

The Jewish Foundation of Manitoba

Financial Statements
December 31, 2013



May 22, 2014

Independent Auditor's Report

To the Board of Directors of The Jewish Foundation of Manitoba

We have audited the accompanying financial statements of The Jewish Foundation of Manitoba, which comprise the statement of financial position as at December 31, 2013 and the statements of operations, changes in net assets and cash flows for the year then ended and the related notes, which comprise 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 in our audit 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 Foundation of Manitoba as at December 31, 2013 and the results of their operations and their cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

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The Jewish Foundation of Manitoba

Statement of Financial Position

As at December 31, 2013

	2013 \$	2012 \$ (Restated - note 2)
Assets		
Current assets		
Cash	2,090,987	1,835,491
Investment income receivable	2,622,790	1,715,416
Accounts receivable	22,790	110,555
Prepaid expenses	29,762	50,220
	<hr/>	<hr/>
	4,766,329	3,711,682
Other assets (note 3)	7,803	7,803
Investments - at market (note 4)	84,422,920	75,708,433
Investment in private company (note 5)	575,768	610,567
Real estate (note 6)	1,549,777	1,549,777
Capital assets (note 7)	182,648	194,798
Life insurance policies (note 8)	215,517	213,094
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	91,720,762	81,996,154
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	58,579	101,936
Grant commitments and distributions payable	1,046,434	1,672,007
Deferred contribution (note 10)	996,310	-
	<hr/>	<hr/>
	2,101,323	1,773,943
Commitments (note 11)		
Net assets		
Endowment Funds	82,514,229	80,146,485
Reserve Fund	7,105,210	75,726
Operating Fund	-	-
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	89,619,439	80,222,211
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	91,720,762	81,996,154

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, 2013

	2013 \$	2012 \$ (Restated - note 2)
Revenues		
Interest	918,287	1,599,250
Dividends	1,837,256	2,568,957
Realized gains (losses) on disposal of investments and real estate	882,237	(205,611)
Grant income (note 12)	14,783	10,108
Rental and other income	11,876	25,172
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	3,664,439	3,997,876
Less: Investment counsel and custodial fees	(158,033)	(451,861)
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	3,506,406	3,546,015
Expenses		
Direct programming and marketing activities	141,758	105,262
Less: Cost recovery	(69,835)	(56,055)
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	71,923	49,207
Administrative and operating expenses	1,100,606	1,053,040
Amortization	45,421	48,718
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	1,217,950	1,150,965
Grant commitments		
Designated	2,398,611	2,510,431
Undesignated	484,278	460,021
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	2,882,889	2,970,452
Flow-through commitments		
Distributions to other organizations	351,519	141,707
Less: Gifts designated	(364,018)	(40,990)
Grants designated to other organizations (note 12)	(6,019)	(100,467)
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	(18,518)	250
Deficiency of revenues over expenses and commitments for the year before the following		
	(575,915)	(575,652)
Unrealized gains on investments		
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	7,620,182	4,266,588
Excess of revenues over expenses and commitments for the year		
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	7,044,267	3,690,936

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, 2013

				2013	2012
	Operating Fund \$	Reserve Fund \$	Endowment Funds \$	Total \$	Total \$
Balance - Beginning of year					
As previously reported	(1,629,666)	-	80,146,485	78,516,819	72,936,611
Interest and dividends (note 2)	1,705,392	-	-	1,705,392	-
Interfund transfer (note 2)	(75,726)	75,726	-	-	-
As restated	-	75,726	80,146,485	80,222,211	72,936,611
Excess of revenues over expenses and commitments for the year	7,029,484	-	14,783	7,044,267	3,690,936
Contributions	-	-	2,352,961	2,352,961	3,594,664
Interfund transfer (note 14)	(7,029,484)	7,029,484	-	-	-
Balance - End of year	-	7,105,210	82,514,229	89,619,439	80,222,211

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, 2013

	2013 \$	2012 \$ (Restated - note 2)
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses and commitments for the year	7,044,267	3,690,936
Items not affecting cash		
Amortization	45,421	48,718
Unrealized gains on investments	(7,620,182)	(4,266,588)
Realized losses (gains) on disposal of investments and real estate	(882,237)	205,611
Cash value increment of life insurance policies	(2,423)	(13,272)
	<u>(1,415,154)</u>	<u>(334,595)</u>
Net change in non-cash working capital items		
Investment income receivable	(907,374)	(1,409,623)
Accounts receivable	87,765	(57,722)
Prepaid expenses	20,458	(12,677)
Accounts payable and accrued liabilities	(43,357)	(1,513)
Grant commitments and distributions payable	(625,573)	366,950
	<u>(2,883,235)</u>	<u>(1,449,180)</u>
Investing activities		
Purchase of investments - net	(177,269)	(2,058,145)
Purchase of capital assets	(33,271)	(28,977)
Proceeds of real estate	-	75,000
	<u>(210,540)</u>	<u>(2,012,122)</u>
Financing activities		
Contributions received for Endowment Funds	2,352,961	3,594,664
Deferred contribution	996,310	-
	<u>3,349,271</u>	<u>3,594,664</u>
Net increase in cash	255,496	133,362
Cash - Beginning of year	<u>1,835,491</u>	<u>1,702,129</u>
Cash - End of year	<u>2,090,987</u>	<u>1,835,491</u>

