grants and other support	-	129,883	129,883
Net assets released from restrictions	-	(160,488)	(160,488)
Gain on disposal of fixed assets	3,047	-	3,047
Increase (decrease) in net assets before foreign currency translations	311,421	(293,101)	18,320
Gain (loss) on foreign currency translations	(131,303)	34,600	(96,703)
Increase (decrease) in net assets after foreign currency translations	180,118	(258,501)	(78,383)
Net assets at beginning of year, as previously reported	130,114	6,927,090	7,057,204
Adjustment to beginning net assets	(10,523)	-	(10,523)
Net assets at beginning of year, as restated	119,591	6,927,090	7,046,681
Net assets at end of year, as restated (Note 14)	\$ 299,709	\$ 6,668,589	\$ 6,968,298

The accompanying notes are an integral part of these financial statements.

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

Combined Statements of Cash Flows

For the Years Ended August 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Decrease in net assets after foreign currency translation	\$ (490,551)	\$ (78,383)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	21,432	31,746
Gain on disposal of fixed assets	-	(3,047)
Realized and unrealized (gains) losses on investments	26,116	(628,652)
Changes in operating assets and liabilities:		
Contributions receivable	14,707	246,286
Accounts receivable	(102,873)	45,694
Prepaid expenses and other assets	(2,057)	4,993
Accounts payable and accrued expenses	(26,844)	(37,517)
Deferred revenue	(34,310)	6,292
Net cash used in operating activities	(594,380)	(412,588)
Cash flows from investing activities:		
Proceeds from sale of restricted long-term investments	3,942,510	3,086,814
Purchases of restricted long-term investments	(3,267,648)	(2,471,515)
Purchase of short-term investments	(11,315)	-
Proceeds from sale of property and equipment	-	11,019
Purchases of property and equipment	(3,525)	(18,317)
Net cash provided by investing activities	660,022	608,001
Cash flows from financing activities:		
Net repayment on line of credit	(332,017)	(2,983)
Repayments on note payable	(4,208)	(9,788)
Net cash used in financing activities	(336,225)	(12,771)
Effect of exchange rate changes on cash and cash equivalents	1,497	32,136
Net increase (decrease) in cash and cash equivalents	(269,086)	214,778
Cash and cash equivalents, beginning of the year	304,603	89,825
Cash and cash equivalents, end of the year	\$ 35,517	\$ 304,603
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 7,552	\$ 17,580

The accompanying notes are an integral part of these financial statements.

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

Combined Statement of Functional Expenses

For the Year Ended August 31, 2019

	Conservation and Stewardship	Leadership Programs	Special Projects	Community Service	Culture and Heritage	Communications	Total Programs	Management and General	Development	Total Support Services	Total
Salaries, taxes and fringe benefits	\$ 253,317	\$ 87,041	\$ 156,787	\$ 48,280	\$ 35,143	\$ 111,425	\$ 691,993	\$ 33,924	\$ 16,191	\$ 50,115	\$ 742,108
Stipends	1,574	10,119	-	-	-	-	11,693	-	-	-	11,693
Professional fees and services	153,544	36,672	48,885	31,452	14,864	44,872	330,289	23,029	11,515	34,544	364,833
Insurance	21,512	6,441	6,783	2,147	1,393	9,124	47,400	5,367	2,684	8,051	55,451
Office supplies and equipment	9,067	2,100	2,734	1,442	283	4,705	20,331	2,406	1,976	4,382	24,713
Telecommunications	7,341	2,083	1,766	3,047	207	5,504	19,948	3,788	906	4,694	24,642
Postage and shipping	2,319	2,410	686	2,211	1,394	3,304	12,324	1,656	3,308	4,964	17,288
Printing and publications	1,437	5,510	324	6,402	4,567	13,835	32,075	4,081	11,879	15,960	48,035
Occupancy	25,571	6,688	6,688	2,229	557	9,475	51,208	5,573	2,787	8,360	59,568
Repairs and maintenance	640	200	565	95	16	279	1,795	167	82	249	2,044
Dues and subscriptions	539	160	903	145	38	473	2,258	133	716	849	3,107
Travel, food and lodging	30,519	19,711	(875)	3,836	30,550	1,314	85,055	16,634	9,958	26,592	111,647
Interest	2,500	769	1,910	256	64	1,090	6,589	641	321	962	7,551
Permits and fees	325	25	364	9	2	37	762	22	437	459	1,221
Awards and small grants	19,171	5,519	12	504	1	17	25,224	(105)	5	(100)	25,124
Taxes	(1,400)	226	226	75	19	401	(453)	358	95	453	-
Other expenses	1,365	854	974	287	47	779	4,306	1,114	965	2,079	6,385
Depreciation	8,358	2,572	2,572	857	214	3,643	18,216	2,142	1,072	3,214	21,430
Total	\$ 537,699	\$ 189,100	\$ 231,304	\$ 103,274	\$ 89,359	\$ 210,277	\$ 1,361,013	\$ 100,930	\$ 64,897	\$ 165,827	\$ 1,526,840

