

JEWISH COMMUNITY FOUNDATION OF MONTREAL

FINANCIAL STATEMENTS

MARCH 31, 2019

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FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Jewish Community Foundation of Montreal

Opinion

We have audited the financial statements of the Jewish Community Foundation of Montreal (the Foundation), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2019, 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.

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 are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

FL Fuller Landau LLP

Montreal, August 1, 2019

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



JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019
(IN THOUSANDS OF DOLLARS)

	Restricted fund \$	Unrestricted fund \$	Total \$	Trust Funds \$	2019 Total fund balances \$	2018 Total fund balances \$
ASSETS						
Cash and cash equivalents	20,527	296	20,823	57	20,880	44,578
Loans receivable (Note 3)	27,663	206	27,869	-	27,869	25,713
Other assets (Note 4)	4,784	1,393	6,177	540	6,717	9,882
Investments (Note 5)	1,244,934	39,743	1,284,677	102,483	1,387,160	1,353,680
Investments in private Canadian companies (Note 6)	21,689	-	21,689	-	21,689	22,645
	1,319,597	41,638	1,361,235	103,080	1,464,315	1,456,498
LIABILITIES						
Trust funds payable	-	-	-	103,080	103,080	97,603
NET ASSETS						
Restricted	1,319,597	-	1,319,597	-	1,319,597	1,318,340
Unrestricted	-	41,638	41,638	-	41,638	40,555
	1,319,597	41,638	1,361,235	-	1,361,235	1,358,895
	1,319,597	41,638	1,361,235	103,080	1,464,315	1,456,498

Commitments (Note 11)
Guarantees (Note 12)

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, 2019
(IN THOUSANDS OF DOLLARS)

	Restricted fund \$	Unrestricted fund \$	Total \$	Trust funds \$	2019 Total fund balances \$	2018 Total fund balances \$
2019						
Contributions and revenues						
Contributions	66,626	1,503	68,129	-	68,129	101,196
Administration fees (Note 7)	-	2,602	2,602	-	2,602	2,470
Investment income (Notes 8 and 10)	66,828	1,623	68,451	2,781	71,232	86,178
Trust fund contributions	133,454	5,728	139,182	2,781	141,963	189,844
	-	-	-	11,588	11,588	9,843
	133,454	5,728	139,182	14,369	153,551	199,687
Distributions and expenses						
Grants	120,533	1,794	122,327	-	122,327	96,274
Charitable programs	6,660	1,307	7,967	-	7,967	11,300
Administration fees (Note 7)	127,193	3,101	130,294	-	130,294	107,574
Financial service fees	2,194	159	2,353	249	2,602	2,470
Operating expenses	2,195	-	2,195	-	2,195	1,944
	-	2,000	2,000	-	2,000	1,962
Trust fund distributions	131,582	5,260	136,842	249	137,091	113,950
	-	-	-	8,643	8,643	17,352
	131,582	5,260	136,842	8,892	145,734	131,302
Excess of contributions and revenues over distributions and expenses						
	1,872	468	2,340	5,477	7,817	68,385
Interfund transfers	(615)	615	-	-	-	-
Total net assets - beginning of year	1,257	1,083	2,340	5,477	7,817	68,385
	1,318,340	40,555	1,358,895	97,603	1,456,498	1,388,113
Total net assets - end of year	1,319,597	41,638	1,361,235	103,080	1,464,315	1,456,498

JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019
(IN THOUSANDS OF DOLLARS)
(CONTINUED)

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

JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019
(IN THOUSANDS OF DOLLARS)

	Restricted fund	Unrestricted fund	Trust funds	2019	2018
	\$	\$	\$	\$	\$
Source of funds					
Contributions	30,349	1,503	-	31,852	63,908
Trust fund contributions	-	-	11,588	11,588	9,843
Redemption of investments in private Canadian companies	2,750	-	-	2,750	477
Administration fees	-	2,602	-	2,602	2,470
Investment income (Note 8)	22,706	1,012	1,083	24,801	26,439
Proceeds on disposition of investments	1,476,702	88,192	216,142	1,781,036	408,241
	1,532,507	93,309	228,813	1,854,629	511,378
Application of funds					
Grants	120,533	1,794	-	122,327	96,274
Charitable programs	6,660	1,307	-	7,967	11,300
Trust fund distributions	-	-	8,643	8,643	13,352
Acquisition of investments	1,425,110	88,486	219,974	1,733,570	337,987
Investments made in private Canadian companies	170	-	-	170	180
Administration fees	2,194	159	249	2,602	2,470
Financial service fees and operating expenses	2,195	2,000	-	4,195	3,906
Increase in loans receivable	2,213	(57)	-	2,156	17,135
Decrease (increase) in other assets	(3,343)	4	36	(3,303)	3,251
	1,555,732	93,693	228,902	1,878,327	485,855
Increase (decrease) in cash and cash equivalents	(23,225)	(384)	(89)	(23,698)	25,523
Interfund transfers	(615)	615	-	-	-
Cash and cash equivalents - beginning of year	44,367	65	146	44,578	19,055
Cash and cash equivalents - end of year	20,527	296	57	20,880	44,578

