

JEWISH NATIONAL FUND OF CANADA INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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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, 2020, 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, 2020 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.

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.

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

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Montréal, Québec
June 21, 2021

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

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
ASSETS		
Current		
Cash	\$ 8,772,085	\$ 6,615,973
Investments held by third parties (Note 5)	14,850,560	12,186,387
State of Israel bonds (Note 6)	55,767	58,689
Accounts receivable (Note 7)	1,564,602	1,242,042
Prepaid expenses and sundry assets	44,805	38,397
Current portion of balance of sale receivable (Note 10)	892,486	866,261
	26,180,305	21,007,749
Life insurance policies (Note 8)	275,638	269,529
Loan receivable (Note 9)	280,000	280,000
Balance of sale receivable (Note 10)	-	892,448
Investment in real estate	-	3,123,605
Property and equipment (Note 11)	73,542	82,778
Intangible assets (net of accumulated amortization of \$365,350; 2019 - \$358,315)	28,141	35,176
	\$ 26,837,626	\$ 25,691,285
LIABILITIES		
Current		
Accounts payable and sundry liabilities (Note 12)	\$ 64,713	\$ 1,223,841
Salaries and vacation payable	221,780	150,319
	286,493	1,374,160
NET ASSETS		
Unrestricted	26,551,133	24,317,125
	\$ 26,837,626	\$ 25,691,285

APPROVED ON BEHALF OF THE DIRECTORS:

Beth Price 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, 2020

	2020	2019
Balance, beginning of year	\$ 24,317,125	\$ 30,349,916
Excess (deficiency) of revenues over expenses for the year after charitable activities	<u>2,234,008</u>	<u>(6,032,791)</u>
Balance, end of year	<u>\$ 26,551,133</u>	<u>\$ 24,317,125</u>

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
Revenues		
Receipts from contributions	\$ 6,782,634	\$ 11,759,383
Increase in cash surrender value of life insurance policies	6,108	2,127
Investment income	518,824	398,603
Interest income from balance of sale receivable (Note 10)	42,476	67,637
Government assistance (Note 15)	932,346	-
	8,282,388	12,227,750
Fundraising expenses (Note 13)	1,044,979	2,811,923
Excess of revenues over fundraising expenses	7,237,409	9,415,827
Expenses		
General and administrative	3,037,432	3,906,653
Amortization	22,972	27,374
	3,060,404	3,934,027
Excess of revenues over expenses before undernoted items	4,177,005	5,481,800
(Loss) gain on disposition of investment in real estate	(11,218)	363,869
Impairment of investment in real estate	-	(192,762)
Unrealized gain on fair value adjustment of investments held by third party	824,809	871,000
Excess of revenues over expenses before charitable activities	4,990,596	6,523,907
Charitable activities - jointly controlled operations (Note 14)	(417,950)	(9,254,628)
Charitable activities	(2,338,638)	(3,302,070)
Excess (deficiency) of revenues over expenses for the year after charitable activities	\$ 2,234,008	\$ (6,032,791)

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ 2,234,008	\$ (6,032,791)
Adjustments for		
Amortization	22,972	27,374
Increase in fair value of investments held by third parties	(824,809)	(871,000)
Increase in cash surrender value of life insurance policies	(6,108)	(2,127)
Impairment of investments in real estate	-	192,762
Loss (gain) on disposition of investments in real estate	11,218	(363,869)
	1,437,281	(7,049,651)
Net change in non-cash working capital items		
Increase in accounts receivable	(322,560)	(686,117)
Increase in prepaid expenses and sundry assets	(6,408)	(8,595)
(Decrease) increase in accounts payable and sundry liabilities	(1,159,129)	1,110,193
Increase (decrease) in salaries and vacation payable	71,461	(10,403)
	20,645	(6,644,573)
Cash provided by (used in) operating activities		
Investing activities		
Decrease in State of Israel bonds	2,922	18,093
Increase in investments in real estate	-	(52,367)
Net proceeds from sale of investments in real estate	3,112,387	3,530,088
(Increase) decrease in investments held by third party	(1,839,364)	2,602,566
Decrease in balance of sale receivable	866,223	841,062
Purchase of property and equipment	(6,701)	(1,790)
Purchase of intangible assets	-	(815)
	2,135,467	6,936,837
Cash provided by investing activities		
Increase in cash	2,156,112	292,264
Cash, beginning of year	6,615,973	6,323,709
Cash, end of year	\$ 8,772,085	\$ 6,615,973

See accompanying notes

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

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 and has requested a meeting with the CRA to arrive at a compliance agreement. The organization is permitted to continue to operate as a registered charity until a decision is reached. As of June 21, 2021, no meeting has yet been held with CRA nor any final decisions reached by them.

