

JEWISH COMMUNITY FOUNDATION OF MONTREAL

FINANCIAL STATEMENTS

MARCH 31, 2016



**JEWISH COMMUNITY FOUNDATION OF MONTREAL
FINANCIAL STATEMENTS
MARCH 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Jewish Community Foundation of Montreal

We have audited the accompanying financial statements of the Jewish Community Foundation of Montreal, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Jewish Community Foundation of Montreal as at March 31, 2016, 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.

FL Fuller Landau LLP

Montreal, August 30, 2016

¹CPA auditor, CA, public accountancy permit No. AI 10146



**JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016
(IN THOUSANDS OF DOLLARS)**

	Restricted fund \$	Unrestricted fund \$	Total \$	Trust funds (Note 7) \$	2016 Total fund balances \$	2015 Total fund balances \$
ASSETS						
Cash and cash equivalents	5,723	-	5,723	-	5,723	1,482
Loans and other assets (Note 3)	6,406	1,571	7,977	-	7,977	4,515
Investments (Note 4)	1,025,905	34,521	1,060,426	88,500	1,148,926	388,346
Investments in private Canadian companies and note receivable (Note 5)	11,188	-	11,188	4,000	15,188	13,791
Capital and other assets (Note 6)	-	-	-	503	503	503
	1,049,222	36,092	1,085,314	93,003	1,178,317	408,637
LIABILITIES						
Grants and accounts payable	-	234	234	-	234	115
Trust funds payable (Note 7)	-	-	-	93,003	93,003	89,758
	-	234	234	93,003	93,237	89,873
NET ASSETS						
Restricted	1,049,222	-	1,049,222	-	1,049,222	284,869
Unrestricted	-	35,858	35,858	-	35,858	33,895
	1,049,222	35,858	1,085,080	-	1,085,080	318,764
	1,049,222	36,092	1,085,314	93,003	1,178,317	408,637
Commitments (Note 13)						

On behalf of the Board: _____ Director
 _____ Director

JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
(IN THOUSANDS OF DOLLARS)

	Restricted fund \$	Unrestricted fund \$	Total \$	Trust funds (Note 7) \$	Total fund balances 2016 \$	Total fund balances 2015 \$
2016						
Contributions and revenues						
Contributions	853,011	5,395	858,406	-	858,406	54,245
Administration fees (Note 8)	-	1,464	1,464	-	1,464	1,148
Investment income (loss) (Notes 10 and 12)	(47,096)	(1,219)	(48,315)	(2,300)	(50,615)	29,068
	805,915	5,640	811,555	(2,300)	809,255	84,461
Trust fund contributions	-	-	-	12,655	12,655	10,606
	805,915	5,640	811,555	10,355	821,910	95,067
Distributions and expenses						
Grants paid from designated funds	8,501	-	8,501	-	8,501	6,604
Grants paid in consultation with donors	30,196	-	30,196	-	30,196	27,119
Other grants paid	-	2,169	2,169	-	2,169	454
	38,697	2,169	40,866	-	40,866	34,177
Administration fees (Note 8)	1,112	106	1,218	246	1,464	1,148
Financial service fees	1,510	-	1,510	-	1,510	1,446
Operating expenses	-	1,645	1,645	-	1,645	1,440
	41,319	3,920	45,239	246	45,485	38,211
Trust fund distributions	-	-	-	6,864	6,864	15,047
	41,319	3,920	45,239	7,110	52,349	53,258
Excess of contributions and revenues over distributions and expenses						
	764,596	1,720	766,316	3,245	769,561	41,809
Interfund transfers (Note 9)	(243)	243	-	-	-	-
	764,353	1,963	766,316	3,245	769,561	41,809
Net assets - beginning of year	284,869	33,895	318,764	89,758	408,522	366,713
Net assets - end of year	1,049,222	35,858	1,085,080	93,003	1,178,083	408,522

JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
(IN THOUSANDS OF DOLLARS)
(continued)