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

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2013

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. 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 Significant accounting policies

Restatement of prior period balances

During 2013, subsequent to the preparation of the December 31, 2012 financial statements, the Foundation received interest of \$627,467 and dividends of \$1,077,925 related to investments held and income earned during 2012. This income has been recorded retrospectively in the Operating Fund with an increase of \$75,726 in the interfund transfer from the Operating Fund to the Reserve Fund. As a result of this change, at January 1, 2013, the Operating Fund balance increased by \$1,629,666 and the Reserve Fund increased by \$75,726.

Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) and include the following significant accounting policies:

Fund accounting

Operating Fund

The Operating Fund accounts for the Foundation’s administrative and operating expenses, distributions of grants and revenues and expenses related to the Foundation’s income earned and expended on the investments held in the Endowment Fund balances.

Reserve Fund

The Reserve Fund is an internally restricted fund which accounts for cash and investments available to meet distribution needs during periods of adverse market conditions. The Foundation’s objective is to maintain the Reserve Fund at a level of 10% of total Endowment Funds as calculated at the beginning of each year. As at December 31, 2013, the target balance of the Reserve Fund is approximately \$8,014,000 (2012 - \$7,652,000). The Reserve Fund balance at December 31, 2013 is \$7,105,210 (2012 - \$75,726).

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2013

Endowment Funds

Endowment Funds are externally restricted funds which are established by gifts and donations from donors to the Foundation in perpetuity. The investment income earned by these funds is either restricted by the donor for a specific use, or for the general use of the Foundation. Investment income earned on the resources of Endowment Funds 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.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions.

External endowment contributions which primarily include donations of cash or 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.

Grant income is recognized as revenue in the Operating Fund when received.

Donated artwork

Donated artwork is recorded at the appraised fair market value at the time the donation is made.

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2013

Capital assets

Purchased capital assets are initially recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided for using the following methods and annual rates:

Computer and office equipment	straight-line over 3 years
Computer software	straight-line over 2 years
Donor development software	straight-line over 10 years
Leaseholds	straight-line over term of the lease

Life insurance policies

The cash surrender values of life insurance policies where the Foundation is the beneficial owner of the policy, are recorded as assets and contributions to the Endowment Funds. The net change in cash surrender value for the year is included in other income. Proceeds from the realization of life insurance policies are allocated to the Endowment Funds.

Grant commitments

Grant commitments are recorded in the year of approval. For multi-year grant commitments, the current portion, as determined by the Foundation, is accrued in the financial statements in the current year with the balance of the commitment disclosed in note 11.

Use of estimates

The preparation of financial statements in accordance with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Financial instruments

a) Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments and investment in private company, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, investment income receivable, accounts receivable and life insurance policies.

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2013

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

b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

3 Other assets

	2013 \$	2012 \$
Donated artwork	7,803	7,803

4 Investments

	2013		2012	
	Market value \$	Cost \$	Market value \$	Cost \$
Fixed income	33,622,968	34,581,397	30,985,392	30,963,973
Equity	50,799,952	40,888,915	44,723,041	43,446,834
	84,422,920	75,470,312	75,708,433	74,410,807

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

Interest rate risk

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

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2013

Foreign currency risk

Foreign currency risk arises from the Foundation's holdings of foreign securities. The amount of foreign securities held at December 31, 2013 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 become 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.

Other price risk

Other price risk exists where a significant portion of the portfolio is invested in securities which have similar characteristics or obey similar variations relating to economic or political conditions. The portfolio includes the following concentrations:

	2013		2012	
	%	Market value \$	%	Market value \$
Fixed income				
Canadian				
Federal	14.50	12,237,272	15.63	11,828,480
Provincial	11.13	9,401,030	11.30	8,556,972
Corporate	11.48	9,687,841	11.25	8,520,019
Municipal	0.64	541,754	0.50	380,619
Israel - government	2.08	1,755,071	2.24	1,699,302
	39.83	33,622,968	40.92	30,985,392
Equity				
Canada	29.34	24,772,601	29.36	22,219,847
United States	15.47	13,059,490	14.68	11,116,608
International	15.36	12,967,861	15.04	11,386,586
	60.17	50,799,952	59.08	44,723,041
	100.00	84,422,920	100.00	75,708,433

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2013

5 Investment in private company

In 2009, the Foundation received a bequest of shares representing 30% interest in a private holding company. This investment is neither traded in an active market nor has a quoted fair value. Its fair value of \$575,768 at December 31, 2013 (2012 - \$610,567) was determined by calculating the Foundation's interest in the fair value of the net assets of the company. The fair value is assessed annually.

