

JEWISH NATIONAL FUND OF CANADA INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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Baker Tilly Montréal S.E.N.C.R.L. / LLP

606, rue Cathcart, Bureau 200

Montréal, QC

Canada H3B 1K9

T: 514.866.8553

F: 514.866.8469

montréal@bakertilly.ca

www.bakertilly.ca

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, 2021, 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, 2021 and its results of 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.

AUDIT • FISCALITÉ • SERVICES-CONSEILS

Baker Tilly Montréal S.E.N.C.R.L. / LLP, qui exerce ses activités sous le nom de Baker Tilly Montréal est membre de la Coopérative Baker Tilly Canada, qui fait partie du réseau mondial Baker Tilly International Limited. Les membres de la Coopérative Baker Tilly Canada et de Baker Tilly International Limited sont tous des entités juridiques distinctes et indépendantes.

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.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (cont'd.)

- ◆ 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
June 12, 2022

¹CPA, public accountancy permit No. A104321

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
ASSETS		
Current		
Cash	\$ 10,493,990	\$ 8,772,085
Investments held by third parties (Note 6)	21,943,018	14,850,560
State of Israel bonds (Note 7)	64,880	55,767
Accounts receivable (Note 8)	779,216	1,564,602
Prepaid expenses and sundry assets	16,722	44,805
Balance of sale receivable	-	892,486
	<u>33,297,826</u>	26,180,305
Life insurance policies (Note 9)	283,874	275,638
Loan receivable (Note 10)	280,000	280,000
Property and equipment (Note 11)	59,994	73,542
Intangible assets (net of accumulated amortization of \$370,978; 2020 - \$365,350)	<u>22,513</u>	<u>28,141</u>
	<u>\$ 33,944,207</u>	<u>\$ 26,837,626</u>
LIABILITIES		
Current		
Accounts payable and sundry liabilities (Note 12)	\$ 129,372	\$ 64,713
Salaries and vacation payable	151,428	221,780
Deferred contributions (Note 13)	<u>9,754,550</u>	<u>5,510,585</u>
	10,035,350	5,797,078
NET ASSETS		
Unrestricted	<u>23,908,857</u>	<u>21,040,548</u>
	<u>\$ 33,944,207</u>	<u>\$ 26,837,626</u>

APPROVED ON BEHALF OF THE DIRECTORS:

Ami **Member**

Bill Price **Member**

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
Balance, as previously stated	\$ 26,551,133	\$ 24,317,125
Prior period adjustment (Note 3)	<u>(5,510,585)</u>	<u>(6,766,732)</u>
Balance, beginning of year, as restated	21,040,548	17,550,393
Excess of revenues over expenses for the year after charitable activities	<u>2,868,309</u>	<u>3,490,155</u>
Balance, end of year	<u>\$ 23,908,857</u>	<u>\$ 21,040,548</u>

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
Revenues		
Receipts from contributions	\$ 12,822,264	\$ 6,782,634
Receipts from contributions deferred (Note 13)	(7,752,314)	(1,082,491)
Deferred contributions recognized (Note 13)	3,508,349	2,338,638
Increase in cash surrender value of life insurance policies	8,236	6,108
Investment income	1,193,626	518,824
Interest income from balance of sale receivable	16,213	42,476
Government assistance (Note 14)	<u>692,297</u>	<u>932,346</u>
	10,488,671	9,538,535
Fundraising expenses (Note 15)	<u>1,529,016</u>	<u>1,044,979</u>
Excess of revenues over fundraising expenses	<u>8,959,655</u>	<u>8,493,556</u>
Expenses		
General and administrative	3,236,714	3,037,432
Amortization	<u>19,176</u>	<u>22,972</u>
	<u>3,255,890</u>	<u>3,060,404</u>
Excess of revenues over expenses before undernoted items	5,703,765	5,433,152
Expenses incurred on sale of investment in real estate	(83,223)	(11,218)
Unrealized gain on fair value adjustment of investments held by third party	<u>756,116</u>	<u>824,809</u>
Excess of revenues over expenses before charitable activities	6,376,658	6,246,743
Charitable activities - jointly controlled operations	-	(417,950)
Charitable activities	<u>(3,508,349)</u>	<u>(2,338,638)</u>
Excess of revenues over expenses for the year after charitable activities	<u><u>\$ 2,868,309</u></u>	<u><u>\$ 3,490,155</u></u>