The accompanying notes are an integral part of these financial statements.

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

(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 program mission is defined in two parts: a regional component (New England and Eastern Canada); and an international component, which ties the regional model to a global network. The Organizations’ program 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 the model of community-based conservation and the stewardship of natural resources and cultural heritage that is shared worldwide. The Organizations’ contributions and grants are primarily from the general public, private foundations, and government agencies in the United States and Canada.

(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:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to restrictions imposed by donors or certain grantors. Net assets without donor restrictions include board-designated funds. Board-designated funds are designated for specific purposes as determined by the Organizations’ directors.

Net assets with donor restrictions - Net assets subject to restrictions imposed by donors or certain grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

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 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 using 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

August 31, 2019 and 2018

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2019 and 2018.

Mutual and exchange-traded funds - are valued at the daily closing price as reported by the funds. Mutual and exchange-traded funds held by the Organizations are open-end funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual and exchange-traded funds held by the Organizations are deemed to be actively traded.

Privately held real estate investment trust - is valued at the net asset value of the trust's portfolio of investments in real estate as determined by the trust's management using observable and unobservable inputs. The trust's net assets are primarily comprised of investments in commercial rental properties and debt. The net asset valuation also includes other assets and liabilities such as cash, interest rate swaps, and accounts payable, among others, and excludes intangible assets and liabilities. The values ascribed to the trust's mortgages, unsecured notes, and interest rate swaps are marked to market each quarter.

Market price is affected by many 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 lower 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 5 - 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 \$0 and \$57,260 of cash to be used for restricted purposes at August 31, 2019 and 2018, respectively.

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

Short-term Investments

Short-term investments include instruments with a maturity greater than three months at the date of purchase and is comprised of a Guaranteed Investment Certificate (GIC) held at a bank by the Canadian Organization.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities and changes in net assets as net assets released from restrictions. 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, 2019 and 2018.

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 support with donor restrictions 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.

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

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. 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, 2019 and 2018, and considers accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is recorded.

Endowment Investments

The Organizations record investments at fair value. Fair value is determined as per the fair value policies described above.

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

Investment returns are reported as increases or decreases in net assets without donor restrictions in the statement of activities unless their use has been restricted by donor or state law. Investment returns are reported as increases or decreases in net assets with donor restrictions if:

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

- the terms of the gift require that they be added to the principal of an endowment fund designated by the donor to be held in perpetuity; or
- 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.

Risks and Uncertainties

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments, contributions receivable, accounts receivable, and marketable securities. The carrying amounts of these financial instruments approximate their fair value.

The Organizations' investment securities, except for the real estate investment trust, are held by a brokerage firm that is a member of the Securities Investment Protection Corporation (SIPC). Securities held by member brokerage firms, including up to \$250,000 of cash equivalents, are insured by the SIPC up to \$500,000 per customer, per brokerage firm. SIPC protection would be triggered only in the event of a financial failure and liquidation of a participating brokerage firm or if the customer's securities are not returned. This protection does not cover investment losses in customer accounts due to market fluctuations or other claims for losses incurred while the brokerage firm remains in business.

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and changes in the market value of investment securities, it is possible that the value of the Foundation's investments and total net assets balance could fluctuate materially.

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 are depreciated on the straight-line basis over the following estimated useful lives.

Furniture, fixtures, equipment and vehicle	3-5 years
Capitalized website costs	3 years
Leasehold improvements	Lesser of term of lease or 5-20 years

Deferred Revenue

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

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

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 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: contributions designated for future use to operating support; endowment earnings in excess of spending policy transferred to unrestricted as well as any reclassifications of endowment funds and additional endowment spending appropriations, pending draw from investment; gain (loss) on foreign currency translation; contributions with donor restrictions; releases from restrictions and bequests. All other activities are reported as operating.

