

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

Combined Financial Statements
and Supplementary Information

August 31, 2021 and 2020

(With Independent Auditors' Report Thereon)



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 statements of financial position as of August 31, 2021 and 2020, and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of August 31, 2021 and 2020, and the changes in their net assets, cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying supplementary information on pages 29 to 32 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 audits 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.

Nardello + Taylor LLP

January 14, 2022

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

Combined Financial Statements
and Supplementary Information

August 31, 2021 and 2020

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

Combined Statements of Financial Position

August 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 38,840	\$ 3,346
Short-term investments	12,126	11,672
Contributions receivable, net	105,400	135,609
Accounts receivable	217,889	127,034
Prepaid expenses and other assets	34,027	11,691
Investments - endowment	7,503,717	6,615,967
Property and equipment, net	13,948	10,494
Total assets	\$ 7,925,947	\$ 6,915,813
Liabilities and Net Assets		
Liabilities:		
Line of credit	\$ 213,480	\$ 94,316
Accounts payable	43,263	22,160
Accrued expenses and other liabilities	43,469	44,633
Notes payable	28,691	31,997
Total liabilities	328,903	193,106
Net assets:		
Without donor restrictions:		
Undesignated	(12,073)	(21,995)
Designated by the Board for endowment	380,145	329,283
	368,072	307,288
With donor restrictions	7,228,972	6,415,419
Total net assets	7,597,044	6,722,707
Total liabilities and net assets	\$ 7,925,947	\$ 6,915,813

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, 2021 and 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public support, revenue and transfers:				
Public support:				
Contributions	\$ 607,335	\$ 2,240	\$ 609,575	\$ 589,892
Government grants	470,519	-	470,519	315,617
Program and intern sponsorships	26,010	-	26,010	123,252
Total public support	1,103,864	2,240	1,106,104	1,028,761
Revenue and transfers:				
Other income (expense)	10,263	-	10,263	(320)
Appropriations from endowment funds	498,672	-	498,672	499,192
Net assets released from restrictions	25,575	-	25,575	27,996
Total revenue and transfers	534,510	-	534,510	526,868
Total public support, revenue and transfers	1,638,374	2,240	1,640,614	1,555,629
Operating expenses:				
Conservation and stewardship	695,082	-	695,082	772,920
Leadership programs	175,481	-	175,481	128,760
Special projects	153,379	-	153,379	166,566
Community service	81,742	-	81,742	20,638
Culture and heritage	1,112	-	1,112	56,921
Communications	278,006	-	278,006	290,543
Total programs	1,384,802	-	1,384,802	1,436,348
Management and general	116,401	-	116,401	80,303
Development	126,488	-	126,488	21,787
Total support services	242,889	-	242,889	102,090
Total operating expenses	1,627,691	-	1,627,691	1,538,438
Change in net assets from operations	10,683	2,240	12,923	17,191
Other income (expenses):				
Investment income, net	5,505	105,122	110,627	149,244
Net realized and unrealized gains on investments	63,394	1,210,319	1,273,713	582,290
Appropriations from endowment funds	(18,213)	(480,459)	(498,672)	(499,192)
Endowment contributions	-	2,350	2,350	20,400
Net assets released from restrictions	-	(25,575)	(25,575)	(27,996)
Total other income, net	50,686	811,757	862,443	224,746
Increase in net assets before foreign currency translation	61,369	813,997	875,366	241,937
(Loss) gain on foreign currency translations	(585)	(444)	(1,029)	3,023
Increase in net assets after foreign currency translation	60,784	813,553	874,337	244,960
Net assets, beginning of the year	307,288	6,415,419	6,722,707	6,477,747
Net assets, end of the year	\$ 368,072	\$ 7,228,972	\$ 7,597,044	\$ 6,722,707