During the year, non-cash transactions include contributions of \$32,618 of public company shares (2018, \$30,431), \$3,521 contributions of private Canadian company shares (2018, \$2,015), \$138 of life insurance policies (2018, \$842) and adjustment of shares of private Canadian companies in the amount of \$1,897 (2018, \$nil).

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019
(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, 2019
(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 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 and investments in private Canadian companies. Financial assets measured at fair value include investments.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019
(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 include 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 are translated at average yearly 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, 2019
(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 \$25,325 (2018, \$22,425) that is secured by a first-ranking hypothec on a building. The loan is repayable should the building be sold.

4. Other assets

	2019	2018
	\$	\$
Life insurance policies	6,145	6,007
Other	572	3,875
	6,717	9,882

5. Investments

Investments comprise the following:

	2019		2018	
	Cost \$	Market value \$	Cost \$	Market value \$
Cash, bonds and fixed income funds	212,533	218,393	166,315	164,711
Equity funds and shares of publicly traded corporations	1,108,335	1,168,767	1,055,817	1,188,969
	1,320,868	1,387,160	1,222,132	1,353,680

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 fourteen years bearing interest between 2.10% and 4.25%.

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
MARCH 31, 2019
(IN THOUSANDS OF DOLLARS)

6. Investments in private Canadian companies

Investments in private Canadian companies consist of the following:

	2019	2018
	\$	\$
Balance - beginning of year	22,645	20,927
Gifts of and investments in shares	3,691	2,195
Redemption and adjustment of shares	(4,647)	(477)
Balance - end of year	21,689	22,645

7. Administration fees

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

8. Investment income

Investment income is comprised of the following:

	Restricted	Unrestricted	Trust Funds	2019 Total	2018 Total
	\$	\$	\$	\$	\$
Investment income	22,706	1,012	1,083	24,801	26,439
Realized gains and losses and change in market value of investments	44,122	611	1,698	46,431	59,739
	66,828	1,623	2,781	71,232	86,178

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

JEWISH COMMUNITY FOUNDATION OF MONTREAL
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2019
 (IN THOUSANDS OF DOLLARS)

9. 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, 2019.

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 holds assets in foreign currencies which are exposed to foreign exchange fluctuations. As at March 31, 2019, balances in USD and Euro were the following:

	2019		2018	
Cash in USD	\$	80,636	\$	62,022
Investments in USD	\$	516,153	\$	786,989
Investments in Euro	€	747	€	929

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, 2019, the Foundation had \$147,477 of investments exposed to interest rate risk (2018, \$119,337).

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019
(IN THOUSANDS OF DOLLARS)

9. 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, 2019, the Foundation had an aggregate amount of \$1,168,767 (2018, \$1,188,969) of equity funds and shares of publicly traded corporations (Note 5) exposed to other price risk.

10. 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 \$103,059 U.S. in exchange for approximately \$137,393 Canadian in June 2019 at a foreign exchange rate of 1.3332. Gains and losses related to foreign currency exchange contracts exercised are recognized when realized. During the year, the Foundation recognized losses on foreign currency exchange contracts exercised for an amount of approximately \$6,875 (2018, gains of \$12,645), 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, 2019 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.

11. Commitments

As at March 31, 2019, the Foundation has contracted to invest approximately \$249,000 in 42 closed-end investment funds.

12. 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. These guarantees are secured by funds held in trust in of the amount \$40,929 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. Subsequent to year end, one of the guarantees, in the amount of \$3,869 was discharged.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
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MARCH 31, 2019
(IN THOUSANDS OF DOLLARS)

13. Pension plan

The Foundation maintains a defined contribution pension plan. 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 (2018, \$61).

The Foundation also maintains defined benefit and supplemental pension plans. The Foundation's share of the plans' pension liability amounts to approximately \$1,741 which is not reflected in the financial statements. These pension obligations are unfunded. Pension payments are recognized in the Statement of Operations when paid.

14. Comparative figures

Certain figures for 2018 have been reclassified to make their presentation identical to that adopted in 2019.