

JEWISH COMMUNITY FOUNDATION OF MONTREAL

FINANCIAL STATEMENTS

MARCH 31, 2018

**JEWISH COMMUNITY FOUNDATION OF MONTREAL
FINANCIAL STATEMENTS
MARCH 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Jewish Community Foundation of Montreal

We have audited the accompanying financial statements of the Jewish Community Foundation of Montreal, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in net assets and cash flows for the year then ended, and 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 Community Foundation of Montreal as at March 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.

FL Fuller Landau LLP

Montreal, August 14, 2018

¹CPA auditor, CA, public accountancy permit No. A110146



JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018
(IN THOUSANDS OF DOLLARS)

	Restricted fund \$	Unrestricted fund \$	Total \$	Trust Funds \$	2018 Total fund balances \$	2017 Total fund balances \$
ASSETS						
Cash and cash equivalents	44,367	65	44,432	146	44,578	19,055
Loans receivable (Note 3)	25,450	263	25,713	-	25,713	8,578
Other assets (Note 4)	8,027	1,416	9,443	503	9,946	5,829
Investments (Note 5)	1,217,887	38,838	1,256,725	96,955	1,353,680	1,333,764
Investments in private Canadian companies (Note 6)	22,645	-	22,645	-	22,645	20,927
	1,318,376	40,582	1,358,958	97,604	1,456,562	1,388,153
LIABILITIES						
Grants and accounts payable	36	27	63	1	64	40
Trust funds payable	-	-	-	97,603	97,603	97,925
	36	27	63	97,604	97,667	97,965
NET ASSETS						
Restricted	1,318,340	-	1,318,340	-	1,318,340	1,253,156
Unrestricted	-	40,555	40,555	-	40,555	37,032
	1,318,340	40,555	1,358,895	-	1,358,895	1,290,188
	1,318,376	40,582	1,358,958	97,604	1,456,562	1,388,153

Commitments (Note 12)

Guarantees (Note 13)

On behalf of the Board:

_____ Director

_____ Director

JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2018
(IN THOUSANDS OF DOLLARS)

	Restricted fund \$	Unrestricted fund \$	Total \$	Trust funds \$	2018 Total fund balances \$	2017 Total fund balances \$
2018						
Contributions and revenues						
Contributions	99,303	1,893	101,196	-	101,196	146,190
Administration fees (Note 7)	-	2,470	2,470	-	2,470	2,014
Investment income (Notes 9 and 11)	75,695	3,064	78,759	7,419	86,178	133,211
	174,998	7,427	182,425	7,419	189,844	281,415
Trust fund contributions	-	-	-	9,843	9,843	7,397
	174,998	7,427	182,425	17,262	199,687	288,812
Distributions and expenses						
Grants	94,916	1,358	96,274	-	96,274	53,782
Charitable programs	10,231	1,069	11,300	-	11,300	4,349
	105,147	2,427	107,574	-	107,574	58,131
Administration fees (Note 7)	2,061	177	2,238	232	2,470	2,014
Financial service fees	1,944	-	1,944	-	1,944	5,529
Operating expenses	-	1,962	1,962	-	1,962	1,553
	109,152	4,566	113,718	232	113,950	67,227
Trust fund distributions	-	-	-	17,352	17,352	11,555
	109,152	4,566	113,718	17,584	131,302	78,782
Excess of contributions and revenues over distributions and expenses						
	65,846	2,861	68,707	(322)	68,385	210,030
Interfund transfers (Note 8)	(662)	662	-	-	-	-
	65,184	3,523	68,707	(322)	68,385	210,030
Total net assets - beginning of year	1,253,156	37,032	1,290,188	97,925	1,388,113	1,178,083
Total net assets - end of year	1,318,340	40,555	1,358,895	97,603	1,456,498	1,388,113

JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2018
(IN THOUSANDS OF DOLLARS)
(CONTINUED)