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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support, revenue and transfers:			
Public support:			
Contributions	\$ 588,500	\$ 1,392	\$ 589,892
Government grants	315,617	-	315,617
Program and intern sponsorships	71,335	51,917	123,252
Total public support	<u>975,452</u>	<u>53,309</u>	<u>1,028,761</u>
Revenue and transfers:			
Other expense	(320)	-	(320)
Appropriations from endowment funds	499,192	-	499,192
Net assets released from restrictions	27,996	-	27,996
Total revenue and transfers	<u>526,868</u>	<u>-</u>	<u>526,868</u>
Total public support, revenue and transfers	<u>1,502,320</u>	<u>53,309</u>	<u>1,555,629</u>
Operating expenses:			
Conservation and stewardship	772,920	-	772,920
Leadership programs	128,760	-	128,760
Special projects	166,566	-	166,566
Community service	20,638	-	20,638
Culture and heritage	56,921	-	56,921
Communications	290,543	-	290,543
Total programs	<u>1,436,348</u>	<u>-</u>	<u>1,436,348</u>
Management and general	80,303	-	80,303
Development	21,787	-	21,787
Total support services	<u>102,090</u>	<u>-</u>	<u>102,090</u>
Total operating expenses	<u>1,538,438</u>	<u>-</u>	<u>1,538,438</u>
Change in net assets from operations	(36,118)	53,309	17,191
Other income (expenses):			
Investment income, net	7,267	141,977	149,244
Net realized and unrealized gain on investments	28,422	553,868	582,290
Appropriations from endowment funds	(16,530)	(482,662)	(499,192)
Endowment contributions	-	20,400	20,400
Net assets released from restrictions	-	(27,996)	(27,996)
Total other income, net	<u>19,159</u>	<u>205,587</u>	<u>224,746</u>
(Decrease) increase in net assets before foreign currency translations	(16,959)	258,896	241,937
Gain on foreign currency translations	-	3,023	3,023
(Decrease) increase in net assets after foreign currency translations	(16,959)	261,919	244,960
Net assets, beginning of the year	<u>324,247</u>	<u>6,153,500</u>	<u>6,477,747</u>
Net assets, at end of the year	<u>\$ 307,288</u>	<u>\$ 6,415,419</u>	<u>\$ 6,722,707</u>

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, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets after foreign currency translation	\$ 874,337	\$ 244,960
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	10,988	14,880
Loss on disposal of fixed assets	-	1,965
Realized and unrealized (gains) losses on investments	(1,273,713)	(582,290)
Changes in operating assets and liabilities:		
Contributions receivable	34,482	(15,643)
Accounts receivable	(87,077)	(25,274)
Prepaid expenses and other assets	(22,110)	4,737
Accounts payable and accrued expenses	19,404	(27,378)
Deferred revenue	-	(22,451)
Net cash used in operating activities	(443,689)	(406,494)
Cash flows from investing activities:		
Proceeds from sale of restricted long-term investments	1,780,894	2,187,822
Purchases of restricted long-term investments	(1,394,932)	(1,858,593)
Purchases of short-term investments	(66)	(162)
Purchases of property and equipment	(14,442)	(1,100)
Net cash provided by investing activities	371,454	327,967
Cash flows from financing activities:		
Net borrowings (repayments) on line of credit	119,164	32,316
Proceeds from notes payable	-	22,337
Repayments on notes payable	(4,071)	(3,970)
Net cash provided by (used in) financing activities	115,093	50,683
Effect of exchange rate changes on cash and cash equivalents	(7,364)	(4,327)
Net decrease in cash and cash equivalents	35,494	(32,171)
Cash and cash equivalents, beginning of the year	3,346	35,517
Cash and cash equivalents, end of the year	\$ 38,840	\$ 3,346
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 5,322	\$ 5,153