	Restricted fund \$	Unrestricted fund \$	Total \$	Trust funds (Note 7) \$	Total fund balances \$
2015					
Contributions and revenues					
Contributions	52,242	2,003	54,245	-	54,245
Administration fees (Note 8)	-	1,148	1,148	-	1,148
Investment income (Notes 10 and 12)	20,097	2,438	22,535	6,533	29,068
	72,339	5,589	77,928	6,533	84,461
Trust fund contributions	-	-	-	10,606	10,606
	72,339	5,589	77,928	17,139	95,067
Distributions and expenses					
Grants paid from designated funds	6,604	-	6,604	-	6,604
Grants paid in consultation with donors	27,119	-	27,119	-	27,119
Other grants paid	-	454	454	-	454
	33,723	454	34,177	-	34,177
Administration fees (Note 8)	812	101	913	235	1,148
Financial service fees	1,446	-	1,446	-	1,446
Operating expenses	-	1,440	1,440	-	1,440
	35,981	1,995	37,976	235	38,211
Trust fund distributions	-	-	-	15,047	15,047
	35,981	1,995	37,976	15,282	53,258
Excess of contributions and revenues over distributions and expenses					
	36,358	3,594	39,952	1,857	41,809
Interfund transfers	113	(113)	-	-	-
	36,471	3,481	39,952	1,857	41,809
Net assets - beginning of year	248,398	30,414	278,812	87,901	366,713
Net assets - end of year	284,869	33,895	318,764	89,758	408,522

JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016
(IN THOUSANDS OF DOLLARS)

	Restricted fund	Unrestricted fund	Trust funds	2016	2015
	\$	\$	\$	\$	\$
Source of funds					
Contributions	124,975	5,395	-	130,370	53,965
Trust fund contributions	-	-	12,655	12,655	10,606
Redemption of preferred shares of private companies (Note 5)	349	-	-	349	420
Administration fees	-	1,464	-	1,464	1,148
Investment income (loss) (Note 10)	3,968	(168)	507	4,307	6,571
Proceeds on disposition of investments	25,913	22,337	58,423	106,673	159,452
	155,205	29,028	71,585	255,818	232,162
Application of funds					
Grants paid from designated funds	8,501	-	-	8,501	6,604
Grants paid in consultation with donors	30,196	-	-	30,196	27,119
Other grants paid	-	2,169	-	2,169	454
Trust fund distributions	-	-	6,864	6,864	15,047
Acquisition of investments	106,837	24,358	64,475	195,670	181,935
Investments made in preferred shares of start-up companies	213	-	-	213	237
Administration fees	1,112	106	246	1,464	1,148
Financial service fees and operating expenses	1,510	1,645	-	3,155	2,886
Decrease (increase) in grants and accounts payable	-	(119)	-	(119)	35
Increase in loans and other assets	2,352	1,112	-	3,464	660
	150,721	29,271	71,585	251,577	236,125
Increase (decrease) in cash and cash equivalents	4,484	(243)	-	4,241	(3,963)
Interfund transfers (Note 9)	(243)	243	-	-	-
Cash and cash equivalents - beginning of year	1,482	-	-	1,482	5,445
Cash and cash equivalents - end of year	5,723	-	-	5,723	1,482

During the year, non-cash transactions include receipt of \$728,036 of contributions in kind (2015, \$280) and redemption of preferred shares of private companies in exchange for investments in the amount of \$612,000 (2015, \$420).

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(IN THOUSANDS OF DOLLARS)

Note 1 - Purpose of organization

The Jewish Community Foundation of Montreal (the "Foundation") was incorporated under the laws of Canada and transitioned to the Canada Not-for-Profit Corporations Act on November 6, 2012. The Foundation is a registered charitable public foundation within the meaning of the Income Tax Act and, as such, is exempt from income taxes. The Foundation is a centre for innovative/advanced family and community philanthropy and planned giving, whose purpose is to inspire and innovate Jewish philanthropy and whose vision is a strong sustainable Montreal Jewish Community based on Jewish values.

Note 2 - Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following accounting policies:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they are provided.

