

JEWISH NATIONAL FUND OF CANADA INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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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, 2023, 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, 2023 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.

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.)

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, the 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. On July 26, 2023, the CRA reaffirmed its intent. Our opinion is not modified in respect of this matter.

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.

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
June 2, 2024

¹CPA auditor, public accountancy permit No. A104321

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	2023	2022
ASSETS		
Current		
Cash	\$ 3,884,919	\$ 7,854,429
Term deposits (Note 4)	2,000,000	-
Investments held by third parties (Note 5)	24,732,067	22,670,635
State of Israel bonds (Note 6)	73,585	59,044
Accounts receivable (Note 7)	576,848	624,439
Prepaid expenses and sundry assets	18,607	22,237
	31,286,026	31,230,784
Life insurance policies (Note 8)	279,614	295,117
Loan receivable (Note 9)	280,000	280,000
Property and equipment (Note 10)	40,177	49,040
Intangible assets (net of accumulated amortization of \$379,083; 2022 - \$375,481)	14,408	18,010
	\$ 31,900,225	\$ 31,872,951
LIABILITIES		
Current		
Accounts payable and sundry liabilities (Note 11)	\$ 303,719	\$ 87,750
Salaries and vacation payable	188,498	187,570
Deferred contributions (Note 12)	12,671,841	10,714,451
	13,164,058	10,989,771
NET ASSETS		
Unrestricted	18,736,167	20,883,180
	\$ 31,900,225	\$ 31,872,951

APPROVED ON BEHALF OF THE DIRECTORS:

Nathan Disenhouse Member
Allan Wiener Member

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
Balance, beginning of year	\$ 20,883,180	\$ 23,908,857
Deficiency of revenues over expenses for the year after charitable activities	<u>(2,147,013)</u>	<u>(3,025,677)</u>
Balance, end of year	<u>\$ 18,736,167</u>	<u>\$ 20,883,180</u>

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
Revenues		
Receipts from contributions (Note 15 (a), (c), (d))	\$ 20,176,599	\$ 13,193,030
Deferred contributions recognized (Note 12)	13,605,843	6,192,867
Receipts from contributions deferred (Note 12)	(15,563,233)	(7,152,768)
(Decrease) increase in cash surrender value of life insurance policies	(15,503)	11,243
Investment income including realized gains and losses	<u>1,236,522</u>	<u>384,586</u>
	19,440,228	12,628,958
Fundraising expenses (Note 13, Note 15 (b))	<u>4,140,926</u>	<u>3,877,942</u>
Excess of revenues over fundraising expenses	<u>15,299,302</u>	<u>8,751,016</u>
Expenses		
General and administrative	4,677,921	3,936,763
Amortization	<u>12,465</u>	<u>15,457</u>
	<u>4,690,386</u>	<u>3,952,220</u>
Excess of revenues over expenses before undernoted item	10,608,916	4,798,796
Unrealized gain (loss) on fair value adjustment of investments held by third party	<u>849,914</u>	<u>(1,631,606)</u>
Excess of revenues over expenses before charitable activities	11,458,830	3,167,190
Charitable activities	<u>(13,605,843)</u>	<u>(6,192,867)</u>
Deficiency of revenues over expenses for the year after charitable activities	<u><u>\$ (2,147,013)</u></u>	<u><u>\$ (3,025,677)</u></u>

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
Operating activities		
Deficiency of revenues over expenses for the year	\$ (2,147,013)	\$ (3,025,677)
Adjustments for		
Amortization	12,465	15,457
(Increase) decrease in fair value of investments held by third parties	(849,914)	1,631,606
Decrease (increase) in cash surrender value of life insurance policies	<u>15,503</u>	<u>(11,243)</u>
	(2,968,959)	(1,389,857)
Net change in non-cash working capital items		
Decrease in accounts receivable	47,591	154,777
Decrease (increase) in prepaid expenses and sundry assets	3,630	(5,515)
Increase (decrease) in accounts payable and sundry liabilities	215,969	(41,622)
Increase in salaries and vacation payable	928	36,142
Increase in deferred contributions	<u>1,957,390</u>	<u>959,901</u>
Cash used in operating activities	<u>(743,451)</u>	<u>(286,174)</u>
Investing activities		
Purchase of term deposits	(2,000,000)	-
Increase in investments held by third party	(1,211,518)	(2,359,223)
(Increase) decrease in State of Israel bonds	<u>(14,541)</u>	<u>5,836</u>
Cash used in investing activities	<u>(3,226,059)</u>	<u>(2,353,387)</u>
Decrease in cash	(3,969,510)	(2,639,561)
Cash, beginning of year	<u>7,854,429</u>	<u>10,493,990</u>
Cash, end of year	<u>\$ 3,884,919</u>	<u>\$ 7,854,429</u>

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

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 Canada and 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. The organization then submitted a detailed objection to the CRA's position providing information supporting the basis that the organization was in fact complying with the requirements for registration.