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, 2021

	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	\$ 375,088	\$ 100,631	\$ 83,803	\$ 40,219	\$ 1,112	\$ 156,951	\$ 757,804	\$ 38,012	\$ 67,152	\$ 105,164	\$ 862,968
Professional fees and services	196,420	33,262	35,043	19,354	-	81,187	365,266	22,831	25,262	48,093	413,359
Occupancy	13,475	8,531	6,825	5,688	-	11,374	45,893	7,390	6,825	14,215	60,108
Insurance	9,528	7,940	6,352	5,293	-	10,586	39,699	6,883	6,352	13,235	52,934
Travel, food and lodging	47,059	123	2,169	48	-	119	49,518	877	2,072	2,949	52,467
Office supplies and equipment	6,162	672	5,722	8,045	-	9,988	30,589	15,232	6,379	21,611	52,200
Awards and small grants	21,979	8,806	-	-	-	-	30,785	-	-	-	30,785
Printing and publications	13,078	1,398	-	1,485	-	2,302	18,263	678	2,285	2,963	21,226
Telecommunications	2,652	671	3,740	356	-	2,809	10,228	5,238	428	5,666	15,894
Stipends	1,200	10,600	-	-	-	-	11,800	-	-	-	11,800
Depreciation and amortization	1,978	1,648	1,319	1,099	-	2,198	8,242	1,427	1,319	2,746	10,988
Taxes	6,060	749	-	-	-	12	6,821	3,828	-	3,828	10,649
Postage and shipping	204	119	-	58	-	261	642	425	7,922	8,347	8,989
Other expenses	-	-	1,227	97	-	-	1,324	7,048	-	7,048	8,372
Dues and subscriptions	49	331	6,645	-	-	94	7,119	455	492	947	8,066
Interest	-	-	184	-	-	-	184	5,182	-	5,182	5,366
Repairs and maintenance	111	-	350	-	-	-	461	620	-	620	1,081
Permits and fees	39	-	-	-	-	125	164	275	-	275	439
Total	\$ 695,082	\$ 175,481	\$ 153,379	\$ 81,742	\$ 1,112	\$ 278,006	\$ 1,384,802	\$ 116,401	\$ 126,488	\$ 242,889	\$ 1,627,691

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, 2020

	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	\$ 438,973	\$ 85,635	\$ 113,393	\$ 14,719	\$ 30,205	\$ 192,547	\$ 875,472	\$ 38,343	\$ 10,545	\$ 48,888	\$ 924,360
Professional fees and services	160,913	10,744	19,190	1,337	18,318	39,584	250,086	15,436	4,210	19,646	269,732
Travel, food and lodging	57,655	9,186	5,941	688	958	5,022	79,450	2,374	644	3,018	82,468
Occupancy	27,690	3,382	3,922	449	1,688	8,988	46,119	5,934	1,512	7,446	53,565
Office supplies and equipment	17,173	2,585	5,957	328	1,402	12,842	40,287	4,046	1,103	5,149	45,436
Insurance	20,539	2,467	3,758	421	1,487	8,422	37,094	5,327	1,416	6,743	43,837
Telecommunications	7,285	1,785	5,032	130	827	4,083	19,142	1,640	438	2,078	21,220
Printing and publications	5,892	804	1,509	1,848	473	7,014	17,540	1,726	479	2,205	19,745
Depreciation and amortization	6,324	640	1,428	164	536	3,273	12,365	1,964	551	2,515	14,880
Stipends	5,045	9,145	-	-	-	-	14,190	-	-	-	14,190
Postage and shipping	4,387	318	842	73	285	3,051	8,956	765	208	973	9,929
Awards and small grants	7,521	374	5	1	2	11	7,914	7	2	9	7,923
Dues and subscriptions	2,907	388	1,445	85	162	1,332	6,319	592	166	758	7,077
Other expenses	2,926	315	1,354	288	137	729	5,749	480	120	600	6,349
Repairs and maintenance	1,851	187	1,678	38	157	958	4,869	575	161	736	5,605
Interest	2,069	209	753	54	175	1,071	4,331	642	180	822	5,153
Taxes	3,579	450	226	-	59	-	4,314	269	1	270	4,584
Permits and fees	191	146	133	15	50	1,616	2,151	183	51	234	2,385
Total	\$ 772,920	\$ 128,760	\$ 166,566	\$ 20,638	\$ 56,921	\$ 290,543	\$ 1,436,348	\$ 80,303	\$ 21,787	\$ 102,090	\$ 1,538,438

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, 2021 and 2020

(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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020.

Mutual and exchange-traded funds and publicly traded real estate investment trust (“REIT”) - are valued at the daily closing price as reported by the funds. Mutual and exchange-traded funds and publicly traded REIT 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 and publicly traded REIT held by the Organizations are deemed to be actively traded.

Privately held REIT - 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. The privately held REIT that the Organization invested in during 2020 completed an initial public offering and was listed on New York Stock Exchange during the fiscal year 2021. This investment is classified in Level 1 fair value approach as of August 31, 2021 as the quoted price is readily determinable.

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.