	Restricted fund \$	Unrestricted fund \$	Total \$	Trust funds \$	Total fund balances \$
2017					
Contributions and revenues					
Contributions	144,574	1,616	146,190	-	146,190
Administration fees (Note 7)	-	2,014	2,014	-	2,014
Investment income (Notes 9 and 11)	120,435	3,504	123,939	9,272	133,211
	265,009	7,134	272,143	9,272	281,415
Trust fund contributions	-	-	-	7,397	7,397
	265,009	7,134	272,143	16,669	288,812
Distributions and expenses					
Grants	52,508	1,274	53,782	-	53,782
Charitable programs	3,424	925	4,349	-	4,349
	55,932	2,199	58,131	-	58,131
Administration fees (Note 7)	1,652	170	1,822	192	2,014
Financial service fees	5,529	-	5,529	-	5,529
Operating expenses	-	1,553	1,553	-	1,553
	63,113	3,922	67,035	192	67,227
Trust fund distributions	-	-	-	11,555	11,555
	63,113	3,922	67,035	11,747	78,782
Excess of contributions and revenues over distributions and expenses					
	201,896	3,212	205,108	4,922	210,030
Interfund transfers	2,038	(2,038)	-	-	-
	203,934	1,174	205,108	4,922	210,030
Total net assets - beginning of year	1,049,222	35,858	1,085,080	93,003	1,178,083
Total net assets - end of year	1,253,156	37,032	1,290,188	97,925	1,388,113

JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018
(IN THOUSANDS OF DOLLARS)

	Restricted fund \$	Unrestricted fund \$	Trust funds \$	2018 \$	2017 \$
Source of funds					
Contributions	62,015	1,893	-	63,908	59,949
Trust fund contributions	-	-	9,843	9,843	7,397
Redemption of investments in private Canadian companies	477	-	-	477	5,305
Administration fees	-	2,470	-	2,470	2,014
Investment income (Note 9)	24,774	444	1,221	26,439	9,880
Proceeds on disposition of investments	353,724	14,524	39,993	408,241	699,152
	440,990	19,331	51,057	511,378	783,697
Application of funds					
Grants	94,916	1,358	-	96,274	53,782
Charitable programs	10,231	1,069	-	11,300	4,349
Trust fund distributions	-	-	13,352	13,352	11,555
Acquisition of investments	285,381	15,277	37,329	337,987	685,406
Investments made in private Canadian companies	180	-	-	180	250
Administration fees	2,061	177	232	2,470	2,014
Financial service fees and operating expenses	1,944	1,962	-	3,906	7,082
Decrease in loans receivable	17,135	-	-	17,135	5,648
Decrease (increase) in other assets	3,204	72	(1)	3,275	85
Decrease (increase) in grants and accounts payable	(36)	13	(1)	(24)	194
	415,016	19,928	50,911	485,855	770,365
Increase in cash and cash equivalents	25,974	(597)	146	25,523	13,332
Interfund transfers (Note 8)	(662)	662	-	-	-
Cash and cash equivalents - beginning of year	19,055	-	-	19,055	5,723
Cash and cash equivalents - end of year	44,367	65	146	44,578	19,055

During the year, non-cash transactions include contributions of \$30,431 of public company shares (2017, \$75,253), \$2,015 of private Canadian company shares (2017, \$10,794) and \$842 of life insurance policies (2017, \$194). Also, a \$4,000 note receivable from a private company (2017, \$Nil) was distributed from the trust funds and recognized as a contribution in the restricted fund.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018
(IN THOUSANDS OF DOLLARS)

1. Purpose of organization

The Jewish Community Foundation of Montreal (the “Foundation”) was incorporated under the laws of Canada and transitioned to the Canada Not-for-Profit Corporations Act on November 6, 2012. The Foundation is a registered charitable public foundation within the meaning of the Income Tax Act and, as such, is exempt from income taxes. The Foundation is a centre for innovative/advanced family and community philanthropy and planned giving, whose purpose is to inspire and innovate Jewish philanthropy and whose vision is a strong sustainable Montreal Jewish Community based on Jewish values.

2. Significant accounting policies

The financial statements were prepared in accordance with Part III of the CPA Canada Handbook Canadian accounting standards for not-for-profit organizations and include the following accounting policies:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they are provided.

