

The Jewish Foundation of Manitoba

Financial Statements
December 31, 2017



May 23, 2018

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, 2017 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.

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, 2017 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

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The Jewish Foundation of Manitoba

Statement of Financial Position

As at December 31, 2017

	2017 \$	2016 \$
Assets		
Current assets		
Cash	2,838,022	829,595
Accounts receivable	196,992	232,642
Prepaid expenses	75,746	68,061
	<u>3,110,760</u>	<u>1,130,298</u>
Other assets (note 3)	7,803	7,803
Investments - at fair value (note 4)	113,691,253	104,574,852
Investment in private company	-	446,267
Real estate (note 5)	1,239,000	1,549,777
Capital assets (note 6)	94,909	113,854
Cash surrender value of life insurance (note 7)	197,872	191,821
	<u>118,341,597</u>	<u>108,014,672</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	163,709	96,223
Grant commitments and distributions payable	2,622,160	1,208,186
	<u>2,785,869</u>	<u>1,304,409</u>
Encroachable funds payable (note 2)	1,300,000	-
	<u>4,085,869</u>	<u>1,304,409</u>
Commitments (note 9)		
Net assets		
Operating Fund	3,154,003	688,193
Reserve Fund	8,420,000	7,400,000
Endowment Funds	102,681,725	98,622,070
	<u>114,255,728</u>	<u>106,710,263</u>
	<u>118,341,597</u>	<u>108,014,672</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, 2017

	2017 \$	2016 \$
Revenues		
Interest	1,185,247	1,261,747
Dividends	5,459,639	2,718,758
Realized gains on disposal of investments	10,616,336	1,625,711
Grant income (note 10)	19,077	29,728
Rental income and other	(972)	10,670
	<u>17,279,327</u>	<u>5,646,614</u>
Less: Investment counsel and custodial fees	(229,339)	(223,754)
	<u>17,049,988</u>	<u>5,422,860</u>
Expenses		
Direct programming and marketing activities	134,329	99,568
Less: Cost recovery	(29,854)	(32,699)
	<u>104,475</u>	<u>66,869</u>
Administrative and operating expenses	1,527,309	1,348,577
Amortization	43,992	43,630
	<u>1,675,776</u>	<u>1,459,076</u>
Write-down on real estate (note 5)	310,777	-
	<u>1,986,553</u>	<u>1,459,076</u>
Grant commitments		
Designated	3,154,686	3,144,463
Undesignated	1,391,053	414,739
	<u>4,545,739</u>	<u>3,559,202</u>
Excess of revenues over expenses before flow-through commitments	<u>10,517,696</u>	<u>404,582</u>
Flow-through commitments		
Distributions to other organizations	616,037	770,932
Less: Gifts designated	(569,376)	(729,054)
Grants designated to other organizations (note 10)	(48,661)	(45,376)
	<u>(2,000)</u>	<u>(3,498)</u>
Excess of revenues over expenses and commitments for the year before the following	<u>10,519,696</u>	<u>408,080</u>
Unrealized gains (losses) on investments	<u>(7,014,809)</u>	<u>576,265</u>
Excess of revenues over expenses and commitments for the year	<u>3,504,887</u>	<u>984,345</u>

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, 2017

				2017	2016
	Operating Fund	Reserve Fund	Endowment Funds	Total	Total
	\$	\$	\$	\$	\$
Balance - Beginning of year	688,193	7,400,000	98,622,070	106,710,263	101,571,100
Excess of revenues over expenses and commitments for the year	3,504,887	-	-	3,504,887	984,345
Contributions	-	-	4,040,578	4,040,578	4,154,818
Interfund transfers (note 12)	(1,039,077)	1,020,000	19,077	-	-
Balance - End of year	3,154,003	8,420,000	102,681,725	114,255,728	106,710,263

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, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses and commitments for the year	3,504,887	984,345
Items not affecting cash		
Amortization	43,992	43,630
Unrealized loss (gain) on investments	7,014,809	(576,265)
Write-down on real estate	310,777	-
Increase in cash surrender value of life insurance policies	(6,051)	(14,828)
	<hr/>	<hr/>
	10,868,414	436,882
Changes in non-cash working capital items		
Accounts receivable	35,650	24,345
Prepaid expenses	(7,685)	(29,953)
Accounts payable and accrued liabilities	67,486	(51,813)
Grant commitments and distributions payable	1,413,974	(1,458,261)
	<hr/>	<hr/>
	12,377,839	(1,078,800)
Investing activities		
Purchase of investments - net	(15,684,943)	(4,248,622)
Purchase of capital assets	(25,047)	(22,773)
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	(15,709,990)	(4,271,395)
Financing activities		
Contributions received for endowment funds	4,040,578	4,154,818
Contributions received for encroachable funds	1,300,000	-
	<hr/>	<hr/>
	5,340,578	4,154,818
Net increase (decrease) in cash during the year	2,008,427	(1,195,377)
Cash - Beginning of year	829,595	2,024,972
	<hr/>	<hr/>
Cash - End of year	2,838,022	829,595
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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, 2017

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

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:

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 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, 2017, the target balance of the Reserve Fund is approximately \$8,420,000 (2016 - \$7,400,000). The Reserve Fund balance at December 31, 2017 is \$8,420,000 (2016 - \$7,400,000).