No cash and cash equivalents is to be used for restricted purposes at August 31, 2021 and 2020, respectively.

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

Notes to Combined Financial Statements

August 31, 2021 and 2020

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

On September 1, 2020, the Organization adopted the new Financial Accounting Standards Board (“FASB”) accounting standard ASC 606, Revenue from Contracts with Customers, using the modified retrospective method applied to those contracts that were not completed as of August 31, 2020. Results for reporting periods beginning after August 31, 2020 are presented under ASC 606. This adoption had no impact on the retained earnings as of August 31, 2020.

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, 2021 and 2020.

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.

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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.

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, 2021 and 2020, 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.

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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 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 Organizations 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 Organizations' investments and total net assets balances 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

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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.

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 state income taxes. 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 tax-exempt entities 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

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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.

Foreign Operations

Certain of the Organizations' operations are conducted in Canada through the Canadian Organization. Net assets of the Canadian Organization amounting to \$1,815,734 and \$1,586,585 are included in total net assets in the Organizations' combined statement of financial position as of August 31, 2021 and 2020, 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 gains (losses) from foreign currency translations totaling \$(1,066) and \$3,023 during the years ended August 31, 2021 and 2020, 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, periodic cost for government grants, 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 \$21,226 and \$19,744 were incurred during the years ended August 31, 2021 and 2020, respectively.

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Related Party Expenses

The U.S. Organization charges the Canadian Organization a management fee for management, 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 \$93,000 and \$89,000 for the years ended August 31, 2021 and 2020, respectively, and are eliminated on combination.

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, 2021, the Organization implemented ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Topic 606 sets forth a new revenue recognition model that requires identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations and recognizing the revenue upon satisfaction of performance obligations. The Organization adopted the provisions of ASU 2014-09 and related subsequently issued amendments beginning on September 1, 2020.

During the year ended August 31, 2021, the Organization implemented ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). ASU 2018-08 clarifies and improves the scope and accounting guidance for contributions received and made. The amendments of this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU was effective for the Organization's 2021 fiscal year and the Organization adopted the standard as of September 1, 2020, on a modified retrospective basis. This guidance did not have an impact on the Organization's financial statements and related disclosures.

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Reclassifications

Certain reclassifications have been made to conform prior year balances to the current year presentation.

(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 at August 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 38,840	\$ 3,346
Short-term investments	12,126	11,672
Contributions receivable within one year	87,430	64,667
Accounts receivable	217,889	127,034
Prepaid expenses and other current assets	34,027	11,691
Annual appropriation from endowment investments	333,464	329,952
	\$ 723,776	\$ 548,362

In addition to financial assets available to meet general expenditures within one year of the balance sheet date, the Organizations operate with balanced budgets and anticipate collecting enough revenue to cover general expenses.

The U.S. 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, 2021, the board approved quarterly draws of \$83,366, for a total appropriation of \$333,464, for the 2022 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 Organizations' operating needs.

The U.S. 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.

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(4) Contributions Receivable

Contributions receivable consisted of the following at August 31:

	<u>2021</u>	<u>2020</u>
Gross amounts due in:		
Less than one year	\$ 87,430	\$ 64,667
One to five years	19,812	82,449
	107,242	147,116
Less: discount to present value	(1,842)	(11,507)
Contributions receivable, net	\$ 105,400	\$ 135,609

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, 2021, amounts due from three contributors totaled \$105,002 and represented 98% of gross year-end receivables. As of August 31, 2020, amounts due from three contributors totaled \$145,724 and represented 99% of gross year-end receivables.

(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:

	<u>2021</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market funds	\$ 316,513	\$ -	\$ 316,513
Fixed income funds:			
General bond funds	497,750	-	497,750
Equity funds:			
U.S. equity large to mid cap	2,725,815	-	2,725,815
Specialty equity	1,232,026	-	1,232,026
Global equity	1,842,897	-	1,842,897
Preferred securities	359,840	-	359,840
Real estate investment trust	528,876	-	528,876
Total investments	\$ 7,503,717	\$ -	\$ 7,503,717

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	2020		
	Level 1	Level 2	Total
Money market funds	\$ 257,163	\$ -	\$ 257,163
Fixed income funds:			
General bond funds	549,340	-	549,340
Equity funds:			
U.S. equity large to mid cap	2,404,114	-	2,404,114
U.S. equity small to mid cap	-	-	-
Specialty equity	981,052	-	981,052
Global equity	1,475,229	-	1,475,229
Preferred securities	356,231	-	356,231
Total assets in the fair value hierarchy	6,023,129	-	6,023,129
Investments measured at net asset value (a):			
Real estate investment trust	-	-	592,838
Total investments	\$ 6,023,129	\$ -	\$ 6,615,967

(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, 2021 and 2020.

