

The Jewish Foundation of Manitoba

Financial Statements
December 31, 2022



Independent auditor's report

To the 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, 2022 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, 2022;
- 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 significant accounting policies and other explanatory information.

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.

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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 31, 2023

The Jewish Foundation of Manitoba

Statement of Financial Position

As at December 31, 2022

	2022 \$	2021 \$
Assets		
Current assets		
Cash	1,766,150	1,357,432
Accounts receivable	16,143	20,115
Prepaid expenses	87,007	95,753
	<u>1,869,300</u>	<u>1,473,300</u>
Other assets (note 3)	7,803	7,803
Investments – at fair value (note 4)	145,776,947	160,199,024
Real estate (note 5)	334,000	334,000
Capital assets (note 6)	28,215	25,702
Cash surrender value of life insurance (note 7)	209,663	209,663
	<u>148,225,928</u>	<u>162,249,492</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	211,889	262,204
Grant commitments and distributions payable	4,842,204	3,197,706
	<u>5,054,093</u>	<u>3,459,910</u>
Loan payable (note 9)	60,000	60,000
Encroachable funds payable (note 2)	6,214,577	5,971,279
	<u>11,328,670</u>	<u>9,491,189</u>
Net assets		
Operating Fund	(8,827,925)	15,550,387
Reserve Fund	4,950,350	10,163,550
Endowment Funds	140,774,833	127,044,366
	<u>136,897,258</u>	<u>152,758,303</u>
	<u>148,225,928</u>	<u>162,249,492</u>
Commitments (note 10)		

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, 2022

	2022 \$	2021 \$
Revenue		
Interest	1,947,232	1,609,667
Dividends	13,218,864	12,865,534
Realized gain on disposal of investments	5,172,366	4,297,468
Grant income (note 11)	3,102	7,000
Rental income and other (note 5)	1	100
	<u>20,341,565</u>	<u>18,779,769</u>
Less: Investment counsel and custodial fees	412,249	376,800
	<u>19,929,316</u>	<u>18,402,969</u>
Expenses		
Direct programming and marketing activities	56,157	45,762
Administrative and operating	1,781,562	1,763,295
Amortization	23,556	18,081
	<u>1,861,275</u>	<u>1,827,138</u>
Grant commitments		
Designated	5,868,989	4,609,678
Community impact	1,192,609	1,175,880
	<u>7,061,598</u>	<u>5,785,558</u>
Excess of revenue over expenses before flow-through commitments	<u>11,006,443</u>	<u>10,790,273</u>
Flow-through commitments		
Gifts designated	(954,437)	(841,874)
Less: Grants designated to other organizations (note 11)	6,261	-
Distributions to (from) other organizations	711,757	(223,938)
	<u>(236,419)</u>	<u>(1,065,812)</u>
Excess of revenue over expenses and commitments before the following	11,242,862	11,856,085
Change in unrealized loss on investments and redemption amount of encroachable funds	<u>(31,831,272)</u>	<u>(1,092,147)</u>
(Deficiency) excess of revenue over expenses and commitments for the year	<u>(20,588,410)</u>	<u>10,763,938</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, 2022

				2022	2021
	Operating Fund \$	Reserve Fund \$	Endowment Funds \$	Total \$	Total \$
Balance – Beginning of year	15,550,387	10,163,550	127,044,366	152,758,303	138,709,170
(Deficiency) excess of revenue over expenses and commitments for the year	(20,588,410)	-	-	(20,588,410)	10,763,938
Contributions	-	-	4,727,365	4,727,365	3,285,195
Interfund transfer	(9,000,000)	-	9,000,000	-	-
Interfund transfers	5,210,098	(5,213,200)	3,102	-	-
Balance – End of year	(8,827,925)	4,950,350	140,774,833	136,897,258	152,758,303

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, 2022

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenue over expenses and grant commitments for the year	(20,588,410)	10,763,938
Items not affecting cash		
Amortization	23,556	18,081
Unrealized loss on investments and change in redemption amount of encroachable funds	31,831,272	1,092,147
Realized gain on disposal of investments	(5,172,366)	(4,297,468)
Increase in cash surrender value of life insurance policies	-	(15,737)
	<u>6,094,052</u>	<u>7,560,961</u>
Changes in non-cash working capital items		
Accounts receivable	3,972	78,994
Prepaid expenses	8,745	(3,372)
Accounts payable and accrued liabilities	(50,315)	84,874
Grant commitments and distributions payable	1,644,498	(425,906)
	<u>7,700,952</u>	<u>7,295,551</u>
Investing activities		
Purchase of investments	(15,083,104)	(18,123,418)
Proceeds from investments	3,089,573	7,028,413
Purchase of capital assets – net	(26,068)	(16,567)
	<u>(12,019,599)</u>	<u>(11,111,572)</u>
Financing activities		
Contributions received for Endowment Funds	4,727,365	3,285,195
Proceeds from lending activities	-	20,000
	<u>4,727,365</u>	<u>3,305,195</u>
Increase (decrease) in cash during the year	408,718	(510,826)
Cash – Beginning of year	<u>1,357,432</u>	<u>1,868,258</u>
Cash – End of year	<u>1,766,150</u>	<u>1,357,432</u>

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

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2022

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 revenue 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 that 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 of distributions as calculated in accordance with the current distribution policy at the beginning of the year. As at December 31, 2022, the board-mandated target balance of the Reserve Fund was approximately \$12,642,200 (2021 – \$10,163,550). The Reserve Fund balance as at December 31, 2022 was \$4,950,350 (2021 – \$10,163,550).