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Notes to Financial Statements

December 31, 2017

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 to the extent unrestricted, 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.

Encroachable funds

Encroachable Funds are monies that are beneficially owned by one organization; the income and capital held in trust by the Foundation for the benefit of that organization. These monies are separately identified, maintained and accounted for as an obligation of the Foundation as they are callable by the organization. In the event the Foundation is unable to satisfy and pay its general obligation, then the organization shall be entitled to first priority and claim in respect of the principal and any applicable income accruing.

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.

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, as appropriate.

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.

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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

Cash surrender value of life insurance

The Foundation's investments in life insurance are recorded at the cash surrender value which represents the net recoverable value should they be cashed. 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 9.

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.

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, investment in private company and life insurance policies, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable.

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

	2017 \$	2016 \$
Donated artwork	7,803	7,803

4 Investments

	2017		2016	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Fixed income	38,921,776	40,459,522	35,613,888	36,889,697
Equity	73,728,930	71,729,097	67,691,030	58,914,778
Real Estate	1,040,547	1,017,000	-	-
	113,691,253	113,205,619	103,304,918	95,804,475
Cash dividend in transit	-	-	1,269,934	1,269,934
	113,691,253	113,205,619	104,574,852	97,074,409

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

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Interest rate risk

Interest rate risk refers to the 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.

Foreign currency risk

Foreign currency risk arises from the Foundation's holdings of foreign securities. The amount of foreign securities held at December 31, 2017 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. Grant commitments are disclosed in note 9.

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Other price risk

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

	2017		2016	
	%	Fair value \$	%	Fair value \$
Fixed income				
Canadian				
Federal	11.51	13,086,720	11.67	12,057,351
Provincial	10.88	12,364,319	10.98	11,338,211
Corporate	9.13	10,388,991	9.27	9,580,688
Municipal	0.65	740,552	0.61	628,407
Israel - government	2.06	2,341,194	1.94	2,009,231
	34.23	38,921,776	34.47	35,613,888
Equity				
Canada	19.45	22,113,499	20.46	21,135,936
United States	19.47	22,131,781	18.91	19,535,600
International	25.93	29,483,650	26.16	27,019,494
	64.85	73,728,930	65.53	67,691,030
Real Estate				
Canada	0.92	1,040,547	-	-
	100.00	113,691,253	100.00	103,304,918

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Notes to Financial Statements

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5 Real estate

	2017 \$	2016 \$
Land at Middlechurch (note 13)	905,000	1,215,777
The Faye-Parks Micay House	334,000	334,000
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	1,239,000	1,549,777
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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%

During the year, the Foundation determined that the land at Middlechurch was impaired and accordingly recorded an impairment of \$310,777.

6 Capital assets

	<hr/>		2017	<hr/>		2016
	Cost \$	Accumulated amortization \$	Net \$	Net \$	Net \$	Net \$
Computer and office equipment	59,114	39,076	20,038	23,150	23,150	23,150
Computer software	9,725	8,963	762	4,100	4,100	4,100
Donor development software	35,475	10,679	24,796	21,414	21,414	21,414
Leaseholds	158,774	109,461	49,313	65,190	65,190	65,190
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	263,088	168,179	94,909	113,854	113,854	113,854
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Notes to Financial Statements

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7 Life insurance policies

	2017 \$	2016 \$
Cash surrender value of beneficial ownership policies - beginning of year	191,821	176,993
Cash surrender value increment - net	6,051	14,828
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Cash surrender value of beneficial ownership policies - end of year	197,872	191,821

Proceeds receivable upon the realization of these policies will be approximately \$4,485,000 (2016 - \$4,385,000).

8 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 (2016 - \$nil) is included within accounts payable and accrued liabilities.

9 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) During 2017, the Foundation made a commitment to the United Way to provide \$125,000 over a five-year period starting in 2017.
- d) The Foundation has an agreement with the Jewish Community Campus of Winnipeg to license 2,374 square feet of office space which expires August 31, 2021. During 2018, the Foundation anticipates increasing the licensed square footage to 3,556 square feet with an estimated commitment of \$75,000. For the remainder of the agreement, the estimated commitment is approximately \$75,000 per annum.

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10 The Jewish Foundation of Manitoba USA, Inc.

During 2004, the Foundation established a charitable organization in the United States to facilitate tax deductible contributions from 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 2017, the Organization received contributions in the amount of \$67,738 (2016 - \$75,104), which was distributed to the Foundation as a grant. Of this amount, \$19,077 (2016 - \$29,728) was allocated to the Endowment Funds, \$48,661 (2016 - \$45,376) was distributed or shall be distributed to other organizations as a flow-through commitment.

11 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.

12 Interfund transfers

In 2017, an interfund transfer of \$19,077 (2016 - \$1,977,520) was made from the Operating Fund to the Endowment Funds. Also in 2017, an interfund transfer of \$1,020,000 (2016 - \$652,808) was made from the Operating Fund to the Reserve Fund.

13 Subsequent event

On April 2, 2018, the Foundation consummated a sale of the land at Middlechurch. The net proceeds from the disposition of the property was \$905,000.