Investments with a fair value of \$600,283 and \$577,686 as of August 31, 2021 and 2020, 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:

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	<u>2021</u>		<u>2020</u>
Furniture, fixtures and equipment	\$ 100,683	\$	88,776
Vehicle	23,725		23,725
Capitalized website costs	55,737		55,737
Leasehold improvements	19,727		19,727
	199,872		187,965
Less: accumulated depreciation and amortization	(185,924)		(177,471)
	\$ 13,948	\$	10,494

(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 4.5% per annum at August 31, 2021 and 2020. The Line is secured by marketable securities held at a brokerage firm, with a required minimum balance of \$500,000 (see Note 5). The outstanding balance on borrowings from the bank was \$213,480 and \$94,316 at August 31, 2021 and 2020, respectively. Borrowings are limited to 50% of the fair value of the investments held as security for the loan.

(8) Notes Payable

Notes payable consisted of the following at August 31:

	<u>2021</u>		<u>2020</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.	\$ 4,917	\$	8,988
Non-interest bearing loan provided by Canada Emergency Business Account, due December 31, 2022.	23,774		23,009
	\$ 28,691	\$	31,997

In May 2020, the U.S. Organization was granted a note (the “Note”) from a bank in the amount of \$113,855, pursuant to the Small Business Administration (the “SBA”) Paycheck Protection Program (the “PPP”) under the CARES Act, a federal government stimulus program. The Note matures on May 28, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on November 28, 2020. The Note is guaranteed by the SBA and may be prepaid at any time prior to maturity with no penalty. Under the terms of the PPP, up to the full amount of

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principal and accrued interest may be forgiven if the funds are used for qualifying expenses. The principal and interest were forgiven by the Bank in January 2021.

In February 2021, the Organization was granted a second PPP note from the Bank in the amount of \$106,860. This note matures in February 2026 and bears interest at a rate of 1% per annum, payable monthly commencing on the date required under the CARES Act. The Note is guaranteed by the SBA and may be prepaid at any time prior to maturity with no penalty. Under the terms of the PPP, up to the full amount of principal and accrued interest may be forgiven if the funds are used for qualifying expenses. The principal and interest were forgiven by the Bank in October 2021.

In accordance with FASB ASC 958-605, *Not-for-profit (NFP) Entities – Revenue Recognition*, \$106,860 and \$113,855 of the above notes were recognized as government grants in the Organization’s statement of activities and changes in net assets for the years ended August 31, 2021 and 2020, respectively, when the conditions were met for forgiveness.

In May 2020, the Canadian Organization was granted a loan from a bank in the amount of \$30,679, pursuant to Canada Emergency Business Account (the “CEBA”). The loan matures on December 31, 2022 and bears no interest. Under the terms of the CEBA, repaying the outstanding balance on or before December 31, 2020 will result in loan forgiveness of 25 percent. The board decided to repay the outstanding balance by due date, therefore, \$7,670 of the loan was recognized as grants and contributions in the Statements of Activities and Changes in Net Assets for the year ended August 31, 2020. The remaining balance of the loan, \$23,774 and \$23,009, is recorded as notes payable in the Statement of Financial Position as of August 31, 2021 and 2020, respectively.

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

2022	\$	4,181	
2023		24,510	
Total	\$	28,691	

(9) Net Assets with Donor Restrictions

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

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	<u>2021</u>	<u>2020</u>
Contributions receivable and donations restricted by donors for use in specific programs:		
Time restrictions:		
Net contributions receivable, due in future years	\$ 105,400	\$ 128,735
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Conservation and stewardship	991,279	990,929
Subject to endowment spending policy and appropriation:		
General endowment	3,896,027	3,503,954
Conservation and stewardship	799,360	553,251
Leadership programs	1,436,906	1,238,550
	<u>7,123,572</u>	<u>6,286,684</u>
Total net assets with donor restrictions	\$ 7,228,972	\$ 6,415,419

Contributions receivable relating to annual fund contributions intended for operating use in the current year of \$0 and \$6,874 are recorded as net assets without donor restrictions at August 31, 2021 and 2020, respectively.

