

**JEWISH NATIONAL FUND OF CANADA
(KEREN KAYEMETH LE'ISRAEL) INC.**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
**Jewish National Fund of Canada
(Keren Kayemeth Le'Israel) Inc.**

We have audited the accompanying financial statements of **Jewish National Fund of Canada (Keren Kayemeth Le'Israel) Inc.**, which comprise the statement of financial position as at December 31, 2016, and the statements of changes in net assets, revenues and expenses 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 organization'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 organization'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.

INDEPENDENT AUDITOR'S REPORT (cont'd.)

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

Basis for Qualified Opinion

Jewish National Fund of Canada (Keren Kayemeth Le'Israel) Inc. derives revenue from 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.

Qualified Opinion

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had the receipts from contributions referred to in the basis for qualified opinion been susceptible to satisfactory audit tests, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2016 and the changes in net assets, revenues and expenses, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow Montréal S.E.N.C.R.L. (LLP)

Montréal, Québec
June 11, 2017

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

**JEWISH NATIONAL FUND OF CANADA
(KEREN KAYEMETH LE'ISRAEL) INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016**

	2016	2015
ASSETS		
Current		
Cash (Note 3)	\$ 8,205,288	\$ 2,357,984
Investments held by third party (Note 4)	8,316,690	8,069,986
State of Israel bonds (Note 5)	59,930	62,466
Sales tax receivable	303,279	264,068
Loan receivable (Note 6)	2,231,568	615,259
Prepaid expenses and sundry assets	56,333	64,432
Current portion of balance of sale receivable (Note 9)	<u>792,904</u>	<u>-</u>
	19,965,992	11,434,195
Life insurance policies (Note 7)	260,311	162,887
Loan receivable (Note 8)	280,000	280,000
Balance of sale receivable (Note 9)	3,416,396	-
Investments in real estate (Note 10)	10,981,500	11,441,500
Property and equipment (Note 11)	123,444	142,211
Intangible assets (net of accumulated amortization of \$329,833; 2015 - \$318,550)	<u>62,844</u>	<u>74,126</u>
	<u>\$ 35,090,487</u>	<u>\$ 23,534,919</u>
LIABILITIES		
Current		
Accounts payable and sundry liabilities (Note 12)	\$ 306,109	\$ 289,953
Salaries and vacation payable	<u>301,938</u>	<u>187,917</u>
	608,047	477,870
Provision for retirement pay	<u>173,878</u>	<u>383,821</u>
	781,925	861,691
NET ASSETS		
Unrestricted	<u>34,308,562</u>	<u>22,673,228</u>
	<u>\$ 35,090,487</u>	<u>\$ 23,534,919</u>

APPROVED ON BEHALF OF THE DIRECTORS:



Member

Member

See accompanying notes

**JEWISH NATIONAL FUND OF CANADA
(KEREN KAYEMETH LE'ISRAEL) INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
Balance, beginning of year	\$ 22,673,228	\$ 22,553,646
Excess of revenues over expenses for the year	<u>11,635,334</u>	<u>119,582</u>
Balance, end of year	<u>\$ 34,308,562</u>	<u>\$ 22,673,228</u>

See accompanying notes

**JEWISH NATIONAL FUND OF CANADA
(KEREN KAYEMETH LE'ISRAEL) INC.
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
Revenues		
Receipts from contributions	\$ 28,835,706	\$ 15,122,110
Investment income, including increase in fair value of investments	225,477	260,663
Increase in cash surrender value of life insurance policies	<u>3,732</u>	<u>3,912</u>
	29,064,915	15,386,685
Fundraising expenses (Note 13)	<u>3,402,863</u>	<u>3,371,054</u>
Excess of revenues over fundraising expenses	<u>25,662,052</u>	<u>12,015,631</u>
Expenses		
General and administrative	2,954,551	2,533,657
Amortization	<u>38,914</u>	<u>46,056</u>
	<u>2,993,465</u>	<u>2,579,713</u>
Excess of revenues over expenses before undernoted item	22,668,587	9,435,918
Charitable activities	<u>11,033,253</u>	<u>9,316,336</u>
Excess of revenues over expenses for the year	<u>\$ 11,635,334</u>	<u>\$ 119,582</u>

See accompanying notes

**JEWISH NATIONAL FUND OF CANADA
(KEREN KAYEMETH LE'ISRAEL) INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
Operating activities		
Excess of revenues over expenses for the year	\$ 11,635,334	\$ 119,582
Adjustments for		
Amortization	38,914	46,056
Decrease (increase) in fair value of investments	326,741	(832,032)
Increase in cash surrender value of life insurance policies	(3,732)	(3,912)
Investments in real estate	-	(460,000)
	<u>11,997,257</u>	<u>(1,130,306)</u>
Net change in non-cash working capital items		
(Increase) decrease in sales tax receivable	(39,211)	282,306
Decrease in prepaid expenses and sundry assets	8,099	28,696
Increase (decrease) in accounts payable and sundry liabilities	16,154	(77,585)
Increase (decrease) in salaries and vacation payable	114,021	(266,059)
Decrease in provision for retirement pay	(209,942)	(12,862)
	<u>11,886,378</u>	<u>(1,175,810)</u>
Cash provided by (used in) operating activities		
Investing activities		
State of Israel bonds	2,536	16,839
Proceeds from sale of investments in real estate	460,000	-
Increase in investments held by third party	(573,444)	1,341,399
Increase in balance of sale receivable	(4,209,300)	-
Increase in life insurance policies	(93,692)	-
Purchase of property and equipment	(8,865)	(34,160)
Increase in loan receivable	(1,617,662)	(615,259)
Repayment of loan receivable	1,353	147,506
	<u>(6,039,074)</u>	<u>856,325</u>
Cash (used in) provided by investing activities		
Increase (decrease) in cash	5,847,304	(319,485)
Cash, beginning of year	2,357,984	2,677,469
Cash, end of year	\$ 8,205,288	\$ 2,357,984

