

The Jewish Foundation of Manitoba

Financial Statements
December 31, 2015



May 17, 2016

Independent Auditor's Report

To the Board of Directors of The Jewish Foundation of Manitoba

We have audited the accompanying financial statements of The Jewish Foundation of Manitoba, which comprise the statement of financial position as at December 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Jewish Foundation of Manitoba as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

The Jewish Foundation of Manitoba

Statement of Financial Position

As at December 31, 2015

	2015 \$	2014 \$ (Restated - note 2)
Assets		
Current assets		
Cash	2,024,972	624,011
Accounts receivable	256,987	229,625
Prepaid expenses	38,108	52,501
	<u>2,320,067</u>	<u>906,137</u>
Other assets (note 3)	7,803	7,803
Investments - at fair value (note 4)	99,697,998	93,124,849
Investment in private company (note 5)	498,234	538,382
Real estate (note 6)	1,549,777	1,549,777
Capital assets (note 7)	134,711	148,696
Life insurance policies (note 8)	176,993	223,418
	<u>104,385,583</u>	<u>96,499,062</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	148,036	91,103
Grant commitments and distributions payable	2,666,447	1,605,082
	<u>2,814,483</u>	<u>1,696,185</u>
Commitments (note 10)		
Net assets		
Endowment Funds	92,489,732	85,801,023
Reserve Fund	6,747,192	8,251,423
Operating Fund	2,334,176	750,431
	<u>101,571,100</u>	<u>94,802,877</u>
	<u>104,385,583</u>	<u>96,499,062</u>

Approved by the Board of Directors

_____ Director _____ Director

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

The Jewish Foundation of Manitoba

Statement of Operations

For the year ended December 31, 2015

	2015 \$	2014 \$ (Restated - note 2)
Revenues		
Interest	750,758	1,001,433
Dividends	4,219,179	3,803,914
Realized gains on disposal of investments	4,136,579	2,714,512
Realized gain on disposal of capital assets	4,459	-
Grant income (note 11)	65,455	35,081
Rental and other income	11,452	11,482
	<hr/>	<hr/>
	9,187,882	7,566,422
Less: Investment counsel and custodial fees	(221,389)	(171,940)
	<hr/>	<hr/>
	8,966,493	7,394,482
Expenses		
Direct programming and marketing activities	130,948	346,409
Less: Cost recovery	(47,804)	(340,005)
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	83,144	6,404
Administrative and operating expenses	1,260,241	1,178,838
Amortization	46,303	44,033
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	1,389,688	1,229,275
Grant commitments		
Designated	2,774,111	2,461,575
Undesignated	566,065	432,172
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	3,340,176	2,893,747
	<hr/>	<hr/>
Excess of revenues over expenses before flow-through commitments	4,236,629	3,271,460
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Flow-through commitments		
Distributions to other organizations	313,279	1,452,420
Less: Gifts designated	(313,761)	(1,433,430)
Grants designated to other organizations (note 11)	(6,029)	(10,155)
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	(6,511)	8,835
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Excess of revenues over expenses and commitments for the year before the following	4,243,140	3,262,625
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Unrealized gains (losses) on investments	(826,712)	1,287,683
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Excess of revenues over expenses and commitments for the year	3,416,428	4,550,308
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The accompanying notes are an integral part of these financial statements.

The Jewish Foundation of Manitoba

Statement of Changes in Net Assets

For the year ended December 31, 2015

				2015	2014
	Operating Fund	Reserve Fund	Endowment Funds	Total	Total
		\$	\$	\$	\$
	\$				(Restated - note 2)
Balance - Beginning of year	750,431	8,251,423	85,801,023	94,802,877	87,000,856
Excess of revenues over expenses and commitments for the year	3,416,428	-	-	3,416,428	4,550,308
Contributions	-	-	3,351,795	3,351,795	3,251,713
Interfund transfers (note 13)	(1,832,683)	(1,504,231)	3,336,914	-	-
Balance - End of year	<u>2,334,176</u>	<u>6,747,192</u>	<u>92,489,732</u>	<u>101,571,100</u>	<u>94,802,877</u>