(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>2021</u>	<u>2020</u>
Satisfaction of time restrictions	\$ <u>25,575</u>	\$ <u>27,996</u>
Total net assets released from restrictions	\$ 25,575	\$ 27,996

(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.

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 7,123,572	\$ 7,123,572
Board designated endowment funds	380,145	-	380,145
Total endowment net assets	\$ 380,145	\$ 7,123,572	\$ 7,503,717
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 6,286,684	\$ 6,286,684
Board designated endowment funds	329,283	-	329,283
Total endowment net assets	\$ 329,283	\$ 6,286,684	\$ 6,615,967

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

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, August 31, 2019	310,260	6,053,408	6,363,668
Endowment contributions	-	20,400	20,400
Investment income, net of fees	7,267	141,784	149,051
Net realized and unrealized losses	28,422	553,868	582,290
Amount appropriated under endowment spending policy	(16,530)	(482,662)	(499,192)
Currency translation adjustments	(136)	(114)	(250)
Endowment net assets, August 31, 2020	329,283	6,286,684	6,615,967
Endowment contributions	-	2,350	2,350
Investment income, net of fees	5,505	105,105	110,610
Net realized and unrealized losses	63,394	1,210,318	1,273,712
Amount appropriated under endowment spending policy	(18,214)	(480,458)	(498,672)
Currency translation adjustments	177	(427)	(250)
Endowment net assets, August 31, 2021	\$ 380,145	\$ 7,123,572	\$ 7,503,717

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

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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, 2021 and 2020.

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 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, 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. The annual appropriation is 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% for both fiscal years ending August 31, 2021 and 2020, with a calculated endowment appropriation of approximately \$330,000 and \$339,000 in 2021 and 2020, 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.

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
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Notes to Combined Financial Statements

August 31, 2021 and 2020

In addition to the amounts appropriated under the spending policy, the Board of Directors approved one-time appropriations as necessary. The Board of Directors has approved a spending rate of 5.0% for 2022 (see Note 3).

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

	<u>2021</u>	<u>2020</u>
Spending policy	\$ 329,952	\$ 339,192
Additional board approved appropriation	<u>168,720</u>	<u>160,000</u>
	<u>\$ 498,672</u>	<u>\$ 499,192</u>

(12) Commitments and Contingencies

Leases - General

The Organizations lease certain equipment under operating leases expiring at various times through 2022. Expense under these leases was \$4,433 and \$3,089 during the years ended August 31, 2021 and 2020, 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 two lease agreements for additional spaces through September 30, 2022 and March 31, 2024, respectively. Rent expense under these operating leases was \$44,060 and \$38,561 for the years ended August 31, 2021 and 2020, 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 \$13,704 and \$10,831 for the years ended August 31, 2021 and 2020, respectively.

Future Lease Payments

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

**THE QUEBEC-LABRADOR FOUNDATION, INC. AND
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Notes to Combined Financial Statements

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2022	\$	61,259
2023		31,958
2024		17,890
2025		13,515
2026 and thereafter		<u>10,137</u>
	\$	<u><u>134,759</u></u>

(13) Retirement Plan

The U.S. Organization sponsors a defined contribution retirement plan (the “Plan”) for eligible employees. The Organization’s contributions to the Plan were \$51,668 and \$26,496 for the years ended August 31, 2021 and 2020, respectively. Approximately \$11,540 and \$3,919 of the employer contributions to the Plan are included in accrued expenses and other liabilities at August 31, 2021 and 2020, respectively.