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

Foreign Operations

Certain of the Organizations' operations are conducted in Canada through the Canadian Organization. Net assets of the Canadian Organization amounting to \$1,504,224 and \$1,450,410 are included in total net assets in the Organizations' combined statement of financial position as of August 31, 2019 and 2018, respectively.

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 \$2,618 and \$96,703 during the years ended August 31, 2019 and 2018, 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.

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 \$48,035 and \$63,169 were incurred during the years ended August 31, 2019 and 2018, respectively.

Related Party Expenses

The U.S. Organization charges the Canadian Organization a management fee for bookkeeping and accounting services. The charge is recognized as operating revenues and expenses on the combining statement of activities and changes in net assets. Management fees in connection with these services totaled \$88,000 and \$86,600 for the years ended August 31, 2019 and 2018, respectively, and are eliminated on combination.

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

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. The combined statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification. Expenses that are common to several programs or supporting services are allocated on a reasonable basis that is consistently applied. Salaries, employee benefits and payroll taxes are allocated based on estimated time and effort. Facility expenses, depreciation, office expenses, and insurance are all allocated using estimated percentages, based on estimated labor effort in each program or service.

Adoption of New Accounting Guidance

During the year ended August 31, 2019, the Organization implemented ASU 2016-14, *Financial Statements of Not-for-Profit Entities*. Accordingly, net assets are classified into two categories: without donor restrictions and with donor restrictions. The ASU requires additional disclosures about the liquidity and availability of funds and requires the reclassification of investment expenses, which are netted against investment income and include both external and direct internal investment expenses. ASU 2016-14 also requires the inclusion of a statement of functional expenses as part of the basic financial statements for all not-for-profit entities.

Reclassifications

Certain 2018 amounts have been reclassified to conform to the current year presentation. The Organization adopted ASU 2016-14, resulting in a change in accounting principles. Investment expenses have been netted against investment income for the years ended August 31, 2019 and 2018. There was no effect on the changes in beginning net assets for the years ended August 31, 2019 and 2018.

(3) Liquidity and Availability

The Organizations regularly monitor the availability of resources to meet their operating needs and other contractual commitments, while also striving to maximize the investment of their available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organizations consider all expenditures related to their ongoing activities of providing leadership development through community-based conservation and stewardship of natural resources and cultural heritage that is shared worldwide, as well as general and administrative and development costs.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following as of August 31, 2019:

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

Cash and cash equivalents	\$	35,517	
Short-term investments		11,261	
Contributions receivable within one year		37,945	
Accounts receivable		99,522	
Prepaid expenses and other current assets		16,341	
Annual appropriation from endowment investments		339,190	
	\$	539,776	

In addition to financial assets available to meet general expenditures within one year of the balance sheet, the Organization operates with a balanced budget and anticipates collecting enough revenue to cover general expenses. The Organization has an operating line of credit that can be used to meet cash requirements. It is the Organization's policy to keep a zero balance for a minimum of 30 days per annum to meet bank covenant requirements.

The Organization's governing board makes an annual appropriation of 5% of the fair value of the investments, as described in the endowment spending policy section of Note 11. Prior to the year ended August 31, 2019, the board approved quarterly draws of \$84,798, for a total appropriation of \$339,190, for the 2020 fiscal year. These funds will be used for program, general and development expenses during the next 12-month period. The board may, at its discretion, approve additional appropriations from investments during the year for specific program purposes or to meet the Organization's operating needs.

(4) Contributions Receivable

Contributions receivable consisted of the following at August 31:

		<u>2019</u>		<u>2018</u>
Gross amounts due in:				
Less than one year	\$	37,945	\$	90,045
One to five years		86,335		45,980
		124,280		136,025
Less: discount to present value		(7,303)		(2,190)
Contributions receivable, net	\$	116,977	\$	133,835

Contributions receivable that are expected to be collected after one year have been discounted at 5% and are reflected at their net present value. As of August 31, 2019, amounts due from three contributors totaled \$120,120 and represented 97% of gross year-end receivables. As of August 31, 2018, amounts due from five contributors totaled \$130,370 and represented 96% of gross year-end receivables.