For financial reporting purposes, the accounts have been classified into the following funds:

a) Restricted fund

The restricted fund comprises the resources that are required by the donor to be maintained by the Foundation on a permanent basis, as well as those resources that are to be used for specific purposes as specified by the donor.

b) Unrestricted fund

The unrestricted fund comprises the resources donated to the Foundation for its use, as well as those resources available for use at the discretion of the Foundation's Board.

c) Trust Funds

The Foundation acts as a custodian of funds which are held in trust. Income (loss) derived from these funds are recorded as a direct increase (decrease) in the trust funds payable.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(IN THOUSANDS OF DOLLARS)

Note 2 - Significant accounting policies (continued)

Revenue recognition

Contributions are recognized as revenue in the restricted fund when received where the donor has required the principal to be held in perpetuity, or where there are other restrictions.

Contributions in kind including marketable securities, real estate and preferred shares of private companies are recorded as revenue based on the fair market value of assets gifted to the Foundation when received.

Life insurance policies received as contributions are recorded as revenue in the restricted fund based on the actuarial valuation of the policy when received.

Unrestricted contributions are recognized as revenue in the unrestricted fund when received.

Investment income is recorded as follows:

Restricted fund

- Income (loss) earned on resources of the restricted fund.

Unrestricted fund

- Income (loss) earned on resources of the unrestricted fund.

Income (loss) earned on trust funds is recognized as a direct increase (decrease) in trust funds payable. Additions to (withdrawals from) the trust funds are recognized as direct increases (decreases) in trust funds payable.

Financial instruments

Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. Investments in equity instruments that are quoted in an active market and foreign currency exchange contracts are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Foundation has elected to carry the investments consisting of cash, bonds, and fixed income funds at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

Financial assets and liabilities measured at amortized cost include cash and cash equivalents, loans and other assets, investments in private Canadian companies and note receivable and grants and accounts payable. Financial assets measured at fair value include investments.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(IN THOUSANDS OF DOLLARS)

Note 2 - Significant accounting policies (continued)

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. The Foundation determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the statement of financial position date. The amount of any write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, provided the carrying value 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 statement of operations.

Capital and other assets

Purchased capital assets are recorded at cost. Contributed capital assets and other assets are recorded at fair value at the date of contribution.

The donated residential property is used by a life tenant. The operating expenses are borne by the life tenant. The Foundation derives no income from the property and therefore does not provide for amortization.

The cemetery plots and foundations are recorded at cost. The Foundation derives no income from the cemetery plots and therefore no amortization is taken.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Cash and cash equivalents

The Foundation's policy is to present bank balances under cash and cash equivalents, including term deposits with a maturity period of three months or less from the date of acquisition.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(IN THOUSANDS OF DOLLARS)

Note 2 - Significant accounting policies (continued)

Foreign currency translation

The Foundation uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's statement of operations, except for depreciation translated at historic rate, are translated at average year rates. Exchange gains and losses are included in the statement of operations.

Note 3 - Loans and other assets

	2016	2015
	\$	\$
Loans receivable	2,930	2,794
Life insurance policies – at cost	4,971	1,657
Sales taxes receivables	76	64
	7,977	4,515

The loans receivable have no repayment terms and are unsecured; \$1,754 bears interest at 4.0% per annum and \$1,176 is non-interest bearing.

Note 4 - Investments

Investments comprise the following:

	2016		2015	
	Cost \$	Market value \$	Cost \$	Market value \$
Cash, bonds and fixed income funds	156,749	154,979	83,168	84,237
Equity funds and shares of publicly traded corporations	967,848	993,947	250,173	304,109
	1,124,597	1,148,926	333,341	388,346

The bonds and fixed income funds invest mostly in pooled Canadian Bond Funds as well as State of Israel Bonds. The funds also include loans to community institutions to fund special projects. These loans bear interest at the income rate earned by the fund.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(IN THOUSANDS OF DOLLARS)

Note 4 - Investments (continued)

The equity fund invests in Canadian, American and International money market, equity funds, hedge funds, and other investments.

The State of Israel Bonds consist of fixed rate instruments and have various terms to maturity ranging up to nine years bearing interest between 2.10% and 4.13%. A portion of the State of Israel Bonds amounting to approximately \$1,385 is denominated in U.S. dollars as at March 31, 2016.

