JEWISH NATIONAL FUND OF CANADA INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Jewish National Fund of Canada Inc.

Qualified Opinion
We have audited the financial statements of **Jewish National Fund of Canada Inc.**, which comprise the statement of financial position as at December 31, 2019, and the statements of changes in net assets, revenues and expenses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of **Jewish National Fund of Canada Inc.** as at December 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 Qualified Opinion
In common with many not-for-profit organizations, the organization derives revenue from certain 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.

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 organization 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 qualified opinion.

Emphasis of Matter
We draw attention to Note 2 of the financial statements, concerning the audit of the accounts of the Organization by the Canada Revenue Agency (“CRA”). On August 20, 2019, CRA notified the Organization that in its view, the Organization no longer met the conditions for charitable registration and has issued a notice of intent to revoke its charitable status. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT (cont'd.)

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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 organization's internal control.

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INDEPENDENT AUDITOR'S REPORT (cont'd.)

- 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 organization'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 organization 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.

Baker Tilly Montréal S.E.N.C.R.L./LLP

[1]

Montréal, Québec
October 28, 2020

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

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JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		
Current		
Cash	**$ 6,615,973**	$ 6,323,709
Investments held by third parties (Note 4)	**12,186,387**	13,917,953
State of Israel bonds (Note 5)	**58,689**	76,782
Accounts receivable (Note 6)	**1,242,042**	555,925
Prepaid expenses and sundry assets	**38,397**	29,802
Current portion of balance of sale receivable (Note 9)	**866,261**	841,060
	21,007,749	21,745,231
Life insurance policies (Note 7)	**269,529**	267,402
Loan receivable (Note 8)	**280,000**	280,000
Balance of sale receivable (Note 9)	**892,448**	1,758,711
Investments in real estate (Note 10)	**3,123,605**	6,430,219
Property and equipment (Note 11)	**82,778**	99,669
Intangible assets (net of accumulated amortization of $358,315; 2018 - $349,623)	**35,176**	43,054
	$ 25,691,285	$ 30,624,286
LIABILITIES		
Current		
Accounts payable and sundry liabilities (Note 12)	**$ 1,223,841**	$ 113,648
Salaries and vacation payable	**150,319**	160,722
	1,374,160	274,370
NET ASSETS		
Unrestricted	**24,317,125**	30,349,916
	$ 25,691,285	$ 30,624,286

APPROVED ON BEHALF OF THE DIRECTORS:

DocuSigned by:

Allan Wiener

Member

DocuSigned by:

Member

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See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Balance, as previously stated	**$ 29,722,403**	$ 35,936,261
Prior period adjustment (Note 13)	**627,513**	749,311
Balance, beginning of year, as restated	**30,349,916**	36,685,572
Deficiency of revenues over expenses for the year after charitable activities	**(6,032,791)**	(6,335,656)
Balance, end of year	**$ 24,317,125**	$ 30,349,916

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Revenues		
Receipts from contributions	$ 11,759,383	$ 11,562,343
Increase in cash surrender value of life insurance policies	2,127	3,386
Investment income	398,603	1,183,000
Interest income from balance of sale receivable (Note 9)	67,637	92,074
	12,227,750	12,840,803
Fundraising expenses (Note 14)	2,832,291	3,073,156
Excess of revenues over fundraising expenses	9,395,459	9,767,647
Expenses		
General and administrative	3,886,285	3,569,793
Amortization	27,374	31,925
	3,913,659	3,601,718
Excess of revenues over expenses before undernoted items	5,481,800	6,165,929
Gain (loss) on disposition of investments in real estate	363,869	(35,808)
(Impairment) recovery of investments in real estate	(192,762)	229,237
Loan receivable adjustment related to shared expenses	-	(516,949)
Unrealized gain (loss) on fair value adjustment of investments held by third party	871,000	(1,447,343)
Excess of revenues over expenses before charitable activities	6,523,907	4,395,066
Charitable activities - jointly controlled operations (Note 15)	9,254,628	6,723,033
Charitable activities	3,302,070	4,007,689
Deficiency of revenues over expenses for the year after charitable activities	$ (6,032,791)	$ (6,335,656)

