The Jewish Foundation of Manitoba

Financial Statements
December 31, 2018

Independent auditor's report

To the Board of Directors of The Jewish Foundation of Manitoba

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Jewish Foundation of Manitoba (the Foundation) as at December 31, 2018 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.

What we have audited
The Foundation's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence
We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 22, 2019

The Jewish Foundation of Manitoba

Statement of Financial Position

As at December 31, 2018

	2018 $	2017 $
Assets		
Current assets		
Cash	2,296,243	2,838,022
Accounts receivable	29,847	196,992
Prepaid expenses	73,889	75,746
	2,399,979	3,110,760
Other assets (note 3)	7,803	7,803
Investments - at fair value (note 4)	117,249,582	113,691,253
Real estate (note 5)	334,000	1,239,000
Capital assets (note 6)	83,347	94,909
Cash surrender value of life insurance (note 7)	199,933	197,872
	120,274,644	118,341,597
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	191,112	163,709
Grant commitments and distributions payable	2,491,242	2,622,160
	2,682,354	2,785,869
Encroachable funds payable (note 2)	5,523,515	1,300,000
	8,205,869	4,085,869
Commitments (note 9)		
Net assets		
Operating Fund	(2,199,729)	3,154,003
Reserve Fund	-	8,420,000
Endowment Funds	114,268,504	102,681,725
	112,068,775	114,255,728
	120,274,644	118,341,597

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, 2018

	2018 $	2017 $
Revenues		
Interest	1,416,959	1,185,247
Dividends	7,546,687	5,459,639
Realized gains on disposal of investments	1,227,772	10,616,336
Realized gain on sale of real estate	659	-
Realized loss on disposal of equipment	(1,537)	-
Grant income (note 10)	32,769	19,077
Rental income and other	-	(972)
	10,223,309	17,279,327
Less: Investment counsel and custodial fees	(227,872)	(229,339)
	9,995,437	17,049,988
Expenses		
Direct programming and marketing activities	126,985	134,329
Less: Cost recovery	(26,710)	(29,854)
	100,275	104,475
Administrative and operating expenses	1,741,367	1,527,309
Amortization	44,278	43,992
	1,885,920	1,675,776
Write-down on real estate (note 5)	-	310,777
	1,885,920	1,986,553
Grant commitments		
Designated	3,879,401	3,154,686
Undesignated	679,393	1,391,053
	4,558,794	4,545,739
Excess of revenues over expenses before flow-through commitments	3,550,723	10,517,696
Flow-through commitments		
Distributions to other organizations	788,499	616,037
Less: Gifts designated	(2,203)	(569,376)
Grants designated to other organizations (note 10)	(9,329)	(48,661)
	776,967	(2,000)
Excess of revenues over expenses and commitments for the year before the following	2,773,756	10,519,696
Unrealized losses on investments	(12,509,964)	(7,014,809)
Excess (deficiency) of revenues over expenses and commitments for the year	(9,736,208)	3,504,887

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, 2018

				2018	2017
	Operating Fund $	**Reserve Fund $**	**Endowment Funds $**	**Total $**	**Total $**
Balance – Beginning of year	3,154,003	8,420,000	102,681,725	114,255,728	106,710,263
		-			
Excess (deficiency) of revenues over expenses and commitments for the year	(9,736,208)	-	-	(9,736,208)	3,504,887
Contributions	-	-	7,549,255	7,549,255	4,040,578
Interfund transfers (note 12)	4,382,476	(8,420,000)	4,037,524	-	-
Balance – End of year	(2,199,729)	-	114,268,504	112,068,775	114,255,728

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, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses and grant commitments for the year	(9,736,208)	3,504,887
Items not affecting cash		
Amortization	44,278	43,992
Unrealized loss on investments	12,509,964	7,014,809
Write-down on real estate	-	310,777
Realized loss on disposal of equipment	1,537	-
Realized gain on sale of real estate	(659)	-
Realized gain on disposal of investments	(1,227,772)	(10,616,336)
Increase in cash surrender value of life insurance policies	(2,061)	(6,051)
	1,589,079	252,078
Changes in non-cash working capital items		
Accounts receivable	167,145	35,650
Prepaid expenses	1,857	(7,685)
Accounts payable and accrued liabilities	27,403	67,486
Grant commitments and distributions payable	(130,918)	1,413,974
	1,654,566	1,761,503
Investing activities		
Purchase of investments	(24,164,838)	(35,533,083)
Proceeds from investments	9,324,317	30,464,476
Purchase of capital assets – net	(34,253)	(25,047)
Proceeds from the sale of real estate	905,659	-
	(13,969,115)	(5,093,654)
Financing activities		
Contributions received for endowment funds	7,549,255	4,040,578
Contributions received for encroachable funds	4,223,515	1,300,000
	11,772,770	5,340,578
Net increase (decrease) in cash during the year	(541,779)	2,008,427
Cash – Beginning of year	2,838,022	829,595
Cash – End of year	2,296,243	2,838,022

