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Comptables Professionnels Agréés / Chartered Professional Accountants

JEWISH NATIONAL FUND OF CANADA (KEREN KAYEMETH LE'ISRAEL) INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

membre indépendant de
BAKER TILLY
INTERNATIONAL

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Jewish National Fund of Canada (Keren Kayemeth Le'Israel) Inc.

We have audited the accompanying financial statements of **Jewish National Fund of Canada (Keren Kayemeth Le'Israel) Inc.**, which comprise the statement of financial position as at December 31, 2014, and the statements of changes in net assets, revenues and expenses 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 organization'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 organization'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.

INDEPENDENT AUDITOR'S REPORT (cont'd.)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion
Jewish National Fund of Canada (Keren Kayemeth Le'Israel) Inc. derives revenue from contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether adjustments might be necessary to receipts from contributions, excess of revenues over expenses for the year, assets and net assets.

Qualified Opinion
In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had the receipts from contributions referred to in the basis for qualified opinion been susceptible to satisfactory audit tests, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2014 and the changes in net assets, revenues and expenses, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow Montréal S.E.N.C.R.L. /LLP [1]

Montréal, Québec
June 8, 2015

[1] CPA auditor, CA, public accountancy permit No. A104321

Collins Barrow
Comptables Professionnels Agréés / Chartered Professional Accountants

JEWISH NATIONAL FUND OF CANADA (KEREN KAYEMETH LE'ISRAEL) INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	2014	2013
ASSETS		
Current		
Cash (Note 3)	$ **2,677,469**	$ 1,155,820
Investment (Note 4)	**758,250**	750,000
Investments held by third party (Note 5)	**7,821,106**	8,565,698
State of Israel bonds (Note 6)	**79,305**	95,529
Sales tax and other receivables (Note 7)	**546,374**	387,459
Loan receivable (Note 8)	**147,506**	-
Prepaid expenses and sundry assets	**93,128**	85,291
	12,123,138	11,039,797
Cash surrender value of life insurance policies (Note 9)	**158,974**	154,698
Loan receivable (Note 10)	**280,000**	280,000
Investments in real estate (Note 11)	**10,981,500**	-
Property and equipment (Note 12)	**140,003**	157,378
Intangible assets (net of accumulated amortization of $304,447; 2013 - $286,818)	**88,230**	105,859
	$ **23,771,845**	$ 11,737,732
LIABILITIES		
Current		
Accounts payable and sundry liabilities (Note 13)	$ **367,540**	$ 366,229
Salaries and vacation payable	**453,976**	258,853
Loan payable	**-**	264,693
Current portion of provision for retirement pay	**99,936**	-
	921,452	889,775
Provision for retirement pay	**296,747**	318,226
	1,218,199	1,208,001
NET ASSETS		
Unrestricted	**22,553,646**	10,529,731
	$ **23,771,845**	$ 11,737,732

APPROVED ON BEHALF OF THE DIRECTORS:

______________________ *Member*

______________________ *Member*

See accompanying notes

JEWISH NATIONAL FUND OF CANADA (KEREN KAYEMETH LE'ISRAEL) INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
Balance, beginning of year	$ **10,529,731**	$ 9,930,441
Excess of revenues over expenses for the year	**12,023,915**	599,290
Balance, end of year	$ **22,553,646**	$ 10,529,731

See accompanying notes

JEWISH NATIONAL FUND OF CANADA (KEREN KAYEMETH LE'ISRAEL) INC.
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
Revenues		
Receipts from contributions	$ 28,409,942	$ 11,243,397
Investment income including increase in fair value	767,371	1,066,481
Increase in cash surrender value of life insurance policies	4,276	3,764
	29,181,589	12,313,642
Fundraising expenses (Note 14)	3,679,801	4,056,085
Excess of revenues over fundraising expenses	25,501,788	8,257,557
Expenses		
General and administrative	2,488,458	2,258,437
Amortization	49,443	38,590
	2,537,901	2,297,027
Excess of revenues over expenses before undernoted item	22,963,887	5,960,530
Charitable projects	10,939,972	5,361,240
Excess of revenues over expenses for the year	$ 12,023,915	$ 599,290