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

(5) 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:

	2019		
	Level 1	Level 2	Total
Money market funds	\$ 636,737	\$ -	\$ 636,737
Fixed income funds:			
General bond funds	535,352	-	535,352
Equity funds:			
U.S. equity large to mid cap	2,009,797	-	2,009,797
U.S. equity small to mid cap	257,115	-	257,115
Specialty equity	687,978	-	687,978
Global equity	1,248,175	-	1,248,175
Preferred securities	373,737	-	373,737
Total assets in the fair value hierarchy	5,748,891	-	5,748,891
Investments measured at net asset value (a):			
Real estate investment trust	-	-	614,527
Total investments	\$ 5,748,891	\$ -	\$ 6,363,418

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

	2018		
	Level 1	Level 2	Total
Money market funds	\$ 597,979	\$ -	\$ 597,979
Fixed income funds:			
General bond funds	403,543	-	403,543
Equity funds:			
U.S. equity large to mid cap	1,944,025	-	1,944,025
U.S. equity small to mid cap	822,577	-	822,577
Specialty equity	798,994	-	798,994
Global equity	1,569,205	-	1,569,205
Preferred securities	313,545	-	313,545
Total assets in the fair value hierarchy	6,449,868	-	6,449,868
Investments measured at net asset value (a):			
Real estate investment trust	-	-	614,527
Total investments	\$ 6,449,868	\$ -	\$ 7,064,395

(a) In accordance with FASB ASC Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statements of Financial Position.

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, 2019 and 2018.

Investments with a fair value of \$666,220 and \$633,957 as of August 31, 2019 and 2018, respectively, are being held in a separate account and serve as collateral for the line of credit with a bank (see Note 7).

(6) Property and Equipment

Property and equipment consisted of the following at August 31:

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

		<u>2019</u>		<u>2018</u>
Furniture, fixtures and equipment	\$	92,274	\$	88,749
Vehicle		23,725		23,725
Capitalized website costs		55,737		55,737
Leasehold improvements		19,727		19,727
		191,463		187,938
Less: accumulated depreciation and amortization		(165,224)		(143,792)
	\$	26,239	\$	44,146

(7) Line of Credit

The U.S. Organization maintains a working capital line of credit (the “Line”) with a bank payable upon demand. Borrowings on the Line are limited to \$400,000. The rate of interest on the Line is the Wall Street Journal prime rate plus 2%, with a floor of 4.50%. The interest rate on the Line was 5.25% and 4.50% per annum at August 31, 2019 and 2018, respectively. The Line is secured by marketable securities held at a brokerage firm, with a required minimum balance of \$500,000. The outstanding balance on borrowings from the bank was \$62,000 and \$394,017 at August 31, 2019 and 2018, respectively. The U.S. Organization is subject to certain financial covenants as outlined in the borrowing agreement. The U.S. Organization was in compliance with the requirement to keep a zero balance for a minimum of 30 days during the years ended August 31, 2019 and 2018.

(8) Note Payable

Note payable consisted of the following at August 31:

		<u>2019</u>		<u>2018</u>
Note payable to a company, due in monthly \$ installments of \$355, interest at 2.49% per annum through December 2022, secured by a vehicle.		12,958	\$	17,166
	\$	12,958	\$	17,166

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

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

2020	\$	3,978
2021		4,079
2022		4,181
2023		720
2024 and thereafter		<u>-</u>
Total	\$	<u><u>12,958</u></u>

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or in future periods at August 31:

	<u>2019</u>	<u>2018</u>
Contributions receivable and donations restricted by donors for use in specific programs:		
Purpose restrictions:		
Conservation and stewardship	\$ <u>-</u>	\$ <u>57,260</u>
Time restrictions:		
Net contributions receivable, due in future years	<u>100,092</u>	<u>80,556</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Conservation and stewardship	970,530	930,980
Subject to endowment spending policy and appropriation:		
General endowment	3,451,342	3,472,139
Conservation and stewardship	464,880	528,761
Leadership programs	1,166,656	1,206,030
Community service	-	395,608
Special projects	-	11,762
Foreign currency translation adjustment	<u>-</u>	<u>(14,507)</u>
	<u>6,053,408</u>	<u>6,530,773</u>
Total net assets with donor restrictions	\$ <u><u>6,153,500</u></u>	\$ <u><u>6,668,589</u></u>

Contributions receivable relating to annual fund contributions intended for operating use in the current year of \$16,885 and \$53,279 are recorded as unrestricted net assets at August 31, 2019 and 2018, respectively.