3. 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) could have a material impact on the entity's operations.

The pandemic has had a negative effect on its operations and revenue commencing in March 2020. The financial impact of the pandemic resulted in a drop in revenues for the periods of March 2020 to December 2020.

In order to mitigate the impact of the crisis on its operations, the company applied for the Temporary Wage Subsidy, Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy government relief measures, for which it was eligible. As of December 31, 2020, the company has claimed \$932,346 in government assistance for the period of March 2020 to December 2020 as described in Note 15.

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

4. 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.

(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.

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

4. Significant accounting policies (cont'd.)

(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.

(e) Investment 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) 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 time period, as stipulated in the insurance contract.

(g) 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.

(h) 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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JEWSH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

4. Significant accounting policies (cont'd.)

(i) 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.

(j) 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.

(k) 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.

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.

6. State of Israel bonds

State of Israel bonds have been adjusted to fair market value. The bonds mature at various dates from December 2021 to May 2025 and bear interest at an average rate of approximately 4.94% (2019 - 4.89%) per annum. Approximately \$2,600 (U.S. \$2,500) (2019 - \$2,600 (U.S. \$2,500)) of State of Israel Bonds are denominated in U.S. currency.

7. Accounts receivable

	<u>2020</u>	<u>2019</u>
Sales taxes receivable	\$ 353,621	\$ 229,803
Other receivables	1,048,189	1,012,239
Government assistance receivable (Note 15)	<u>162,792</u>	<u>-</u>
	<u><u>\$ 1,564,602</u></u>	<u><u>\$ 1,242,042</u></u>

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

8. Life insurance policies

This includes insurance policies having a cash surrender value of \$182,000 (2019 - \$176,000) net of loans to finance premiums. The face value of all the insurance policies is \$1,872,000 (2019 - \$1,996,000), which is net of outstanding loans of approximately \$57,000 (2019 - \$115,000).

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 life insurance policy has been assigned to the organization as security.

10. 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	\$ 892,486
Less current portion	<u>892,486</u>
Due beyond one year	<u>\$ -</u>

11. Property and equipment

	2020			2019
	Cost	Accumulated amortization	Net	Net
Furniture and fixtures	\$ 568,888	\$ 548,799	\$ 20,089	\$ 25,111
Leasehold improvements	49,541	37,849	11,692	13,004
Data processing equipment	<u>1,055,416</u>	<u>1,013,655</u>	<u>41,761</u>	<u>44,663</u>
	<u>\$ 1,673,845</u>	<u>\$ 1,600,303</u>	<u>\$ 73,542</u>	<u>\$ 82,778</u>

12. Accounts payable and sundry liabilities

Included in accounts payable and sundry liabilities are approximately \$43,000 (2019 - \$30,000) of payroll deductions.

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

13. Fundraising expenses

Included in fundraising expenses are allocated salaries and other compensation costs of approximately \$936,000 (2019 - \$1,135,000).

14. 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.

15. Government assistance

The organization has applied and received government assistance under the Canada Emergency Wage Subsidy (CEWS) and the Temporary Wage Subsidy (TWS) programs 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 TWS and has recorded a combined amount of \$873,109 for the periods between March and December 2020, as revenue, of which \$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 \$59,237 for the periods between October and December 2020, as revenue, of which \$59,237 is recorded in accounts receivable at year-end.

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:

2021	\$	201,000
2022		63,000
2023		60,000
2024		60,000
2025		60,000
Subsequent years		<u>25,000</u>
	\$	<u><u>469,000</u></u>

JEWISH NATIONAL FUND OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

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.

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.

18. 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.