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

The Jewish Foundation of Manitoba

Statement of Cash Flows

For the year ended December 31, 2015

	2015 \$	2014 \$ (Restated - note 2)
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses and commitments for the year	3,416,428	4,550,308
Items not affecting cash		
Amortization	46,303	44,033
Unrealized (gains) losses on investments	826,712	(1,287,683)
Realized gains on disposal of investments	(4,136,579)	(2,714,512)
Realized gain on disposal of capital assets	(4,459)	-
Cash value decrease (increase) of life insurance policies	46,425	(7,901)
	<hr/>	<hr/>
	194,830	584,245
Changes in non-cash working capital items		
Accounts receivable	(27,362)	(225,415)
Prepaid expenses	14,393	(22,739)
Accounts payable and accrued liabilities	56,933	32,524
Grant commitments and distributions payable	1,061,365	558,648
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	1,300,159	927,263
Investing activities		
Purchase of investments - net	(3,223,134)	(4,639,561)
Purchase of capital assets	(32,318)	(10,081)
Proceeds on disposition of capital assets	4,459	-
	<hr/>	<hr/>
	(3,250,993)	(4,649,642)
Financing activities		
Contributions received for Endowment Funds	3,351,795	3,251,713
Deferred contribution	-	(996,310)
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	3,351,795	2,255,403
Net increase (decrease) in cash during the year	1,400,961	(1,466,976)
Cash - Beginning of year	624,011	2,090,987
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Cash - End of year	2,024,972	624,011
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The accompanying notes are an integral part of these financial statements.

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2015

1 Organization

The Jewish Foundation of Manitoba (the Foundation) was established in 1964 by way of a private bill by the Legislature of the Province of Manitoba. The Foundation was continued by The Jewish Foundation of Manitoba Act effective June 10, 2004 (amended September 13, 2013). The mission statement of the Foundation is as follows:

“The Jewish Foundation of Manitoba, in keeping with our Jewish heritage and values, encourages and facilitates the creation and growth of endowment funds to enable the community to realize its potential. The Foundation maintains effective stewardship over all assets entrusted to it; distributes grants that reflect donors’ wishes and community priorities; and provides leadership in the Jewish and general communities.”

The Foundation is a registered charity and is classified as a public foundation for purposes of the Income Tax Act (Canada).

2 Summary of significant accounting policies

Restatement of prior period balances

The prior year financial statements were restated to correct for an isolated error in the overstatement of the fair value of investments of \$2,926,670 as at December 31, 2014 (\$2,618,583 as at December 31, 2013). The financial statements for the year ended December 31, 2014 have been retrospectively restated to correct the error and the following financial statement line items have decreased by the following amounts:

	\$
Statement of Financial Position as at December 31, 2014	
Investments - at fair value	(2,926,670)
Net assets - Operating Fund	(2,926,670)
Net assets as at January 1, 2014	
Opening balance	(2,618,583)
Statement of Operations for the year ended December 31, 2014	
Unrealized gains on investments	(308,087)
Excess of revenues over expenses and commitments for the year	(308,087)

Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies:

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2015

Fund accounting

Operating Fund

The Operating Fund accounts for the Foundation's administrative and operating expenses, distributions of grants and revenues and expenses related to the Foundation's income earned and expended on the investments held in the Endowment Funds' balances.

Reserve Fund

The Reserve Fund is an internally restricted fund which accounts for cash and investments available to meet distribution needs during periods of adverse market conditions. The Foundation's objective is to maintain the Reserve Fund at a level commensurate to two years distribution as calculated in accordance with the current Distribution Policy, at the beginning of the year. As at December 31, 2015, the target balance of the Reserve Fund is approximately \$6,747,192 (2014 - \$8,251,000). The Reserve Fund balance at December 31, 2015 is \$6,747,192 (2014 - \$8,251,423).

Endowment Funds

Endowment Funds are externally restricted funds which are established by gifts and donations from donors to the Foundation in perpetuity. The investment income earned by these funds is either restricted by the donor for a specific use, or for the general use of the Foundation. Investment income earned on the resources of Endowment Funds is reported in the Operating Fund.

