

JEWISH COMMUNITY FOUNDATION OF MONTREAL

FINANCIAL STATEMENTS

MARCH 31, 2020

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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, 2020, 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, 2020, 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*¹

Montreal, September 9, 2020

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



JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020
(IN THOUSANDS OF DOLLARS)

	Restricted fund \$	Unrestricted fund \$	Total \$	Trust Funds \$	2020 Total fund balances \$	2019 Total fund balances \$
ASSETS						
Cash and cash equivalents	34,417	141	34,558	67	34,625	20,880
Loans receivable (Note 3)	10,972	169	11,141	-	11,141	27,869
Other assets (Note 4)	5,511	1,546	7,057	539	7,596	6,717
Investments (Note 5)	1,203,402	38,887	1,242,289	101,799	1,344,088	1,387,160
Investments in private Canadian companies (Note 6)	28,205	-	28,205	-	28,205	21,689
	1,282,507	40,743	1,323,250	102,405	1,425,655	1,464,315
LIABILITIES						
Trust funds payable	-	-	-	102,405	102,405	103,080
NET ASSETS						
Restricted	1,282,507	-	1,282,507	-	1,282,507	1,319,597
Unrestricted	-	40,743	40,743	-	40,743	41,638
	1,282,507	40,743	1,323,250	-	1,323,250	1,361,235
	1,282,507	40,743	1,323,250	102,405	1,425,655	1,464,315

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, 2020
(IN THOUSANDS OF DOLLARS)

	Restricted fund \$	Unrestricted fund \$	Total \$	Trust funds \$	2020 Total fund balances \$	2019 Total fund balances \$
2020						
Contributions and revenues						
Contributions	117,626	2,629	120,255	-	120,255	68,129
Administration fees (Note 7)	-	2,651	2,651	-	2,651	2,602
Investment income (loss) (Notes 8 and 10)	(11,948)	(1,213)	(13,161)	(4,673)	(17,834)	71,232
	105,678	4,067	109,745	(4,673)	105,072	141,963
Trust fund contributions	-	-	-	13,758	13,758	11,588
	105,678	4,067	109,745	9,085	118,830	153,551
Distributions and expenses						
Grants	98,270	2,077	100,347	-	100,347	122,327
Charitable programs	11,923	1,712	13,635	-	13,635	7,967
	110,193	3,789	113,982	-	113,982	130,294
Administration fees (Note 7)	2,256	159	2,415	236	2,651	2,602
Financial service fees	3,856	-	3,856	-	3,856	2,195
Operating expenses	-	1,952	1,952	-	1,952	2,000
	116,305	5,900	122,205	236	122,441	137,091
Trust fund distributions	-	-	-	9,524	9,524	8,643
	116,305	5,900	122,205	9,760	131,965	145,734
Excess (deficiency) of contributions and revenues over distributions and expenses before undernoted item	(10,627)	(1,833)	(12,460)	(675)	(13,135)	7,817
Write-down of loan receivable to nominal value (Note 3)	(25,525)	-	(25,525)	-	(25,525)	-
Excess (deficiency) of contributions and revenues over distributions and expenses	(36,152)	(1,833)	(37,985)	(675)	(38,660)	7,817
Interfund transfers	(938)	938	-	-	-	-
	(37,090)	(895)	(37,985)	(675)	(38,660)	7,817
Total net assets, beginning of year	1,319,597	41,638	1,361,235	103,080	1,464,315	1,456,498
Total net assets, end of year	1,282,507	40,743	1,323,250	102,405	1,425,655	1,464,315

JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2020
(IN THOUSANDS OF DOLLARS)
(CONTINUED)

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

JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020
(IN THOUSANDS OF DOLLARS)

	Restricted fund \$	Unrestricted fund \$	Trust funds \$	2020 \$	2019 \$
Source of funds					
Contributions	46,099	2,629	-	48,728	31,852
Trust fund contributions	-	-	13,758	13,758	11,588
Redemption of investments in private Canadian companies	2,006	-	-	2,006	2,750
Administration fees	-	2,651	-	2,651	2,602
Investment income (Note 8)	19,193	1,159	2,163	22,515	24,801
Proceeds on disposition of investments	526,746	15,439	37,192	579,377	1,781,036
	594,044	21,878	53,113	669,035	1,854,629
Application of funds					
Grants	98,270	2,077	-	100,347	122,327
Charitable programs	11,923	1,712	-	13,635	7,967
Trust fund distributions	-	-	9,524	9,524	8,643
Acquisition of investments	453,804	16,955	43,344	514,103	1,733,570
Investments made in private Canadian companies	250	-	-	250	170
Administration fees	2,256	159	236	2,651	2,602
Financial service fees and operating expenses	3,856	1,952	-	5,808	4,195
Increase in loans receivable	8,834	(37)	-	8,797	2,156
Increase (decrease) in other assets	23	153	(1)	175	(3,303)
	579,216	22,971	53,103	655,290	1,878,327
Increase (decrease) in cash and cash equivalents					
	14,828	(1,093)	10	13,745	(23,698)
Interfund transfers	(938)	938	-	-	-
Cash and cash equivalents, beginning of year	20,527	296	57	20,880	44,578
Cash and cash equivalents, end of year	34,417	141	67	34,625	20,880