See accompanying notes

JEWISH NATIONAL FUND OF CANADA (KEREN KAYEMETH LE'ISRAEL) INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
Operating activities		
Excess of revenues over expenses for the year	$ **12,023,915**	$ 599,290
Adjustments for		
Amortization	**49,443**	38,590
Increase in fair value of investments	**(544,029)**	(719,468)
Increase in cash surrender value of life insurance policies	**(4,276)**	(3,764)
Investments in real estate	**(10,981,500)**	-
Total adjustments	**543,553**	(85,352)
Net change in non-cash working capital items		
(Increase) decrease in sales tax and other receivables	**(158,915)**	190,459
Increase in prepaid expenses and sundry assets	**(7,837)**	(51,094)
Increase in accounts payable and sundry liabilities	**1,310**	171,944
Increase in salaries and vacation payable	**195,123**	47,079
Increase in provision for retirement pay	**78,457**	8,022
Cash provided by operating activities	**651,691**	281,058
Investing activities		
State of Israel bonds	**16,224**	3,471
Investments	**1,280,371**	168,885
Purchase of property and equipment	**(14,438)**	(109,373)
Cash provided by investing activities	**1,282,157**	62,983
Financing activities		
Increase in loan receivable	**(147,506)**	-
Repayment of loan payable	**(264,693)**	(144,196)
Cash used in financing activities	**(412,199)**	(144,196)
Increase in cash	**1,521,649**	199,845
Cash, beginning of year	**1,155,820**	955,975
Cash, end of year	$ **2,677,469**	$ 1,155,820

See accompanying notes

1. Purpose of the organization

Jewish National Fund of Canada (Keren Kayemeth Le'Israel) Inc. raises funds from various sources across Canada including individuals, corporations and estates. These funds are used for charitable purposes in Israel through Canada Israel Committee (CANISCOM), an agent of the organization. The organization is incorporated under the Canada Not-for-profit Corporations Act (NFP Act) and is a registered charity under the Income Tax Act.

2. Significant accounting policies

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

(a) Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary they are reported in the excess of revenues over expenses in the period in which they become known.

Estimates made by management include the useful life of property and equipment, salary and vacation payable accruals, provision for retirement pay, the allocation of salaries and compensation costs, and the valuation of investment in real estate. Actual results could differ from those estimates.

(b) Financial instruments

(i) Measurement of financial instruments

The organization initially measures its financial assets and financial liabilities at fair value. Subsequent thereto, its financial assets and financial liabilities are measured at amortized cost, except for its investment, investments held by third party, State of Israel bonds, and cash surrender value of life insurance policies, which are subsequently measured at fair value. Changes in fair value are recognized in the excess of revenues over expenses for the year.

Financial assets measured at amortized cost include cash, sales tax and other receivables, and loans receivable.

Financial liabilities measured at amortized cost include accounts payable and sundry liabilities, salaries and vacation payable, loan payable, and provision for retirement pay.

2. Significant accounting policies (cont'd.)

(b) Financial instruments (cont'd.)

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. The amount of the write-down is recognized in the excess of revenues over expenses for the year. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it 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 excess of revenues over expenses for the year.

No write-downs were recorded for the years 2014 and 2013.

(c) Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received. Pledges are recognized as revenue when collectability is reasonably assured. Bequests are recognized as revenue when assets donated can be reasonably identified and measured.

(d) Investments in real estate

The organization follows the cost method of accounting for real estate. These assets are tested for impairment when there is an indication that an impairment might exist.

(e) Property and equipment

Property and equipment are recorded at cost and are being amortized over their estimated useful lives. The annual amortization rates and methods are as follows:

Furniture and fixtures	20% declining balance
Data processing equipment	20% declining balance

Amortization of leasehold improvements is recorded over the remaining term of the lease. The average term of the leases is 5 years.

(f) Intangible assets

Intangible assets are recorded at cost and are being amortized over their estimated useful lives. The annual amortization rate and method is as follows:

Software	20% declining balance

2. Significant accounting policies (cont'd.)

(g) Allocation of expenses

Compensation costs that are directly attributable to fundraising activities are allocated to fundraising expenses. The amount of compensation costs allocated is based on the time spent by the employees on fundraising activities.