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

In 2019, a purpose restriction expired on the endowment restricted to community service in 2018 and per the original gift agreement this amount was transferred into the general endowment.

(10) 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:

	<u>2019</u>	<u>2018</u>
Satisfaction of time restrictions	\$ 50,918	\$ 45,344
Satisfaction of purpose restrictions:		
Conservation and stewardship	<u>57,260</u>	<u>115,144</u>
Total net assets released from restrictions	\$ <u>108,178</u>	\$ <u>160,488</u>

(11) Endowment Assets and Those Functioning as Endowment Assets

Endowment

The Organizations' endowment funds are comprised of approximately fifteen 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 following is the composition of endowment assets and those functioning as endowment assets by net asset class at August 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 6,053,408	\$ 6,053,408
Board designated endowment funds	<u>310,260</u>	<u>-</u>	<u>310,260</u>
Total endowment net assets	\$ <u>310,260</u>	\$ <u>6,053,408</u>	\$ <u>6,363,668</u>

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 6,530,773	\$ 6,530,773
Board designated endowment funds	319,630	-	319,630
Total endowment net assets	\$ 319,630	\$ 6,530,773	\$ 6,850,403

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 1, 2017	\$ 298,689	\$ 6,759,867	\$ 7,058,556
Endowment contributions receivable	-	1,000	1,000
Reclassification	-	(50,000)	(50,000)
Investment income	6,568	112,619	119,187
Net realized and unrealized gains	28,678	602,731	631,409
Amount appropriated under endowment spending policy	-	(712,851)	(712,851)
Additional endowment spending appropriation, pending draw	-	(215,000)	(215,000)
Currency translation adjustments	(14,305)	32,407	18,102
Endowment net assets, August 31, 2018	319,630	6,530,773	6,850,403
Endowment contributions	-	40,300	40,300
Endowment contributions receivable	-	250	250
Investment income, net of fees	6,837	133,407	140,244
Net realized and unrealized losses	(1,273)	(24,843)	(26,116)
Amount appropriated under endowment spending policy	(14,932)	(614,764)	(629,696)
Reclassification	-	(11,706)	(11,706)
Currency translation adjustments	(2)	(9)	(11)
Endowment net assets, August 31, 2019	\$ 310,260	\$ 6,053,408	\$ 6,363,668

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

During the year ended August 31, 2019, the Organizations reclassified \$11,706 of accumulated appreciation to unrestricted net assets. This appreciation related to \$50,000 of donor funds reclassified during the year ending August 31, 2018 from net assets with donor restrictions to net assets without donor restrictions. Both reclassifications were made in accordance with the donor's intentions.

Interpretation of Relevant Law

The Board of Directors has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), as adopted by the State of New York, 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 net assets with permanent donor restrictions (a) the original value of the 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 net assets with permanent restrictions is classified as net assets with temporary restrictions until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Organizations consider the following eight 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 institution and the endowment funds, (3) general economic conditions, (4) the possible effect of inflation or deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organizations, (7) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organizations, and (8) the investment policy of the institution.

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 net assets with donor restrictions. There were no such deficiencies at August 31, 2019 and 2018.

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

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

annual real total return, net of investment management fees, of 4.4%, 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 85% equity securities and alternative investments and 15% fixed income securities and cash equivalents.

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

As approved by their Board of Directors, during 2019 and 2018 the Organizations had 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. Beginning in fiscal 2020, the annual appropriation will be based on a 20-quarter average of the fair market value at the end of each quarter. The Board of Directors approved a spending rate of 5.0% and 4.4% for the fiscal years ending August 31, 2019 and 2018, respectively, with a calculated endowment appropriation of approximately \$340,000 and \$300,000 in 2019 and 2018, respectively. 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. A portion of the Organizations' cumulative investment income and net appreciation is allocated to operations in accordance with the Organizations' investment policies and procedure.

In addition to the amounts appropriated under the spending policy, the Board of Directors approved the transfer of investment management fees in 2018 and approved one-time appropriations as necessary. The Board of Directors has approved a spending rate of 5.0% for 2020 (see Note 3).