Interfund allocations

A surplus in the Operating Fund, after payment of expenses, grant commitments and allocation to maintain the Reserve Fund, may be capitalized into the Endowment Funds. The amount will be determined by the Board of Directors at such time.

Flow-through contributions

Flow-through contributions are donor-directed monies that "flow through" the Foundation to third party charitable organizations. In accordance with the Foundation's policy, a portion of the gift may be directed to third party organizations and the balance is contributed as permanent capital and establishes an endowment fund in the donor's name.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions.

External endowment contributions which primarily include donations of cash or marketable securities and bequests are added directly to the net assets of the appropriate funds within the Endowment Funds when the funds are received.

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2015

Investment income on Endowment Funds balances including interest, dividends, and realized and unrealized capital gains, is recognized as revenue in the Operating Fund when earned.

Grant income is recognized as revenue in the Operating Fund when received.

Donated artwork

Donated artwork is recorded at the appraised fair value at the time the donation is made.

Capital assets

Purchased capital assets are initially recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided for using the following methods and annual rates:

Computer and office equipment	straight-line over 3 years
Computer software	straight-line over 2 years
Donor development software	straight-line over 10 years
Leaseholds	straight-line over term of the lease

Life insurance policies

The cash surrender values of life insurance policies where the Foundation is the beneficial owner of the policy, are recorded as assets and contributions to the Endowment Funds. The net change in cash surrender value for the year is included in other income. Proceeds from the realization of life insurance policies are allocated to the Endowment Funds.

Grant commitments

Grant commitments are recorded in the year of approval. For multi-year grant commitments, the current portion, as determined by the Foundation, is accrued in the financial statements in the current year with the balance of the commitment disclosed in note 10.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2015

Financial instruments

a) Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments and investment in private company, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, accounts receivable and life insurance policies.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, grant commitments and distributions payable.

b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

3 Other assets

	2015 \$	2014 \$
Donated artwork	7,803	7,803

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2015

4 Investments

	2015		2014	
	Fair value \$	Cost \$	Fair value \$ (Restated - note 2)	Cost \$
Fixed income	35,278,596	34,199,333	32,605,097	31,681,726
Equity	64,419,402	50,815,277	60,519,752	48,492,393
	<u>99,697,998</u>	<u>85,014,610</u>	<u>93,124,849</u>	<u>80,174,119</u>

The significant financial risks to which the Foundation is exposed are interest rate risk, credit risk and foreign currency risk.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Foundation's cash flows, financial position and revenue. This risk arises from differences in the timing and amount of cash flows related to the Foundation's assets. The value of the Foundation's assets is affected by short-term changes in prevailing market interest rates and equity markets.

Foreign currency risk

Foreign currency risk arises from the Foundation's holdings of foreign securities. The amount of foreign securities held at December 31, 2015 is set out below. The Foundation does not engage in hedging transactions to reduce its exposure to foreign currency fluctuations.

Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they come due. The Foundation manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash. Trade accounts payable and accrued liabilities are generally paid within 30 days.

Other price risk

Other price risk exists where a significant portion of the portfolio is invested in securities which have similar characteristics or obey similar variations relating to economic or political conditions. The portfolio includes the following concentrations:

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2015

		2015		2014
	%	Fair value \$	%	Fair value \$ (Restated - note 2)
Fixed income				
Canadian				
Federal	11.90	11,866,402	12.46	11,603,729
Provincial	11.20	11,166,606	10.65	9,919,317
Corporate	9.84	9,813,890	9.75	9,077,111
Municipal	0.64	636,179	0.64	592,664
Israel - government	1.80	1,795,519	1.51	1,412,276
	35.38	35,278,596	35.01	32,605,097
Equity				
Canada	18.22	18,161,396	19.78	18,412,947
United States	20.23	20,171,365	19.81	18,452,566
International	26.17	26,086,641	25.40	23,654,239
	64.62	64,419,402	64.99	60,519,752
	100.00	99,697,998	100.00	93,124,849

5 Investment in private company

In 2009, the Foundation received a bequest of shares representing 30% interest in a private holding company. This investment is neither traded in an active market nor has a quoted fair value. Its fair value of \$498,234 as at December 31, 2015 (2014 - \$538,382) was determined by calculating the Foundation's interest in the fair value of the net assets of the company. The fair value is assessed annually.