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Operating activities		
Deficiency of revenues over expenses for the year	**$ (6,032,791)**	$ (6,335,656)
Adjustments for		
Amortization	**27,374**	31,925
(Increase) decrease in fair value of investments held by third parties	**(871,000)**	1,447,343
Increase in cash surrender value of life insurance policies	**(2,127)**	(3,386)
Impairment (reversal) of investments in real estate	**192,762**	(229,237)
(Gain) loss on disposition of investments in real estate	**(363,869)**	35,808
Loan receivable adjustment related to shared expenses	**-**	516,949
	(7,049,651)	(4,536,254)
Net change in non-cash working capital items		
Increase in accounts receivable	**(686,117)**	(283,700)
(Increase) decrease in prepaid expenses and sundry assets	**(8,595)**	182,681
Increase (decrease) in accounts payable and sundry liabilities	**1,110,193**	(172,699)
Decrease in salaries and vacation payable	**(10,403)**	(21,834)
Cash used in operating activities	**(6,644,573)**	(4,831,806)
Investing activities		
Decrease in State of Israel bonds	**18,093**	3,928
Increase in investments in real estate	**(52,367)**	(248,982)
Net proceeds from sale of investments in real estate	**3,530,088**	4,188,192
Decrease (increase) in investments held by third party	**2,602,566**	(6,054,403)
Decrease in balance of sale receivable	**841,062**	816,625
Purchase of property and equipment	**(1,790)**	(14,175)
Purchase of intangible assets	**(815)**	-
Repayment of loan receivable	**-**	486,512
Cash provided by (used in) investing activities	**6,936,837**	(822,303)
Increase (decrease) in cash	**292,264**	(5,654,109)
Cash, beginning of year	**6,323,709**	11,977,818
Cash, end of year	**$ 6,615,973**	$ 6,323,709

See accompanying notes

1. Purpose of the organization

Jewish National Fund of Canada Inc. raises funds from various Canadian sources. These funds are used for charitable purposes in Israel through various arrangements with 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.

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.

2. Registered charity status

Following an audit of the accounts of the Organization by the Canada Revenue Agency ("CRA"), on August 20, 2019, CRA notified the Organization that in its view, the Organization no longer met the conditions for charitable registration and issued a notice of intent to revoke its charitable status. The Organization submitted a detailed objection to CRA's position on the basis that the organization meets the requirements for registration and no change in its status is justified. The organization is permitted to continue to operate as a registered charity until a decision is reached. As of October 28, 2020, no decision had been reached by the CRA.

3. Significant accounting policies

The organization applies the Canadian accounting standards for not-for-profit organizations.

(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 impairment of loan receivable and balance of sale receivable, useful life of property and equipment, salary and vacation payable accruals, the allocation of salaries and compensation costs, and the valuation of investments in real estate. Actual results could differ from those estimates.

3. Significant accounting policies (cont'd.)

(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 investments held by third parties, 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, accounts receivable (net of sales taxes), loan receivable and balance of sale receivable.

Financial liabilities measured at amortized cost include accounts payable and sundry liabilities and salaries and vacation payable.

(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.

(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 assured. Bequests are recognized as revenue when assets donated can be reasonably identified and measured. Gifts in kind in the form of investments and life insurance policies are recognized as revenue when assets donated can be reasonably identified and measured.

(d) Balance of sale receivable

Balance of sale receivable is recorded at the face amount of the contract less any impairment.

Interest income is recorded when collectability is assured. The balance of sale receivable is impaired when in the opinion of management there is a reasonable doubt as to the ultimate collectability of any principal or interest.

3. Significant accounting policies (cont'd.)

(e) Investments in real estate

The organization follows the cost method of accounting for real estate. Any costs incurred to maintain or improve the properties have been added to the cost. These assets are tested for impairment when there is an indication that an impairment might exist.

(f) 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 a lease is five years.

(g) 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

(h) 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.

(i) Jointly controlled operations

The organization conducts jointly controlled operations with Keren Kayemeth Le'Israel in Israel. The organization records on the balance sheet its share of assets it controls and its share of liabilities incurred and on the income statement, its share of revenue earned and its share of expenses incurred by the joint arrangement.