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

	<u>2019</u>	<u>2018</u>
Spending policy	\$ 340,696	\$ 299,884
Additional board approval appropriation	289,000	610,613
Other transfers	-	17,354
	<u>\$ 629,696</u>	<u>\$ 927,851</u>

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

Included in appropriations from endowment funds as of August 31, 2018 was \$215,000 that had been approved but not yet transferred to operations.

(12) Commitments and Contingencies

Leases - General

The Organizations lease certain equipment under operating leases expiring at various times through November 30, 2020. Expense under these leases was \$4,333 and \$6,124 during the years ended August 31, 2019 and 2018, respectively.

Lease Agreement for Office Space - Ipswich, Massachusetts, USA

The U.S. Organization has a sublease agreement for its office space in Ipswich, Massachusetts through December 31, 2022, and an agreement for additional space through September 30, 2020. A portion of this agreement for additional space was terminated in October 2018. Rent expense under these operating leases was \$40,793 and \$48,550 for the years ended August 31, 2019 and 2018, respectively.

Lease Agreement for Office Space - Montreal, Canada

The Canadian Organization has a lease agreement for its office space in Montreal, Canada through May 31, 2021. Rent expense and other expenses for utilities and taxes under this agreement were \$18,523 and \$14,518 for the years ended August 31, 2019 and 2018, 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:

2020	\$	57,473
2021		44,052
2022		30,364
2023		10,188
2024 and thereafter		-
	\$	<u><u>142,077</u></u>

(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 \$36,932 and \$23,327 for the years ended August 31, 2019 and 2018, respectively. Approximately \$17,950 and \$10,750 of the

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

employer contributions to the Plan are included in accrued expenses and other liabilities at August 31, 2019 and 2018, respectively.

(14) Prior Period Adjustments

The Organizations have restated their previously issued combined financial statements at August 31, 2018 for matters related to the following previously reported items: cash, accounts receivable, revenues, and retained earnings. Retained earnings and accounts receivable have been reduced by \$10,523, and cash and revenues have been reduced by \$20,000 to correct the following misstatements:

During 2018, the U.S. Organization incorrectly recorded adjusting entries to reverse previous revenue entries made during 2018, which resulted in an overstatement of cash and revenues in the amount of \$20,000 as of August 31, 2018.

Prior to and during 2018, the Canadian Organization carried a receivable of C\$13,732 (\$10,523 in USD as of August 31, 2018) from a supplier for the return of specialized equipment that was purchased from the supplier but did not meet the Organization's specifications. Prior to September 1, 2017, the Canadian Organization did not expect to collect this amount, but it was incorrectly retained on its books.

The following is a summary of the effect of the adjustments on net assets at August 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets at August 31, 2018, as previously reported	\$ 330,232	\$ 6,668,589	\$ 6,998,821
Correction of a revenue adjustment recorded twice in error in 2018	(20,000)	-	(20,000)
Adjustment to beginning net assets: Correction of accounts receivable for refund on returned equipment that became uncollectible in a prior year	<u>(10,523)</u>	<u>-</u>	<u>(10,523)</u>
Total adjustments to net assets	<u>(30,523)</u>	<u>-</u>	<u>(30,523)</u>
Net assets at August 31, 2018, as restated	<u>\$ 299,709</u>	<u>\$ 6,668,589</u>	<u>\$ 6,968,298</u>

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

Notes to Combined Financial Statements

August 31, 2019 and 2018

(15) Subsequent Events

The Organizations have evaluated subsequent events through February 21, 2020, the date that the financial statements were available to be issued.