For financial reporting purposes, the accounts have been classified into the following funds:

a) Restricted fund

The restricted fund comprises the resources that are required by the donor to be maintained by the Foundation, as well as those resources that are to be used for specific purposes as specified by the donor.

b) Unrestricted fund

The unrestricted fund comprises the resources donated to the Foundation for its use, as well as those resources available for use at the discretion of the Foundation’s Board.

c) Trust funds

The Foundation acts as a custodian of funds which are held in trust. Income (loss) derived from these funds are recorded as a direct increase (decrease) in the trust funds payable.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018
(IN THOUSANDS OF DOLLARS)

2. Significant accounting policies (continued)

Revenue recognition

Contributions where the donor has imposed restrictions or where there are other restrictions are recognized as revenue in the restricted fund when received.

Contributions in kind including marketable securities, real estate and preferred shares of private Canadian companies are recorded as revenue based on the fair market value of assets gifted to the Foundation when received.

Life insurance policies received as contributions are recorded as revenue in the restricted fund based on the actuarial valuation of the policy when received.

Unrestricted contributions are recognized as revenue in the unrestricted fund when received.

Investment income is recorded as follows:

Restricted fund

- Income (loss) earned on resources of the restricted fund.

Unrestricted fund

- Income (loss) earned on resources of the unrestricted fund.

Income (loss) earned on trust funds is recognized as a direct increase (decrease) in trust funds payable. Additions to (withdrawals from) the trust funds are recognized as direct increases (decreases) in trust funds payable.

Financial instruments

Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. Investments in equity instruments that are quoted in an active market and foreign currency exchange contracts are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Foundation has elected to carry the investments consisting of cash, bonds and fixed income funds at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

Financial assets and liabilities measured at amortized cost include cash and cash equivalents, loans receivable, investments in private Canadian companies and grants and accounts payable. Financial assets measured at fair value include investments.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018
(IN THOUSANDS OF DOLLARS)

2. Significant accounting policies (continued)

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. The Foundation determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the statement of financial position date. The amount of any write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, provided the carrying value is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations and changes in net assets.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and adjustments are made to income as appropriate in the year they become known.

Cash and cash equivalents

Cash and cash equivalents includes bank balances and term deposits with a maturity period of three months or less from the date of acquisition.

Foreign currency translation

The Foundation uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's statement of operations, except for depreciation translated at historic rate, are translated at average year rates. Exchange gains and losses are included in the statement of operations and changes in net assets.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018
(IN THOUSANDS OF DOLLARS)

3. Loans receivable

The loans receivable are non-interest bearing and have no specific terms of repayment. Included in the loans receivable is an amount of \$22,425 that is secured by a first-ranking hypothec on a building under construction. The loan is repayable should the building be sold.

4. Other assets

	2018 \$	2017 \$
Life insurance policies	6,007	5,165
Other	3,939	664
	9,946	5,829

5. Investments

Investments comprise the following:

	2018		2017	
	Cost \$	Market value \$	Cost \$	Market value \$
Cash, bonds and fixed income funds	166,315	164,711	164,122	164,041
Equity funds and shares of publicly traded corporations	1,055,817	1,188,969	1,063,761	1,169,723
	1,222,132	1,353,680	1,227,883	1,333,764

The bonds and fixed income funds are invested mostly in pooled Canadian Bond Funds as well as State of Israel Bonds. The State of Israel Bonds consist of fixed rate instruments and have various terms to maturity ranging up to seven years bearing interest between 2.10% and 4.13%.

The equity funds are invested in Canadian, American and International money market, equity funds, hedge funds and other investments.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
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(IN THOUSANDS OF DOLLARS)

6. Investments in private Canadian companies

Investments in private Canadian companies consist of the following:

	2018	2017
	\$	\$
Balance - beginning of year	20,927	15,188
Gifts of and investments in preferred shares	2,195	11,044
Redemption of preferred shares	(477)	(5,305)
Balance - end of year	22,645	20,927

Included in investments in private Canadian companies is a note receivable from a private company of \$4,000 (2017, \$4,000). The note receivable is unsecured, bears interest at 6% per annum and has no fixed terms of repayment.