4. Investments held by third parties

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

5. State of Israel bonds

State of Israel bonds have been adjusted to fair market value. The bonds mature at various dates from November 2020 to May 2024 and bear interest at an average rate of approximately 4.89% (2018 - 5.10%) per annum. Approximately $2,600 (U.S. $2,500) (2018 - $2,600 (U.S. $2,500)) of State of Israel Bonds are denominated in U.S. currency.

6. Accounts receivable

	2019	2018
Sales taxes receivable	$ 229,803	$ 255,791
Other receivables	1,012,239	300,134
	$ 1,242,042	$ 555,925

7. Life insurance policies

This includes insurance policies having a cash surrender value of $176,000 (2018 - $174,000) net of loans to finance premiums. The face value of all the insurance policies is $1,966,000 (2018 - $2,000,000), which is net of outstanding loans of approximately $115,000 (2018 - $107,000).

8. Loan receivable

This loan receivable from a former executive vice president 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. The life insurance policy has been assigned to the organization as security.

9. Balance of sale receivable

In 2016, a property having a value of $8,418,600 was donated to the organization and sold in the same year. The organization provided the buyer a balance of sale subject to a mortgage secured against the property.

The balance of sale receivable, bears interest at 3% per annum, repayable in quarterly installments of $227,175 combining principal and interest, maturing in December 2021	$ 1,758,709
Less current portion	866,261
Due beyond one year	$ 892,448

10. Investments in real estate

The organization is responsible to pay for all the expenses and costs related to its properties. Costs of $52,367 (2018 - $314,745) were capitalized during the year.

11. Property and equipment

	2019			2018
	Cost	Accumulated amortization	Net	Net
Furniture and fixtures	$ 568,888	$ 543,777	$ 25,111	$ 31,323
Data processing equipment	1,048,715	1,004,052	44,663	53,880
Leasehold improvements	49,541	36,537	13,004	14,466
	$ 1,667,144	$ 1,584,366	$ 82,778	$ 99,669

12. Accounts payable and sundry liabilities

Included in accounts payable and sundry liabilities are approximately $30,000 (2018 - $25,000) of payroll deductions.

13. Prior period adjustment

In the prior year, the financial information relating to the organization's activities in its jointly controlled operations was not available and accordingly, the financial statements did not reflect the activities of these operations.

During the year, financial information of the jointly controlled operations became available which resulted in an adjustment in the amount of charitable activities - jointly controlled operations that was incurred in the prior year.

The adjustment resulted in an increase in the deficiency of revenues over expenses after charitable activities for the year 2018 of $121,798.

Also, the adjustment resulted in a decrease in the deficiency of revenues over expenses after charitable activities for the years prior to 2018 by $749,311.

These adjustments have been recorded as a prior period adjustment, which increased the opening balance of net assets as at January 1, 2019 and January 1, 2018 by $627,513 and $749,311, respectively.

14. Fundraising expenses

Included in fundraising expenses are allocated salaries and other compensation costs of approximately $1,135,000 (2018 - $1,045,000).

15. Charitable activities - jointly controlled operations

The amount represents the organization's share of expenditures incurred by the jointly controlled operations in Israel in the year.

16. Subsequent events

(i) COVID-19 pandemic

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the entity's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the entity's operations. The extent of the impact of this outbreak and related containment measures on the entity's operations cannot be reliably estimated at this time.

The organization has taken out several measures to mitigate the impact of the crisis on its operations and has received government assistance under the Temporary Wage Subsidy and the Canada Emergency Wage Subsidy.

(ii) Sale of investment in real estate

Subsequent to the year end, the organization sold its remaining investment in real estate, with a net book value of approximately $3,124,000, for net proceeds of approximately $3,124,000.

17. Commitments

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

2020	$	246,000
2021		134,000
2022		40,000
2023		36,000
2024		36,000
Subsequent years		51,000
	$	543,000

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 investments held by third party and State of Israel bonds.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk as a result of its balance of sale receivable.

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 held by third party and State of Israel bonds.

19. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenues over expenses after charitable activities.