Supplementary Information

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

Combining Statement of Financial Position

August 31, 2019

	QLF - U.S.	QLF - Canada	Eliminating Entries	Total
Assets				
Cash and cash equivalents	\$ 19,813	\$ 15,704	\$ -	\$ 35,517
Short-term investments	-	11,261	-	11,261
Contributions receivable, net	3,975	113,002	-	116,977
Accounts receivable	9,205	90,317	-	99,522
Due from affiliated entity	175,595	-	(175,595)	-
Prepaid expenses and other assets	12,292	4,049	-	16,341
Investments - Endowment	4,876,855	1,486,563	-	6,363,418
Property and equipment, net	26,239	-	-	26,239
	\$ 5,123,974	\$ 1,720,896	\$ (175,595)	\$ 6,669,275
Liabilities and Net Assets				
Liabilities:				
Line of credit	\$ 62,000	\$ -	\$ -	\$ 62,000
Accounts payable	37,691	16,444	-	54,135
Accrued expenses and other liabilities	37,802	1,996	-	39,798
Deferred revenue	-	22,637	-	22,637
Due to affiliated entity	-	175,595	(175,595)	-
Note payable	12,958	-	-	12,958
	150,451	216,672	(175,595)	191,528
Net assets:				
Without donor restrictions:				
Undesignated	96,271	(82,284)	-	13,987
Designated by the Board for endowment	-	310,260	-	310,260
	96,271	227,976	-	324,247
With donor restrictions	4,877,252	1,276,248	-	6,153,500
	4,973,523	1,504,224	-	6,477,747
	\$ 5,123,974	\$ 1,720,896	\$ (175,595)	\$ 6,669,275

See Independent Auditors' Report.

**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, 2019

	QLF - U.S.			QLF - Canada			Eliminating Entries	Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
Public support, revenue and transfers:								
Public support:								
Contributions, grants and other support	\$ 533,402	\$ -	\$ 533,402	\$ 24,819	\$ -	\$ 24,819	\$ -	\$ 558,221
Government contracts	83,651	-	83,651	153,970	-	153,970	-	237,621
Program related	10,880	-	10,880	2,263	-	2,263	-	13,143
Total public support	627,933	-	627,933	181,052	-	181,052	-	808,985
Revenue and transfers:								
Other income	91,021	-	91,021	36	-	36	(88,000)	3,057
Appropriations from endowment funds	558,150	-	558,150	71,546	-	71,546	-	629,696
Net assets released from restrictions	57,260	-	57,260	50,918	-	50,918	-	108,178
Total revenue and transfers	706,431	-	706,431	122,500	-	122,500	(88,000)	740,931
Total public support, revenue and transfers	1,334,364	-	1,334,364	303,552	-	303,552	(88,000)	1,549,916
Operating expenses:								
Conservation and stewardship	482,061	-	482,061	89,958	-	89,958	(34,320)	537,699
Leadership programs	158,556	-	158,556	41,104	-	41,104	(10,560)	189,100
Special projects	225,436	-	225,436	16,428	-	16,428	(10,560)	231,304
Community service	101,163	-	101,163	5,631	-	5,631	(3,520)	103,274
Culture and heritage	76,469	-	76,469	13,770	-	13,770	(880)	89,359
Communications	195,164	-	195,164	30,073	-	30,073	(14,960)	210,277
Total programs	1,238,849	-	1,238,849	196,964	-	196,964	(74,800)	1,361,013
Management and general	91,800	-	91,800	17,930	-	17,930	(8,800)	100,930
Development	62,437	-	62,437	6,860	-	6,860	(4,400)	64,897
Total operating expenses	1,393,086	-	1,393,086	221,754	-	221,754	(88,000)	1,526,840
Change in net assets from operations	(58,722)	-	(58,722)	81,798	-	81,798	-	23,076
Other income (expenses):								
Investment income, net	-	107,482	107,482	6,837	25,925	32,762	-	140,244
Net realized and unrealized losses on investments	-	(20,015)	(20,015)	(1,273)	(4,828)	(6,101)	-	(26,116)
Appropriations from endowment funds	-	(558,150)	(558,150)	(14,932)	(56,614)	(71,546)	-	(629,696)
Reclassification of endowment funds	11,706	(11,706)	-	-	-	-	-	-
Contributions, grants and other support	-	42,300	42,300	-	70,437	70,437	-	112,737
Net assets released from restrictions	-	(57,260)	(57,260)	-	(50,918)	(50,918)	-	(108,178)
Losses on foreign currency translations	-	-	-	(876)	(1,742)	(2,618)	-	(2,618)
Increase (decrease) in net assets	(47,016)	(497,349)	(544,365)	71,554	(17,740)	53,814	-	(490,551)
Net assets at beginning of year, as previously reported	163,287	5,374,601	5,537,888	166,945	1,293,988	1,460,933	-	6,998,821
Adjustments to beginning net assets	(20,000)	-	(20,000)	(10,523)	-	(10,523)	-	(30,523)
Net assets at beginning of year, as restated	143,287	5,374,601	5,517,888	156,422	1,293,988	1,450,410	-	6,968,298
Net assets, end of the year	\$ 96,271	\$ 4,877,252	\$ 4,973,523	\$ 227,976	\$ 1,276,248	\$ 1,504,224	\$ -	\$ 6,477,747

See Independent Auditors' Report.