3. Cash

As at December 31, 2014, cash included approximately $66,000 (2013 - $Nil) held on account of deposits received from individuals for upcoming missions to Israel. The offsetting amount has been included in accounts payable and sundry liabilities.

4. Investment

The investment matures on December 31, 2015 (2013 - December 31, 2014) and earns interest at 1.1% (2013 - 1.1%) per annum.

5. Investments held by third party

These investments are held and administered by the Jewish Community Foundation of Montréal.

6. State of Israel bonds

State of Israel bonds have been recorded at fair value. The bonds mature at various dates from January 2015 to January 2021 and bear interest at an average rate of approximately 2.92% per annum. Approximately $20,000 (U.S. $19,000); 2013 - $28,000 (U.S. $26,000) of State of Israel Bonds are denominated in U.S. currency.

7. Sales tax and other receivables

	2014	2013
Sales taxes receivable	$ **546,374**	$ 334,499
Other receivables	-	52,960
	$ **546,374**	$ 387,459

8. Loan receivable

The loan receivable is non-interest bearing.

9. Cash surrender value of life insurance policies

Cash surrender value of life insurance policies is shown net of loans to finance premiums. The face value of these insurance policies, net of outstanding loans of approximately $79,000 (2013 - $79,000), is $2,202,000 (2013 - $1,981,000).

10. Loan receivable

This loan receivable is to a former executive vice president and was advanced as part of his retirement package. It is non-interest bearing and will be repaid from the proceeds of an insurance policy on his life.

11. Investments in real estate

During the year, three properties were donated to the organization on the basis that the donor maintain use thereof for a period of time during which period the donor would pay for all expenses and costs related thereto. The values were determined by management after taking into consideration valuations determined by independent third party appraisers and other conditions related to the donation.

12. Property and equipment

	2014			2013
	Cost	Accumulated amortization	Net	Net
Furniture and fixtures	$ 552,973	$ 494,792	$ 58,181	$ 68,262
Data processing equipment	1,003,697	939,256	64,441	69,652
Leasehold improvements	44,605	27,224	17,381	19,464
	$ 1,601,275	$ 1,461,272	$ 140,003	$ 157,378

13. Accounts payable and sundry liabilities

Included in accounts payable and sundry liabilities are approximately $68,000 (2013 - $46,000) of payroll deductions.

14. Fundraising expenses

Included in fundraising expenses are allocated salaries and other compensation costs of $1,009,000 (2013 - $931,000).

15. Income taxes

The organization is classified as tax-exempt under Federal and Provincial income tax laws. Consequently, no provision for income taxes has been reflected in the accompanying financial statements.

16. Pension plan

On January 1, 2006, the organization initiated a defined benefit plan for a key officer employed by the organization. Under the terms of this plan, the organization is responsible for the funding of all the pension liabilities and administrative costs, with the exception of any deficit occurring from short falls of its stated investment return targets which will be assumed by the beneficiary. An independent actuarial valuation report with an effective date of December 31, 2012 was prepared for this plan in September 2013 determining the plan's current funding obligations for the three-year period ending December 31, 2015.

During the year, the organization paid current service contributions of $36,400 (2013 - $35,400) included in the actuarial valuation report. Actuarial valuations will be reviewed every three years.

17. Commitments

(a) The minimum rentals payable under long-term operating leases, exclusive of certain operating costs for which the organization is responsible, are approximately as follows:

2015	$	137,000
2016		79,000
2017		53,000
2018		27,000
	$	296,000

(b) The funding requirement for the pension plan, as described in Note 16, is approximately $37,400 for 2015.

18. Financial instruments

Interest rate risk

The organization is exposed to changes in interest rates, which could adversely impact expected returns from the organization's investment, investments held by third party and State of Israel bonds.

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. The organization is exposed to market risk as a result of its investments. The organization reduces this risk by maintaining a diversified portfolio.

19. Comparative figures

The financial statements of the prior year have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.