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
Operating activities		
Excess of revenues over expenses for the year	\$ 2,868,309	\$ 3,490,155
Adjustments for		
Amortization	19,176	22,972
Increase in fair value of investments held by third parties	(756,116)	(824,809)
Increase in cash surrender value of life insurance policies	(8,236)	(6,108)
Loss on disposition of investments in real estate	83,223	11,218
Non-cash increase in investments in real estate	<u>(3,424,000)</u>	<u>-</u>
	(1,217,644)	2,693,428
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	785,386	(322,560)
Decrease (increase) in prepaid expenses and sundry assets	28,083	(6,408)
Increase (decrease) in accounts payable and sundry liabilities	64,658	(1,159,129)
(Decrease) increase in salaries and vacation payable	(70,352)	71,461
Increase (decrease) in deferred contributions	<u>4,243,966</u>	<u>(1,256,147)</u>
Cash provided by operating activities	<u>3,834,097</u>	<u>20,645</u>
Investing activities		
(Increase) decrease in State of Israel bonds	(9,113)	2,922
Net proceeds from sale of investments in real estate	3,340,777	3,112,387
Increase in investments held by third party	(6,336,342)	(1,839,364)
Decrease in balance of sale receivable	892,486	866,223
Purchase of property and equipment	<u>-</u>	<u>(6,701)</u>
Cash (used in) provided by investing activities	<u>(2,112,192)</u>	<u>2,135,467</u>
Increase in cash	1,721,905	2,156,112
Cash, beginning of year	<u>8,772,085</u>	<u>6,615,973</u>
Cash, end of year	<u><u>\$ 10,493,990</u></u>	<u><u>\$ 8,772,085</u></u>

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

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") that commenced in 2011, the CRA notified the organization that in its view, the organization was not carrying on its activities in a manner that met the conditions for continued charitable registration and in 2019 issued a notice of intent to revoke its charitable status. In November 2019, the organization submitted a detailed objection to the CRA's position providing information supporting the basis that the organization was complying with the requirements for registration and requested a meeting with the CRA to arrive at a compliance agreement. As of June 12, 2022, no meeting has yet been held with the CRA nor has any final decision been reached by them. However, the organization is permitted to continue operating as a registered charity until a decision is reached.

3. Prior period adjustment

The organization follows the deferral method of accounting for contributions which requires contributions intended for specific projects (restricted contributions) to be recognized as revenue in the year in which the related project costs are incurred.

In prior years, certain restricted contributions were recorded as revenue in the year the contributions were received rather than deferring the contributions and recording the revenue only when the related project costs were incurred.

For years prior to 2020, there was a decrease in the excess of revenues over expenses for the year after charitable activities of \$6,766,732 which has been recorded as a decrease in the opening net assets balance as at December 31, 2019 of \$6,766,732.

As a result of the change, for the year ended 2020, there was an increase in the excess of revenues over expenses for the year after charitable activities of \$1,256,147 and deferred contribution of \$5,510,585 and a decrease in the opening net assets balance as at December 31, 2020 of \$5,510,585.

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

4. Impact of 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) have had a material impact on the entity's operations.

In order to mitigate the impact of the crisis on its operations, the organization applied for the Canada Emergency Wage Subsidy, which was subsequently replaced by the Canada Recovery Hiring Program (CRHP), and the Canada Emergency Rent Subsidy government relief measures, for which it was eligible. The organization has claimed \$692,297 in government assistance for the year ended December 31, 2021 as described in Note 14.

5. 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, useful life of property and equipment, salary and vacation payable accruals, deferred contributions calculation and the allocation of salaries and compensation costs. 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 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.

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

5. 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.

(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 project costs 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.

(e) Cash surrender value of life insurance

Cash surrender value of life insurance is recorded as the amount currently available, plus the deferred surrender charges which are available to the organization in the future, provided the policy is held for a minimum period, as stipulated in the insurance contract.