QUEBEC-LABRADOR FOUNDATION (CANADA), INC.

Statement of Financial Position (USD and CAD)

August 31, 2019

	USD	CAD
Assets		
Cash and cash equivalents	\$ 15,704	\$ 20,919
Short-term investments	11,261	15,000
Contributions receivable, net	113,002	150,519
Accounts receivable	90,317	120,302
Deposits	4,049	5,393
Investments - Endowment	1,486,563	1,980,101
Total assets	\$ 1,720,896	\$ 2,292,234
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 16,444	\$ 21,903
Accrued expenses and other liabilities	1,996	2,659
Deferred revenue	22,637	30,153
Due to U.S. Foundation	175,595	233,892
Total liabilities	216,672	288,607
Net assets:		
Without donor restrictions		
Undesignated	(82,284)	(109,835)
Designated by the Board for endowment	310,260	413,265
	227,976	303,430
With donor restrictions	1,276,248	1,700,197
Total net assets	1,504,224	2,003,627
Total liabilities and net assets	\$ 1,720,896	\$ 2,292,234

See Independent Auditors' Report.

QUEBEC-LABRADOR FOUNDATION (CANADA), INC.

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

For the Year Ended August 31, 2019

	USD			CAD		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue and transfers:						
Public support:						
Contributions, grants and other support	\$ 24,819	\$ -	\$ 24,819	\$ 32,902	\$ -	\$ 32,902
Government contracts	153,970	-	153,970	204,113	-	204,113
Program related	2,263	-	2,263	3,000	-	3,000
Total public support	181,052	-	181,052	240,015	-	240,015
Revenue and transfers:						
Other income	36	-	36	48	-	48
Appropriations from endowment funds	71,546	-	71,546	94,846	-	94,846
Net assets released from restrictions	50,918	-	50,918	67,500	-	67,500
Total revenue and transfers	122,500	-	122,500	162,394	-	162,394
Total public support, revenue and transfers	303,552	-	303,552	402,409	-	402,409
Operating expenses:						
Conservation and stewardship	89,958	-	89,958	119,254	-	119,254
Leadership programs	41,104	-	41,104	54,490	-	54,490
Special projects	16,428	-	16,428	21,778	-	21,778
Community service	5,631	-	5,631	7,465	-	7,465
Culture and heritage	13,770	-	13,770	18,254	-	18,254
Communications	30,073	-	30,073	39,867	-	39,867
Total programs	196,964	-	196,964	261,108	-	261,108
Management and general	17,930	-	17,930	23,770	-	23,770
Development	6,860	-	6,860	9,094	-	9,094
Total operating expenses	221,754	-	221,754	293,972	-	293,972
Change in net assets from operations	81,798	-	81,798	108,437	-	108,437
Other income (expenses):						
Investment income, net	6,837	25,925	32,762	9,064	34,367	43,431
Net realized and unrealized losses on investments	(1,273)	(4,828)	(6,101)	(1,688)	(6,400)	(8,088)
Appropriations from endowment funds	(14,932)	(56,614)	(71,546)	(19,795)	(75,051)	(94,846)
Contributions, grants and other support	-	70,437	70,437	-	93,376	93,376
Net assets released from restrictions	-	(50,918)	(50,918)	-	(67,500)	(67,500)
Exchange gain (loss)	(876)	(1,742)	(2,618)	2,608	33,465	36,073
Increase (decrease) in net assets	71,554	(17,740)	53,814	98,626	12,257	110,883
Net assets, beginning of the year, as previously reported	166,945	1,293,988	1,460,933	218,536	1,687,940	1,906,476
Adjustments to beginning net assets	(10,523)	-	(10,523)	(13,732)	-	(13,732)
Net assets at beginning of year, as restated	156,422	1,293,988	1,450,410	204,804	1,687,940	1,892,744
Net assets, end of the year	\$ 227,976	\$ 1,276,248	\$ 1,504,224	\$ 303,430	\$ 1,700,197	\$ 2,003,627

See Independent Auditors' Report.