Since 2019, additional representations were submitted to the CRA. On July 26, 2023, subsequent to their review of these representations, the CRA reaffirmed their intent to issue a notice to revoke the organization's charitable status. In October 2023, the organization submitted additional representations against the CRA's intent.

As of June 2, 2024, no final decision has been reached by the CRA and in the interim, the organization has been permitted to continue operating as a registered charity.

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, 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.

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

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, except for certain non-arm's length transactions. These transactions which occur in the normal course of operations are measured at the exchange amount, which is the consideration established and agreed upon by the related parties.

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, term deposits, accounts receivable (net of sales taxes receivable) and loan receivable.

Financial liabilities measured at amortized cost include accounts payable and sundry liabilities (net of government remittances), 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 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.

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

3. Significant accounting policies (cont'd.)

(d) 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.

(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 a lease is five 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
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(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.

4. Term deposits

Term deposits consist of a guaranteed investment certificate of \$2,000,000 bearing interest at a rate of 4.70% per annum and maturing on October 31, 2024.

5. 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, 2023

6. State of Israel bonds

State of Israel bonds have been adjusted to fair market value. The bonds mature at various dates from January 2024 to December 2026 (2022 - January 2023 to December 2026) and bear interest at an average rate of approximately 2.54% (2022 - 3.36%) per annum.

7. Accounts receivable

	<u>2023</u>	<u>2022</u>
Sales taxes receivable	\$ 251,656	\$ 221,090
Other receivables	<u>325,192</u>	<u>403,349</u>
	<u>\$ 576,848</u>	<u>\$ 624,439</u>

8. Life insurance policies

This includes insurance policies having a cash surrender value of approximately \$186,000 (2022 - \$201,000) net of loans to finance premiums. The face value including any paid up additions of all the insurance policies is approximately \$1,791,000 (2022 - \$1,741,000), which is net of outstanding loans of approximately \$72,000 (2022 - \$66,000).

9. 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.

10. Property and equipment

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Furniture and fixtures	\$ 568,888	\$ 558,602	\$ 10,286	\$ 12,857
Leasehold improvements	49,541	41,032	8,509	9,456
Data processing equipment	<u>1,055,416</u>	<u>1,034,034</u>	<u>21,382</u>	<u>26,727</u>
	<u>\$ 1,673,845</u>	<u>\$ 1,633,668</u>	<u>\$ 40,177</u>	<u>\$ 49,040</u>

JEWISH NATIONAL FUND OF CANADA INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2023

11. Accounts payable and sundry liabilities

Included in accounts payable and sundry liabilities are approximately \$59,000 (2022 - \$48,000) of payroll deductions.

12. 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>2023</u>	<u>2022</u>
Deferred contributions, beginning of the year	\$ 10,714,451	\$ 9,754,550
Externally restricted contributions received and deferred during the year	15,563,233	7,152,768
Externally restricted contributions recognized as revenue during the year	<u>(13,605,843)</u>	<u>(6,192,867)</u>
Deferred contributions, end of the year	<u>\$ 12,671,841</u>	<u>\$ 10,714,451</u>

13. Fundraising expenses

Included in fundraising expenses are allocated salaries and other compensation costs of approximately \$1,445,000 (2022 - \$1,334,000).

14. 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:

2024	\$ 269,000
2025	252,000
2026	<u>153,000</u>
	<u>\$ 674,000</u>

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

15. Related party transactions

The organization provides logistical support, administrative services and management services to a related party not-for-profit organization and as such the related party depends on the organization to administer its operations. The related party also shares board members with the board of directors of the organization.

- (a) The organization charged logistics, administrative and management service fees of \$58,000 (2022 - \$Nil) to the related party not-for-profit organization. This amount is included in receipts from contributions.
- (b) The organization provided event sponsorship funds of \$600,000 (2022 - \$Nil) to the related party not-for-profit organization. This amount is included in fundraising expenses.

Transactions with other related parties are as follows:

- (c) The organization received contributions from executive management members of the organization totaling \$41,000 (2022 - \$22,000). This amount is included in receipts from contributions.
- (d) The organization received contributions from members of the board of directors of the organization totaling \$846,000 (2022 - \$182,000). This amount is included in receipts from contributions.

Management believes these transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

16. 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, term deposits 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.