The Jewish Foundation of Manitoba

Financial Statements
December 31, 2012

May 27, 2013

Independent Auditor's Report

To the Board of Directors
of The Jewish Foundation of Manitoba

We have audited the accompanying financial statements of The Jewish Foundation of Manitoba, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011 and the related notes, which comprise 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 audits. We conducted our audits 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 in our audits 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 Foundation of Manitoba as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of their operations and their cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 (204) 926 2400, F: +1 (204) 944 1020

The Jewish Foundation of Manitoba

Statements of Financial Position

	December 31, 2012 $	December 31, 2011 $	January 1, 2011 $ (Note 2)
Assets			
Current assets			
Cash	1,835,491	1,702,129	3,387,358
Investment income receivable	10,024	305,793	296,338
Accounts receivable	110,555	52,833	30,175
Prepaid expenses	50,220	37,543	27,915
	2,006,290	2,098,298	3,741,786
Other assets (note 4)	7,803	7,803	7,803
Investments - at market (note 5)	75,708,433	69,578,250	66,850,872
Investment in private company (note 6)	610,567	647,605	706,111
Real estate (note 7)	1,549,777	1,598,800	1,598,800
Capital assets (note 8)	194,798	214,539	73,416
Life insurance policies (note 9)	213,094	199,822	200,092
	80,290,762	74,345,117	73,178,880
Liabilities and Net Assets			
Current liabilities			
Accounts payable and accrued liabilities	101,936	103,449	124,323
Grant commitments and distributions payable	1,672,007	1,305,057	1,207,699
	1,773,943	1,408,506	1,332,022
Commitments (note 11)			
Net assets			
Endowment Funds	80,146,485	76,523,999	71,060,785
Operating Fund	(1,629,666)	(3,587,388)	786,073
	78,516,819	72,936,611	71,846,858
	80,290,762	74,345,117	73,178,880

Approved by the Board of Directors

______________________________ Director ______________________________ Director

The accompanying notes are an integral part of these financial statements.

The Jewish Foundation of Manitoba

Statements of Operations

For the years ended December 31, 2012 and 2011

	2012 $	2011 $
Revenues		
Interest	971,783	1,225,880
Dividends	1,491,032	1,295,934
Realized gains (losses) on disposal of investments and real estate	(205,611)	2,126,424
Realized gain on disposal of life insurance policy	-	3,769
Grant income (note 12)	10,108	21,883
Rental and other income	25,172	24,161
	2,292,484	4,698,051
Less: Investment counsel and custodial fees	(451,861)	(623,554)
	1,840,623	4,074,497
Expenses		
Direct programming and marketing activities	105,262	131,268
Less: Cost recovery	(56,055)	(79,126)
	49,207	52,142
Administrative and operating expenses	1,053,040	945,819
Depreciation and amortization	48,718	48,286
	1,150,965	1,046,247
Grant commitments		
Designated	2,510,431	2,349,982
Undesignated	460,021	613,098
	2,970,452	2,963,080
Flow-through commitments		
Distributions to other organizations	141,707	518,804
Less: Gifts designated to other organizations	(40,990)	(441,682)
Grant designated to other organizations (note 12)	(100,467)	(37,420)
	250	39,702
Excess (deficiency) of revenues over expenses and commitments for the year before the following	(2,281,044)	25,468
Unrealized gains (losses) on investments	4,266,588	(4,377,046)
Excess (deficiency) of revenues over expenses and commitments for the year	1,985,544	(4,351,578)

The accompanying notes are an integral part of these financial statements.

The Jewish Foundation of Manitoba

Statements of Changes in Net Assets

For the years ended December 31, 2012 and 2011

	Operating Fund $	Reserve Fund $	Endowment Funds $	2012 Total $	2011 Total $
Balance - Beginning of year	(3,587,388)	-	76,523,999	72,936,611	71,846,858
Excess (deficiency) of revenues over expenses and commitments for the year	1,975,436	-	10,108	1,985,544	(4,351,578)
Contributions	-	-	3,594,664	3,594,664	5,441,331
Interfund transfer (note 14)	(17,714)	-	17,714	-	-
Balance - End of year	(1,629,666)	-	80,146,485	78,516,819	72,936,611

The accompanying notes are an integral part of these financial statements.

The Jewish Foundation of Manitoba

Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses and commitments for the year	1,985,544	(4,351,578)
Items not affecting cash		
Depreciation and amortization of capital assets	48,718	48,286
Unrealized (gains) losses on investments	(4,266,588)	4,377,046
Realized losses (gains) on disposal of investments and real estate	205,611	(2,126,424)
Gain on disposition of life insurance policy	-	(3,769)
Cash value increment of life insurance policies	(13,272)	(13,675)
	(2,039,987)	(2,070,114)
Net change in non-cash working capital items		
Investment income receivable	295,769	(9,455)
Accounts receivable	(57,722)	(22,658)
Prepaid expenses	(12,677)	(9,628)
Accounts payable and accrued liabilities	(1,513)	(20,874)
Grant commitments and distributions payable	366,950	97,358
	(1,449,180)	(2,035,371)
Investing activities		
Purchase of investments - net	(2,058,145)	(4,919,494)
Purchase of capital assets	(28,977)	(189,409)
Proceeds of life insurance policy	-	17,714
Proceeds of real estate	75,000	-
	(2,012,122)	(5,091,189)
Financing activities		
Contributions received for Endowment Funds	3,594,664	5,441,331
Net increase (decrease) in cash	133,362	(1,685,229)
Cash - Beginning of year	1,702,129	3,387,358
Cash - End of year	1,835,491	1,702,129

The accompanying notes are an integral part of these financial statements.