Note 5 - Investments in private Canadian companies and note receivable

Investments in private Canadian companies consist of the following:

	2016 \$	2015 \$
Balance - beginning of year	13,791	13,694
Gifts of preferred shares	613,533	-
Investments made in preferred shares	-	280
Investments made in preferred shares of start-up companies	213	237
Redemption of preferred shares	(612,229)	(335)
Redemption of preferred shares of start-up companies	(120)	(85)
Balance - end of year	15,188	13,791
Preferred shares - private companies	11,188	9,791
Note receivable - private company	4,000	4,000
	15,188	13,791

The note receivable is secured, bears interest at 6% per annum and has no fixed terms of repayment.

Note 6 - Capital and other assets

	2016 \$	2015 \$
Donated residential property	300	300
Cemetery plots and foundations	203	203
	503	503

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(IN THOUSANDS OF DOLLARS)

Note 7 - Trust funds payable

	2016 \$	2015 \$
Balance - beginning of year	89,758	87,901
Contributions	12,655	10,606
Investment income (loss)	(2,300)	6,533
Distributions	(6,864)	(15,047)
Administration fees	(246)	(235)
	3,245	1,857
Balance - end of year	93,003	89,758

Note 8 - Administration fees

The Foundation charges the various funds that it administers an administration fee to cover overhead expenses.

Note 9 - Interfund transfers

During the year, \$243 was transferred from the Restricted fund to the Unrestricted fund in order to reflect allocations.

Note 10 - Investment income (loss)

Investment income is comprised of the following:

	Restricted \$	Unrestricted \$	Trust Funds \$	2016 Total \$	2015 Total \$
Investment income (loss)	3,968	(168)	507	4,307	6,571
Change in market value of investments	(51,064)	(1,051)	(2,807)	(54,922)	22,497
	(47,096)	(1,219)	(2,300)	(50,615)	29,068

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(IN THOUSANDS OF DOLLARS)

Note 11 - Financial instruments

Risks and concentrations

The Foundation is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Foundation's risk exposure at the statement of financial position date.

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. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

The Foundation realizes a portion of its investment income in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations. As at March 31, 2016, balances in USD and Euro were the following:

	2016		2015	
Cash in USD	\$	63,364	\$	96
Investments in USD	\$	697,859	\$	203,255
Investments in Euro	€	2,257	€	2,523

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the Foundation arises from its interest bearing assets. The Foundation is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject the Foundation to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

At March 31, 2016, the Foundation had \$1,754 of loans receivable (Note 3), \$74,136 of investments (Note 4) and a \$4,000 note receivable (Note 5) exposed to interest rate risk (2015, \$1,867, \$84,236 and \$4,000, respectively).

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
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(IN THOUSANDS OF DOLLARS)

Note 11 - Financial instruments (continued)

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk).

The Foundation is exposed to other price risk because of its investment in equity funds and shares of publicly traded corporations. As at March 31, 2016, the Foundation had an aggregate amount of \$993,947 (2015, \$304,109) of equity funds and shares of publicly traded corporations (Note 4) exposed to other price risk.

Note 12 - Foreign currency exchange contracts

As at year-end, in order to protect against foreign currency fluctuations inherent in holding foreign currency denominated investments, the Foundation has contracted to sell in aggregate \$153,000 U.S. in exchange for approximately \$198,698 Canadian in April 2016 at a foreign exchange rate of 1.2987. Gains and losses related to foreign currency exchange contracts exercised are recognized when realized. During the year, the Foundation recognized losses on foreign currency exchange contracts exercised for an amount of approximately \$40,804 (2015, losses of \$14,679), which is included in the investment income amount on the statement of operations.

As at year-end, the fair value of the foreign currency exchange contracts has been determined using the March 31, 2016 noon-closing exchange rates published by the Bank of Canada. The resulting derivative asset was not material and therefore was not recognized on the statement of financial position.

Note 13 - Commitments

As at March 31, 2016, the Foundation has contracted to invest approximately \$142,000 in 28 closed-end investment funds.