7. Administration fees

The Foundation charges the various funds that it administers an administration fee.

8. Interfund transfers

During the year, \$662 was transferred from the restricted fund to the unrestricted fund in order to contribute to charitable programs.

9. Investment income

Investment income is comprised of the following:

	Restricted	Unrestricted	Trust	2018	2017
	\$	\$	Funds	Total	Total
	\$	\$	\$	\$	\$
Investment income	24,774	444	1,221	26,439	9,880
Realized capital gains and change in market value of investments	50,921	2,620	6,198	59,739	123,331
	75,695	3,064	7,419	86,178	133,211

Due to the nature of reporting received from certain brokers, it is difficult to segregate investment income from the realized capital gains and change in market value of investments. As such, there may be a portion of investment income included in the realized capital gains and change in market value of investments.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018
(IN THOUSANDS OF DOLLARS)

10. Financial instruments

Risks and concentrations

The Foundation is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Foundation's risk exposure at the statement of financial position date being March 31, 2018.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

The Foundation realizes a portion of its investment income in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations. As at March 31, 2018, balances in USD and Euro were the following:

		2018	2017
Cash in USD	\$	62,022	\$ 66,787
Investments in USD	\$	786,989	\$ 790,814
Investments in Euro	€	929	€ 2,187

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the Foundation arises from its interest-bearing assets. The Foundation is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject the Foundation to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

At March 31, 2018, the Foundation had \$115,337 of investments (Note 5) and a \$4,000 note receivable (Note 6) exposed to interest rate risk (2017, \$81,053 and \$4,000, respectively).

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
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(IN THOUSANDS OF DOLLARS)

10. Financial instruments (continued)

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk).

The Foundation is exposed to other price risk because of its investment in equity funds and shares of publicly traded corporations. As at March 31, 2018, the Foundation had an aggregate amount of \$1,188,969 (2017, \$1,169,723) of equity funds and shares of publicly traded corporations (Note 5) exposed to other price risk.

11. Foreign currency exchange contracts

As at year-end, in order to protect against foreign currency fluctuations inherent in holding foreign currency denominated investments, the Foundation has contracted to sell in aggregate \$123,500 U.S. in exchange for approximately \$152,048 Canadian in June 2018 at a foreign exchange rate of 1.231. Gains and losses related to foreign currency exchange contracts exercised are recognized when realized. During the year, the Foundation recognized gains on foreign currency exchange contracts exercised for an amount of approximately \$12,645 (2017, \$14,980), which is included in the investment income amount on the statement of operations.

As at year-end, the fair value of the foreign currency exchange contracts has been determined using the March 31, 2018 noon-closing exchange rates published by the Bank of Canada. The resulting derivative asset was not material and therefore was not recognized on the statement of financial position.

12. Commitments

As at March 31, 2018, the Foundation has contracted to invest approximately \$237,000 in 38 closed-end investment funds.

13. Guarantees

The Foundation has provided two guarantees to a financial institution totalling an amount of \$5,899 together with interest from the date of demand for payment at the bank's prime interest rate plus 5% per annum. This guarantee is secured by funds held in trust and in the event of default, any amounts required to be paid will be accounted for as a drawing from the funds in the year incurred.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
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(IN THOUSANDS OF DOLLARS)

14. Pension plan

The Foundation sponsors a defined contribution pension plan covering four of its employees. The contributions relating to the employer and employees are 5% and 3% of eligible salaries, respectively. Pension expenses and contributions paid during the year were \$61 (2017, \$48). The plan is held and administered by Federation CJA.

Federation CJA also administers a defined benefit pension plan on behalf of its agencies as well as the Foundation. The Foundation's share of the plan's pension liability amounts to approximately \$273 which is not reflected in the financial statements.

15. Comparative figures

Certain figures for 2017 have been reclassified to make their presentation identical to that adopted in 2018.