During the year, non-cash transactions include contributions of \$62,551 of public company shares (2019, \$32,618), \$8,272 contributions of private Canadian company shares (2019, \$3,521), \$704 of life insurance policies (2019, \$138) and redemption of shares of private Canadian companies in the amount of \$Nil (2019, \$1,897). In addition, during the year, there was a \$25,525 write-down of loan receivable (2019, \$Nil).

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020
(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, 2020
(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, 2020
(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, 2020
(IN THOUSANDS OF DOLLARS)

3. Loans receivable

	2020	2019
	\$	\$
Loan receivable, non-interest bearing, maturing in May 2115, secured by a first-ranking hypothec on a building, with prior repayment only if the building is sold or if any other loan conditions are in default, otherwise the loan will be forgiven at the end of the term.	25,525	25,325
Less: write-down to nominal amount	(25,525)	-
Loans receivable, interest and non-interest bearing, with varying terms of repayment	11,141	2,544
	<u>11,141</u>	<u>27,869</u>

During the year, Management determined that the loan receivable in the amount of \$25,525 should be written down to a nominal amount. Management reached this decision due to uncertainty as to the expected timing and amount of the future cash flows to be realized.

4. Other assets

	2020	2019
	\$	\$
Life insurance policies	6,840	6,145
Other	756	572
	<u>7,596</u>	<u>6,717</u>

5. Investments

Investments comprise the following:

	2020		2019	
	Cost	Market value	Cost	Market value
	\$	\$	\$	\$
Cash, bonds and fixed income funds	169,527	178,886	212,533	218,393
Equity funds and shares of publicly traded corporations	1,152,205	1,165,202	1,108,335	1,168,767
	<u>1,321,732</u>	<u>1,344,088</u>	<u>1,320,868</u>	<u>1,387,160</u>

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 thirteen 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, 2020
 (IN THOUSANDS OF DOLLARS)

6. Investments in private Canadian companies

Investments in private Canadian companies consist of the following:

	2020	2019
	\$	\$
Balance, beginning of year	21,689	22,645
Gifts of and investments in shares	8,522	3,691
Redemption of shares	(2,006)	(4,647)
Balance, end of year	28,205	21,689

7. Administration fees

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

8. Investment income (loss)

Investment income is comprised of the following:

	Restricted	Unrestricted	Trust	2020	2019
	\$	\$	Funds	Total	Total
	\$	\$	\$	\$	\$
Investment income	19,193	1,159	2,163	22,515	24,801
Realized gains and losses and change in market value of investments	(31,141)	(2,372)	(6,836)	(40,349)	46,431
	(11,948)	(1,213)	(4,673)	(17,834)	71,232

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, 2020
 (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, 2020.

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, 2020, balances in USD and Euro were the following:

	2020	2019
Cash in USD	\$ 65,233	\$ 80,636
Investments in USD	\$ 480,632	\$ 516,153
Investments in Euro	€ 466	€ 747

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, 2020, the Foundation had \$121,769 of investments exposed to interest rate risk (2019, \$147,477).

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
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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, 2020, the Foundation had an aggregate amount of \$1,165,202 (2019, \$1,168,767) 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 \$7,774 U.S. in exchange for approximately \$11,065 Canadian in July 2020 at a foreign exchange rate of 1.4233. Gains and losses related to foreign currency exchange contracts exercised are recognized when realized. During the year, the Foundation recognized income on foreign currency exchange contracts exercised for an amount of approximately \$491 (2019, losses of \$6,875), 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, 2020 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, 2020, the Foundation has contracted to invest approximately \$196,000 in 42 closed-end investment funds.

12. Guarantees

The Foundation has provided a guarantee to a financial institution totalling an amount of \$2,030 (2019, two guarantees totalling \$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 in of the amount \$2,326 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
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020
(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 \$131 (2019, \$61).

The Foundation also maintains defined benefit and supplemental pension plans. The Foundation's share of the plans' pension liability is not reflected in the financial statements since the amount is immaterial. These pension obligations are unfunded. Pension payments are recognized in the Statement of Operations when paid.

14. COVID-19

Prior to year-end, there was a global outbreak of a novel coronavirus identified as "COVID-19". On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. As at March 23, 2020, the Quebec government ordered the temporary shut-down of all non-essential businesses. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

Subsequent to year end, the Foundation continued to operate with full staffing. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Foundation and its operations in future periods.