6 Real estate

	2015 \$	2014 \$
Land at Middlechurch	1,215,777	1,215,777
The Faye-Parks Micay House	334,000	334,000
	1,549,777	1,549,777

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2015

Land at Middlechurch, Manitoba, consisting of approximately 248 acres was received as a Founders' Gift from the following:

Joseph Halprin	50%
Samuel Werier	25%
Abe Werier	25%

7 Capital assets

	2015		2014	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer and office equipment	44,520	20,097	24,423	16,923
Computer Software	5,260	5,260	-	2,248
Donor development software	91,855	62,635	29,220	36,080
Leaseholds	158,774	77,706	81,068	93,445
	<u>300,409</u>	<u>165,698</u>	<u>134,711</u>	<u>148,696</u>

8 Life insurance policies

	2015 \$	2014 \$
Cash surrender value of beneficial ownership policies - beginning of year	223,418	215,517
Cash surrender value increment - net	<u>(46,425)</u>	<u>7,901</u>
Cash surrender value of beneficial ownership policies - end of year	<u>176,993</u>	<u>223,418</u>

Proceeds receivable upon the realization of these policies will be approximately \$4,385,000 (2014 - \$4,500,000).

9 Government remittances

Government remittances consist of amounts (such as sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$nil (2014 - \$nil) is included within accounts payable and accrued liabilities.

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2015

10 Commitments

- a) During 2012, the Foundation made a commitment to the Assiniboine Park Conservancy to provide \$150,000 over a five-year period starting in 2015 from the undesignated grant commitments expense.
- b) During 2013, the Foundation made a commitment to the Canadian Museum of Human Rights to provide \$50,000 over an eight-year period starting in 2015.
- c) The Foundation has an agreement with the Jewish Community Campus of Winnipeg to license 2,200 square feet of office space which expires August 31, 2021. The estimated commitment in 2016 is \$42,200.

11 The Jewish Foundation of Manitoba USA, Inc.

During 2004, the Foundation established a charitable organization in the United States to facilitate tax deductible contributions to residents of the United States. On January 20, 2004, the Jewish Foundation of Manitoba USA, Inc. (the Organization) was incorporated in the State of Illinois. The Organization is exempt from Federal income tax under Section 501 (c) (3) of the Internal Revenue Code. The Foundation maintains the exclusive right to appoint the Organization's Board of Directors.

The Organization is deemed a "Supporting Organization" for the sole purpose of supporting the charitable purpose of the Foundation under Section 509 (a) (3) of the Internal Revenue Code. A Supporting Organization operates as a "public charity" under the Internal Revenue Code. Contributions to a public charity are deductible up to 50% (30% non-cash) of a taxpayer's Adjusted Gross Income (AGI).

It is the policy of the Organization to distribute all contributions received during the year to the Foundation in the form of a grant. During 2015, the Organization received contributions in the amount of \$71,484 (2014 - \$50,710), which was distributed to the Foundation as a grant. Of this amount, \$65,455 (2014 - \$35,081) was allocated to the Endowment Funds, \$6,029 (2014 - \$10,155) was distributed or shall be distributed to other organizations as a flow-through commitment.

12 Residuary interests

The Foundation has a residuary interest in various estates or trusts which continue to be administered by executors and trustees and for which no values have been recorded in these financial statements.

13 Interfund transfers

In 2015, an interfund transfer of \$3,336,914 (2014 - \$35,081) was made from the Operating Fund to the Endowment Funds. Also in 2015, an interfund transfer of \$1,504,231 was made from the Reserve Fund to the Operating Fund (2014 - \$1,146,213 from the Operating Fund to the Reserve Fund).