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- Endowment Funds

Endowment Funds are externally restricted funds that 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 two organizations; specifically, the income and capital held in trust by the Foundation for the benefit of those organizations. These monies are separately identified, maintained and accounted for as an obligation of the Foundation as they are callable by the organizations at the fair value of the respective contribution at each quarter-end. In the event the Foundation is unable to satisfy and pay its general obligation, then the organizations shall be entitled to priority 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.

The Jewish Foundation of Manitoba

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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
Software and applications (except annual licensing fees)	straight-line over 5 to 10 years
Leaseholds	straight-line over the 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 the investments 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 commitments 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

Financial instruments

- 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 Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2022

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 and grant commitments and distributions payable. Encroachable funds payable are redeemable at the option of the beneficially owned organization and are recorded at the amount payable on demand under certain notice provisions.

- 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 writedown 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

	2022 \$	2021 \$
Donated artwork	7,803	7,803

4 Investments

	2022		2021	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Canadian fixed income	21,917,740	26,142,391	27,911,035	28,474,166
Global fixed income	10,033,111	11,115,602	10,657,674	10,639,427
State of Israel bonds	2,437,383	2,401,295	1,973,959	1,916,377
Commercial mortgages	11,387,604	12,075,272	10,303,734	10,382,296
Equity	87,077,185	112,938,887	97,547,307	95,452,492
Real estate	5,968,928	4,399,990	5,509,805	4,399,990
Infrastructure	6,954,996	5,346,031	6,295,510	5,312,284
	<u>145,776,947</u>	<u>174,419,468</u>	<u>160,199,024</u>	<u>156,577,032</u>

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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 as at December 31, 2022 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 10.

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:

	2022		2021	
	%	Fair value \$	%	Fair value \$
Fixed income				
Canadian				
Federal	5.48	7,982,441	5.58	8,920,367
Provincial	5.18	7,555,045	6.56	10,502,922
Corporate	4.04	5,889,297	4.88	7,823,463
Municipal	0.33	475,615	0.40	644,745
Other	0.01	15,342	0.01	19,538
Global	6.88	10,033,111	6.65	10,657,674
State of Israel	1.67	2,437,383	1.23	1,973,959
Commercial mortgages	7.81	11,387,604	6.43	10,303,734
	31.40	45,775,838	31.74	50,846,402

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2022

Equity				
Canada	14.44	21,051,138	15.89	25,454,009
United States	19.46	28,370,220	20.13	32,253,822
International	25.83	37,655,827	24.87	39,839,476
	59.73	87,077,185	60.89	97,547,307
Real estate				
Canada	4.09	5,968,928	3.44	5,509,805
Infrastructure	4.78	6,954,996	3.93	6,295,510
	100.00	145,776,947	100.00	160,199,024

5 Real estate

	2022	2021
	\$	\$
The Faye-Parks Micay House	334,000	334,000

The space in Faye-Parks Micay House is rented to Shalom Residences Inc. for an amount of \$1 for which the estimated fair value is approximately \$22,000 annually.

6 Capital assets

	2022		2021	
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Computer and office equipment	63,228	36,495	26,733	21,740
Donor development software	-	-	-	1,692
Leaseholds	4,811	3,329	1,482	2,270
	68,039	39,824	28,215	25,702

7 Life insurance policies

	2022	2021
	\$	\$
Cash surrender value of beneficial ownership policies – Beginning of year	209,663	193,926
Cash surrender value increment – net	-	15,737
Cash surrender value of beneficial ownership policies – End of year	209,663	209,663

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Proceeds receivable on the realization of these policies will be approximately \$4,759,422 (2021 – \$5,086,922).

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 (2021 – \$nil) is included within accounts payable and accrued liabilities.

9 Loan payable

During 2020, the Foundation borrowed \$40,000 under the Canada Emergency Business Account (CEBA) program. Furthermore, during 2021, the Foundation borrowed an additional \$20,000 under the CEBA program. If the Foundation repays 67% of the loan (\$40,000) by December 31, 2023, the remaining amount of \$20,000 shall be forgiven by the lender. Ultimately, the loan must be repaid no later than December 31, 2025. If the Foundation repays the loan by December 31, 2023, no interest shall accrue on the loan. Interest will accrue at a rate of 5.0% per annum after December 31, 2023. In 2022, there were no payments made on the loan.

10 Commitments

- During 2019, the Foundation made a commitment to Chesed Shel Emes to provide \$180,000 over a five-year period starting in 2019. As at December 31, 2022, \$72,000 had been paid (2021 – \$36,000).
- During 2021, the Foundation made a commitment to the Canadian Museum for Human Rights to provide \$150,000 over a five-year period starting in 2021. As at December 31, 2022, \$60,000 had been paid (2021 – \$30,000).
- During 2022, the Foundation made a commitment to the Congregation Shaarey Zedek to provide \$500,000 over a five-year period starting in 2022. As at December 31, 2022, \$nil had been paid (2021 – \$nil).
- The Foundation has an agreement with the Jewish Community Campus of Winnipeg to license 2,684 square feet of office space, which expires on August 31, 2023. The estimated commitment for 2023 is approximately \$59,000.

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 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 Jewish Foundation of Manitoba

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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 for up to 50% (30% non-cash) of a taxpayer's adjusted gross income.

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 2022, the Organization received contributions in the amount of \$9,362 (2021 – \$15,186), which was distributed to the Foundation as a grant. Of this amount, \$3,102 (2021 – \$nil) was allocated to the Endowment Funds and \$6,261 (2021 – \$15,186) 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 2022, interfund transfers of \$5,210,098 and \$3,102 were made from the Reserve Fund to the Operating Fund and Endowment Funds, respectively. Additionally, an interfund transfer of \$9,000,000 was made from the Operating Fund to the Endowment Funds.
- In 2021, interfund transfers of \$262,850 and \$nil were made from the Operating Fund to the Reserve Fund and Endowment Funds, respectively.