(14) Subsequent Events

QLF has evaluated all subsequent events through January 14, 2022, the date 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, 2021

	QLF - U.S.	QLF - Canada	Eliminating Entries	Total
Assets				
Cash and cash equivalents	\$ 15,261	\$ 23,579	\$ -	\$ 38,840
Short-term investments	-	12,126	-	12,126
Contributions receivable, net	2,240	103,160	-	105,400
Accounts receivable	40,087	177,802	-	217,889
Due from affiliated entity	138,830	-	(138,830)	-
Prepaid expenses and other assets	13,238	20,789	-	34,027
Investments - endowment	5,840,817	1,662,900	-	7,503,717
Property and equipment, net	13,948	-	-	13,948
Total assets	\$ 6,064,421	\$ 2,000,356	\$ (138,830)	\$ 7,925,947
Liabilities and Net Assets				
Liabilities:				
Line of credit	\$ 213,480	\$ -	\$ -	\$ 213,480
Accounts payable	22,914	20,349	-	43,263
Accrued expenses and other liabilities	32,982	10,487	-	43,469
Note payable	4,917	23,774	-	28,691
Due to affiliated entity	-	138,830	(138,830)	-
Total liabilities	274,293	193,440	(138,830)	328,903
Net assets:				
Without donor restrictions:				
Undesignated	(51,364)	39,291	-	(12,073)
Designated by the Board for endowment	-	380,145	-	380,145
	(51,364)	419,436	-	368,072
With donor restrictions	5,841,492	1,387,480	-	7,228,972
Total net assets	5,790,128	1,806,916	-	7,597,044
Total liabilities and net assets	\$ 6,064,421	\$ 2,000,356	\$ (138,830)	\$ 7,925,947

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, 2021

	<u>QLF - U.S.</u>			<u>QLF - Canada</u>			<u>Eliminating Entries</u>	<u>Combined Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>		
Public support, revenue and transfers:								
Public support:								
Contributions	\$ 563,863	\$ 2,240	\$ 566,103	\$ 43,472	\$ -	\$ 43,472	\$ -	\$ 609,575
Government grants	220,196	-	220,196	250,323	-	250,323	-	470,519
Program and intern sponsorships	11,520	-	11,520	14,490	-	14,490	-	26,010
Total public support	795,579	2,240	797,819	308,285	-	308,285	-	1,106,104
Revenue and transfers:								
Other income	103,226	-	103,226	37	-	37	(93,000)	10,263
Appropriations from endowment funds	253,756	-	253,756	244,916	-	244,916	-	498,672
Net assets released from restrictions	1,392	-	1,392	24,183	-	24,183	-	25,575
Total revenue and transfers	358,374	-	358,374	269,136	-	269,136	(93,000)	534,510
Total public support, revenue and transfers	1,153,953	2,240	1,156,193	577,421	-	577,421	(93,000)	1,640,614
Operating expenses:								
Conservation and stewardship	459,534	-	459,534	252,340	-	252,340	(16,792)	695,082
Leadership programs	144,558	-	144,558	44,916	-	44,916	(13,993)	175,481
Special projects	149,939	-	149,939	14,635	-	14,635	(11,195)	153,379
Community service	78,910	-	78,910	12,161	-	12,161	(9,329)	81,742
Culture and heritage	1,112	-	1,112	-	-	-	-	1,112
Communications	261,994	-	261,994	34,670	-	34,670	(18,658)	278,006
Total programs	1,096,047	-	1,096,047	358,722	-	358,722	(69,967)	1,384,802
Management and general	85,314	-	85,314	42,925	-	42,925	(11,838)	116,401
Development	122,251	-	122,251	15,432	-	15,432	(11,195)	126,488
Total support services	207,565	-	207,565	58,357	-	58,357	(23,033)	242,889
Total operating expenses	1,303,612	-	1,303,612	417,079	-	417,079	(93,000)	1,627,691
Change in net assets from operations	(149,659)	2,240	(147,419)	160,342	-	160,342	-	12,923
Other income (expenses):								
Investment income, net	-	84,250	84,250	5,505	20,872	26,377	-	110,627
Net realized and unrealized gains on investments	-	969,973	969,973	63,394	240,346	303,740	-	1,273,713
Appropriations from endowment funds	-	(253,756)	(253,756)	(18,213)	(226,703)	(244,916)	-	(498,672)
Endowment contributions, grants and other support	-	2,350	2,350	-	-	-	-	2,350
Net assets released from restrictions	-	(1,392)	(1,392)	-	(24,183)	(24,183)	-	(25,575)
Exchange loss	-	-	-	(585)	(444)	(1,029)	-	(1,029)
Total other income (expenses)	-	801,425	801,425	50,101	9,888	59,989	-	861,414
Increase (decrease) in net assets	(149,659)	803,665	654,006	210,443	9,888	220,331	-	874,337
Net assets, beginning of the year	98,295	5,037,827	5,136,122	208,993	1,377,592	1,586,585	-	6,722,707
Net assets, end of the year	\$ (51,364)	\$ 5,841,492	\$ 5,790,128	\$ 419,436	\$ 1,387,480	\$ 1,806,916	\$ -	\$ 7,597,044

See Independent Auditors' Report.