6 Real estate

	2013 \$	2012 \$
Land at Middlechurch	1,215,777	1,215,777
The Faye-Parks Micay House	334,000	334,000
	<u>1,549,777</u>	<u>1,549,777</u>

Land at Middlechurch, Manitoba, consisting of approximately 248 acres was received as a Founders' Gift from the following:

Joseph Halprin	50%
Samuel Werier	25%
Abe Werier	25%

7 Capital assets

	<u>2013</u>		<u>2012</u>	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer and office equipment	57,700	33,973	23,727	28,341
Computer Software	2,452	2,354	98	361
Donor development software	94,347	44,496	49,851	41,596
Leaseholds	155,274	46,302	108,972	124,500
	<u>309,773</u>	<u>127,125</u>	<u>182,648</u>	<u>194,798</u>

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2013

8 Life insurance policies

	2013 \$	2012 \$
Cash surrender value of beneficial ownership policies - beginning of year	213,094	199,822
Cash surrender value increment - net	2,423	13,272
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Cash surrender value of beneficial ownership policies - end of year	215,517	213,094

Proceeds receivable upon the realization of these policies will be approximately \$4,500,000 (2012 - \$4,500,000).

9 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 with the amounts become due. In respect of government remittances, nil (2012 - nil) is included within accounts payable and accrued liabilities.

10 Deferred contribution

During 2013, the Foundation received a contribution of \$996,310 which was subsequently directed by the donor in 2014 to be contributed to the Foundation's Endowment Funds. As a result, the amount has been classified as a deferred contribution for the current year.

11 Commitments

- a) The Foundation has made a commitment to provide an additional \$500,000 to the Asper Jewish Community Campus of Winnipeg Endowment Fund in future years. The commitment will be fulfilled by allocations of future grant commitments. As at December 31, 2013, \$450,000 (2012 - \$400,000) of this commitment has been paid and the current year amount has been included in undesignated grant commitments expense.
- b) In the prior year, the Foundation made a commitment to provide \$150,000 over a five year period starting in 2015 from the undesignated grant commitments expense.
- c) During 2013, the Foundation has made a further commitment to provide \$50,000 over an eight year period to the Canadian Museum of Human Rights starting in 2015.

The Jewish Foundation of Manitoba

Notes to Financial Statements

December 31, 2013

- d) The Foundation has an agreement with the Jewish Community Campus of Winnipeg to license 2,200 square feet of office space which expires August 31, 2015. The Foundation has the option to renew the license to August 31, 2021. The estimated annual commitment is as follows:

	\$
2014	38,535
2015	<u>39,636</u>
	<u>78,171</u>

12 The Jewish Foundation of Manitoba USA, Inc.

During 2004, the Foundation established a charitable organization in the United States to facilitate tax deductible contributions to residents of the United States. On January 20, 2004, the Jewish Foundation of Manitoba USA, Inc. (the "Organization") was incorporated in the State of Illinois. The Organization is exempt from Federal income tax under section 501 (c) (3) of the Internal Revenue Code. The Foundation maintains the exclusive right to appoint the Organization's Board of Directors.

The Organization is deemed a "Supporting Organization" for the sole purpose of supporting the charitable purpose of the Foundation under section 509 (a) (3) of the Internal Revenue Code. A Supporting Organization operates as a "public charity" under the Internal Revenue Code. Contributions to a public charity are deductible up to 50% (30% non-cash) of a taxpayer's Adjusted Gross Income ("AGI").

It is the policy of the Organization to distribute all contributions received during the year to the Foundation in the form of a grant. During 2013, the Organization received contributions in the amount of \$20,802 (2012 - \$110,575), which was distributed to the Foundation as a grant. Of this amount, \$14,783 (2012 - \$10,108) was allocated to the Endowment Funds, \$6,019 (2012 - \$100,467) was distributed or shall be distributed to other organizations as a flow-through commitment.

13 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.

14 Interfund transfer

In 2013, an interfund transfer of nil (2012 - \$17,714) was made from the Operating Fund to the Endowment Funds. Also in 2013, an interfund transfer of \$7,029,484 (2012 - \$75,726) was made from the Operating Fund to the Reserve Fund.