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

5. Significant accounting policies (cont'd.)

(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
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(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) Government assistance

Government and other grants related to property and equipment are accounted for as deferred government assistance and amortized on the same basis as the related property and equipment. Operating grants are accounted for as revenue when earned.

(j) Jointly controlled operations

Prior to January 1, 2021, the organization conducted 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.

6. 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.

JEWISH NATIONAL FUND OF CANADA INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021

7. State of Israel bonds

State of Israel bonds have been adjusted to fair market value. The bonds mature at various dates from June 2022 to December 2026 and bear interest at an average rate of approximately 4.64% (2020 - 4.94%) per annum. As at year end, no state of Israel bonds were denominated in U.S. currency (2020 - approximately \$2,600; U.S. \$2,500).

8. Accounts receivable

	<u>2021</u>	<u>2020</u>
Sales taxes receivable	\$ 432,506	\$ 353,621
Other receivables	342,474	1,048,189
Government assistance receivable (Note 14)	<u>4,236</u>	<u>162,792</u>
	<u>\$ 779,216</u>	<u>\$ 1,564,602</u>

9. Life insurance policies

This includes insurance policies having a cash surrender value of \$190,000 (2020 - \$182,000) net of loans to finance premiums. The face value of all the insurance policies is \$1,743,000 (2020 - \$1,738,000), which is net of outstanding loans of approximately \$63,000 (2020 - \$57,000).

10. 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 premiums for which are being paid by the former executive vice president. The life insurance policy has been assigned to the organization as security.

11. Property and equipment

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Furniture and fixtures	\$ 568,888	\$ 552,817	\$ 16,071	\$ 20,089
Leasehold improvements	49,541	39,027	10,514	11,692
Data processing equipment	<u>1,055,416</u>	<u>1,022,007</u>	<u>33,409</u>	<u>41,761</u>
	<u>\$ 1,673,845</u>	<u>\$ 1,613,851</u>	<u>\$ 59,994</u>	<u>\$ 73,542</u>

JEWISH NATIONAL FUND OF CANADA INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021

12. Accounts payable and sundry liabilities

Included in accounts payable and sundry liabilities are approximately \$48,000 (2020 - \$43,000) of payroll deductions.

13. Deferred contributions

Deferred contributions represent externally restricted donations for charitable purposes that have been received but not recognized as the related project costs have not been incurred. The changes in the deferred contributions balance are as follows:

	<u>2021</u>	<u>2020</u>
Deferred contributions, beginning of the year	\$ 5,510,585	\$ 6,766,732
Externally restricted contributions received and deferred during the year	7,752,314	1,082,491
Externally restricted contributions recognized as revenue during the year	<u>(3,508,349)</u>	<u>(2,338,638)</u>
Deferred contributions, end of the year	<u>\$ 9,754,550</u>	<u>\$ 5,510,585</u>

14. Government assistance

The organization has applied and received government assistance under the Canada Emergency Wage Subsidy (CEWS) program, which was subsequently replaced by the Canada Recovery Hiring Program (CRHP), which helps businesses by subsidizing a portion of the employees' wages during the COVID-19 pandemic. To be eligible, the organization must remain open, continue to pay salary and other remunerations to eligible employees and experience a decrease in gross revenues. Management has determined that the organization meets the criteria under CEWS and CRHP and has recorded an aggregate amount of \$563,628 (2020 - \$873,109) as revenue during the year, of which \$4,236 (2020 - \$103,555) is recorded in accounts receivable at year-end.

The organization has also applied for government assistance under the Canada Emergency Rent Subsidy (CERS) program which helps Canadian businesses, non-profit organizations, or charities who have seen a drop in revenue during the COVID-19 pandemic cover part of their commercial rent or property expenses. Management has determined that the organization meets the criteria under CERS and has recorded an amount of \$128,669 (2020 - \$59,237) as revenue during the year.

15. Fundraising expenses

Included in fundraising expenses are allocated salaries and other compensation costs of approximately \$1,172,000 (2020 - \$936,000).

JEWISH NATIONAL FUND OF CANADA INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021

16. 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:

2022	\$	249,000
2023		238,000
2024		231,000
2025		222,000
2026		<u>146,000</u>
	\$	<u>1,086,000</u>

17. 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.

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 because of its investments held by third party and State of Israel bonds.