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

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, 2018, the target balance of the Reserve Fund is approximately $10,030,000 (2017 – $8,420,000). The Reserve Fund balance at December 31, 2018 is $nil (2017 – $8,420,000).

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, 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.

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 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.

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

	2018 $	2017 $
Donated artwork	7,803	7,803

4 Investments

	2018		2017	
	Fair value $	Cost $	Fair value $	Cost $
Fixed income	42,054,390	44,286,454	38,921,776	40,459,473
Equity	71,810,621	81,718,136	73,728,930	71,729,097
Real Estate	3,384,571	3,269,273	1,040,547	1,017,000
	117,249,582	129,273,863	113,691,253	113,205,570

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

Interest rate risk

Interest rate risk refers to the consequences of interest rate changes in the Foundation's cash flows, financial position and interest 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, 2018 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, 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.

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:

	2018		2017	
	%	Fair value $	%	Fair value $
Fixed income				
Canadian				
Federal	11.70	13,722,468	11.51	13,086,720
Provincial	11.30	13,245,640	10.88	12,364,319
Corporate	9.90	11,608,853	9.13	10,388,991
Municipal	0.67	789,501	0.65	740,552
Israel – government	2.29	2,687,928	2.06	2,341,194
	35.86	42,054,390	34.23	38,921,776
Equity				
Canada	17.60	20,633,625	19.45	22,113,499
United States	18.77	22,007,791	19.47	22,131,781
International	24.88	29,169,205	25.93	29,483,650
	61.25	71,810,621	64.85	73,728,930
Real Estate				
Canada	2.89	3,384,571	0.92	1,040,547
	100.00	117,249,582	100.00	113,691,253

5 Real estate

	2018 $	2017 $
Land at Middlechurch	-	905,000
The Faye-Parks Micay House	334,000	334,000
	334,000	1,239,000

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%

In 2017, the Foundation determined that the land at Middlechurch was impaired and accordingly recorded an impairment of $310,777. In 2018, the Foundation sold the land at Middlechurch for net proceeds of $905,659. The Foundation recorded a gain of $659 as a result of the sale. The net proceeds from the sale were allocated to the *Halprin & Werier (Founders) Gift Fund.*

6 Capital assets

			2018	2017
	Cost $	Accumulated amortization $	Net $	Net $
Computer and office equipment	41,947	23,577	18,370	20,038
Computer software	21,927	11,726	10,201	762
Donor development software	34,550	13,209	21,341	24,796
Leaseholds	158,774	125,339	33,435	49,313
	257,198	173,851	83,347	94,909

7 Life insurance policies

	2018 $	2017 $
Cash surrender value of beneficial ownership policies – beginning of year	197,872	191,821
Cash surrender value increment – net	2,061	6,051
Cash surrender value of beneficial ownership policies – end of year	199,933	197,872

Proceeds receivable upon the realization of these policies will be approximately $5,183,000 (2017 – $4,485,000).

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 (2017 – $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) During 2018, the Foundation made a commitment to Camp Massad to provide $100,000 to be paid in 2019.

e) 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. For the remainder of the agreement, the estimated commitment is approximately $46,000 per annum.

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 2018, the Organization received contributions in the amount of $42,098 (2017 – $67,738) which was distributed to the Foundation as a grant. Of this amount, $32,769 (2017 – $19,077) was allocated to the Endowment Funds, $9,329 (2017 – $48,661) 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 2018, interfund transfers of $4,382,476 and $4,037,524 were made from the Reserve Fund to the Operating Fund and the Endowment Funds, respectively.

- In 2017, interfund transfers of $19,077 and $1,020,000 were made from the Operating Fund to the Endowment Funds and Reserve Fund, respectively.

13 Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.