See accompanying notes

**JEWISH NATIONAL FUND OF CANADA
(KEREN KAYEMETH LE'ISRAEL) INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016**

1. Purpose of the organization

Jewish National Fund of Canada (Keren Kayemeth Le'Israel) Inc. raises funds from various Canadian sources. These funds are used for charitable purposes in Israel through Canada Israel Committee (CANISCOM), an agent of 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.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook and include the following significant accounting policies:

(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, provision for retirement pay, 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 party, 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, sales tax receivable, loan receivable and balance of sale receivable.

Financial liabilities measured at amortized cost include accounts payable and sundry liabilities, salaries and vacation payable, and provision for retirement pay.

**JEWISH NATIONAL FUND OF CANADA
(KEREN KAYEMETH LE'ISRAEL) INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016**

2. 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.

No write-downs were required for the years 2016 and 2015.

(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 reasonably 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 collectibility of any principal or interest.

(e) Investments in real estate

The organization follows the cost method of accounting for real estate. These assets are tested for impairment when there is an indication that an impairment might exist.

(f) Property and equipment

Property and equipment are recorded at cost and are being amortized over their estimated useful lives. The annual amortization rates and methods are as follows:

Furniture and fixtures	20% declining balance
Data processing equipment	20% declining balance

Amortization of leasehold improvements is recorded over the remaining term of the lease. The average term of the leases is 5 years.

**JEWISH NATIONAL FUND OF CANADA
(KEREN KAYEMETH LE'ISRAEL) INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016**

2. Significant accounting policies (cont'd.)

(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.

3. Cash

As at December 31, 2016, cash included approximately \$100,000 (2015 - \$50,000) held on account of deposits received from individuals for upcoming missions to Israel. The offsetting amount has been included in accounts payable and sundry liabilities.

4. Investments held by third party

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

5. State of Israel bonds

State of Israel bonds have been adjusted to fair market value. The bonds mature at various dates from January 2017 to January 2021 and bear interest at an average rate of approximately 2.93% (2015 - 3.05%) per annum. Approximately \$6,500 (U.S. \$6,300); 2015 - \$10,300 (U.S. \$9,900) of State of Israel Bonds are denominated in U.S. currency.

6. Loan receivable

The loan receivable is non-interest bearing.

7. Life insurance policies

The amount includes insurance policies having a cash surrender value of \$167,000 (2015 - 162,000) net of loans to finance premiums. The face value of all the insurance policies, net of outstanding loans of approximately \$92,000 (2015 - \$85,000), is \$2,110,000 (2015 - \$1,952,000).

**JEWISH NATIONAL FUND OF CANADA
(KEREN KAYEMETH LE'ISRAEL) INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016**

8. Loan receivable

This loan receivable is to a former executive vice president and 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.

9. Balance of sale receivable

During the year, a property having a value of \$8,418,600 was donated and sold by the organization and recorded as revenue, in receipts from contributions. 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 instalments of \$277,175 combining principal and interest, maturing in December 2021.	\$ 4,209,300
Less current portion	<u>792,904</u>
Due beyond one year	<u><u>\$ 3,416,396</u></u>

10. Investments in real estate

During the year, a property recorded in investments in real estate was sold for a value of \$460,000.

As at year-end, recorded as investments in real estate, are three properties donated in a prior year which the donor maintains use thereof for a time during which period the donor pays for all expenses and costs related thereto.

11. Property and equipment

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Furniture and fixtures	\$ 568,830	\$ 520,527	\$ 48,303	\$ 59,741
Data processing equipment	1,025,930	968,722	57,208	62,476
Leasehold improvements	<u>49,541</u>	<u>31,608</u>	<u>17,933</u>	<u>19,994</u>
	<u><u>\$ 1,644,301</u></u>	<u><u>\$ 1,520,857</u></u>	<u><u>\$ 123,444</u></u>	<u><u>\$ 142,211</u></u>

**JEWISH NATIONAL FUND OF CANADA
(KEREN KAYEMETH LE'ISRAEL) INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016**

12. Accounts payable and sundry liabilities

Included in accounts payable and sundry liabilities are approximately \$29,000 (2015 - \$22,000) of payroll deductions.

13. Fundraising expenses

Included in fundraising expenses are allocated salaries and other compensation costs of \$1,036,000 (2015 - \$1,016,000).

14. Income taxes

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.

As a result of a Canada Revenue Agency (CRA) audit, the organization has responded to certain issues raised during that process and is waiting for a response from the CRA.

15. 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:

2017	\$	121,000
2018		112,000
2019		109,000
2020		103,000
2021		77,000
Subsequent years		<u>187,000</u>
	\$	<u>709,000</u>

**JEWISH NATIONAL FUND OF CANADA
(KEREN KAYEMETH LE'ISRAEL) INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016**

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 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.