QUEBEC-LABRADOR FOUNDATION (CANADA), INC.

Statement of Financial Position (USD and CAD)

August 31, 2021

	USD	CAD
Assets		
Cash and cash equivalents	\$ 23,579	\$ 29,754
Short-term investments	12,126	15,302
Contributions receivable, net	103,160	130,176
Accounts receivable	177,802	224,365
Prepays and deposits	20,789	26,233
Investments - endowment	1,662,900	2,098,389
Total assets	\$ 2,000,356	\$ 2,524,219
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 20,349	\$ 25,678
Accrued expenses and other liabilities	10,487	13,234
Note payable	23,774	30,000
Due to U.S. Foundation	138,830	175,187
Total liabilities	193,440	244,099
Net assets:		
Without donor restrictions		
Undesignated	39,291	41,984
Designated by the Board for endowment	380,145	479,699
	419,436	521,683
With donor restrictions	1,387,480	1,758,437
Total net assets	1,806,916	2,280,120
Total liabilities and net assets	\$ 2,000,356	\$ 2,524,219

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, 2021

	USD			CAD		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue and transfers:						
Public support:						
Contributions	\$ 43,472	\$ -	\$ 43,472	\$ 55,150	\$ -	\$ 55,150
Government grants	250,323	-	250,323	317,569	-	317,569
Program and intern sponsorships	14,490	-	14,490	18,382	-	18,382
Total public support	308,285	-	308,285	391,101	-	391,101
Revenue and transfers:						
Other income	37	-	37	47	-	47
Appropriations from endowment funds	244,916	-	244,916	310,710	-	310,710
Net assets released from restrictions	24,183	-	24,183	30,679	-	30,679
Total revenue and transfers	269,136	-	269,136	341,436	-	341,436
Total public support, revenue and transfers	577,421	-	577,421	732,537	-	732,537
Operating expenses:						
Conservation and stewardship	252,340	-	252,340	320,127	-	320,127
Leadership programs	44,916	-	44,916	56,982	-	56,982
Special projects	14,635	-	14,635	18,567	-	18,567
Community service	12,161	-	12,161	15,428	-	15,428
Communications	34,670	-	34,670	43,984	-	43,984
Total programs	358,722	-	358,722	455,088	-	455,088
Management and general	42,925	-	42,925	54,825	-	54,825
Development	15,432	-	15,432	19,578	-	19,578
Total support services	58,357	-	58,357	74,403	-	74,403
Total operating expenses	417,079	-	417,079	529,491	-	529,491
Change in net assets from operations	160,342	-	160,342	203,046	-	203,046
Other income (expenses):						
Investment income, net	5,505	20,872	26,377	6,984	26,479	33,463
Net realized and unrealized gains on investments	63,394	240,346	303,740	80,424	304,912	385,336
Appropriations from endowment funds	(18,213)	(226,703)	(244,916)	(23,106)	(287,604)	(310,710)
Net assets released from restrictions	-	(24,183)	(24,183)	-	(30,679)	(30,679)
Exchange loss	(585)	(444)	(1,029)	(13,932)	(55,042)	(68,974)
Total other income (expenses)	50,101	9,888	59,989	50,370	(41,934)	8,436
Increase (decrease) in net assets	210,443	9,888	220,331	253,416	(41,934)	211,482
Net assets, beginning of the year	208,993	1,377,592	1,586,585	268,267	1,800,371	2,068,638
Net assets, end of the year	\$ 419,436	\$ 1,387,480	\$ 1,806,916	\$ 521,683	\$ 1,758,437	\$ 2,280,120

See Independent Auditors' Report.