1 Organization

The Jewish Foundation of Manitoba (the "Foundation") was established in 1964 by way of a private bill by the Legislature of the Province of Manitoba. The Foundation was continued by The Jewish Foundation of Manitoba Act effective June 10, 2004. The mission statement of the Foundation is as follows:

"The Jewish Foundation of Manitoba, in keeping with our Jewish heritage and values, encourages and facilitates the creation and growth of endowment funds to enable the community to realize its potential. The Foundation maintains effective stewardship over all assets entrusted to it; distributes grants that reflect donors' wishes and community priorities; and provides leadership in the Jewish and general communities."

The Foundation is a registered charity and is classified as a public foundation for purposes of the Income Tax Act (Canada).

2 Transition to accounting standards for not-for-profit organizations

Effective January 1, 2012, the Foundation elected to adopt Canadian accounting standards for not-for-profit organizations (Part III of the CICA Handbook) ("ASNPO") as issued by the Canadian Accounting Standards Board. Subject to certain transition elections, the accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. The following adjustments and elections were made by the Foundation on transition to ASNPO:

	$
Reconciliation of net assets:	
Net assets as at December 31, 2010, as previously reported	70,330,559
Revaluation of real estate (a)	1,516,299
Opening net assets as at January 1, 2011 under ASNPO	71,846,858
Reconciliation of excess (deficiency) of revenues over expenses and commitments:	
Excess (deficiency) of revenues over expenses and commitments for the year ended December 31, 2011, as previously reported	(261,903)
Unrealized losses on investments previously recorded as an adjustment to net assets (b)	(4,089,675)
Excess (deficiency) of revenues over expenses and commitments for the year ended December 31, 2011 under ASNPO	(4,351,578)

a) In accordance with ASNPO transitional provisions, the Foundation has elected to revalue certain real estate by $1,516,299 to its fair value of $1,598,800 as at January 1, 2011. This change increased opening net assets by $1,516,299 for the year ended December 31, 2011.

b) The excess of revenues over expenses for the year ended December 31, 2011 decreased by $4,089,675 to reflect the change in fair value of investments in equity securities quoted in an active market. Prior to the transition, changes in the fair value of these investments were recorded directly in the statement of changes in net assets. These unrealized gains and losses are now recognized in the statement of operations. There is no net effect on the investments or net assets.

The transition from Canadian GAAP to ASNPO had no significant impact on cash flows generated by the Foundation.

3 Significant accounting policies

Fund accounting

The Foundation follows the deferral fund method of accounting for contributions, as described in the revenue recognition policy note.

Operating Fund

The Operating Fund accounts for the Foundation's administrative and operating expenses, distributions of grants and revenues and expenses related to the Foundation's income earned and expended on the investments held in the Endowment Fund balances.

Internally Restricted Fund

The Reserve Fund accounts for cash and investments available to meet distribution needs during periods of adverse market conditions. The Foundation's objective is to maintain the Reserve Fund at a level of 10% of total Endowment Funds as calculated at the beginning of each year. As at December 31, 2012, the target balance of the Reserve Fund is approximately $7,652,000 (2011 - $7,106,000), however the Foundation has recorded a nil balance.

Endowment Funds

Endowment Funds are externally restricted funds which are established by gifts and donations from donors to the Foundation in perpetuity. The investment income earned by these funds is either restricted by the donor for a specific use, or for the general use of the Foundation. Investment income earned on the resources of Endowment Funds is reported in the Operating Fund.

Interfund allocations

A surplus in the Operating Fund, after payment of expenses, grant commitments and allocation to maintain the Reserve Fund, may be capitalized into the Endowment Funds. The amount will be determined by the Board of Directors at such time.

Flow-through contributions

Flow-through contributions are donor-directed monies that "flow through" the Foundation to third party charitable organizations. In accordance with the Foundation's policy, a portion of the gift may be directed to third party organizations and the balance is contributed as permanent capital and establishes an endowment fund in the donor's name.

Revenue recognition

External endowment contributions which primarily include donations of cash or marketable securities and bequests are added directly to the net assets of the appropriate funds within the Endowment Funds when the funds are received.

Investment income on Endowment Funds balances including interest, dividends, and realized and unrealized capital gains, is recognized as revenue in the Operating Fund when earned.

Grant income is recognized as revenue in the Operating Fund when received.

Flow-through contributions are recognized as revenue of the Operating Fund when received and the permanent capital portion is allocated to the Endowment Funds.

Donated artwork

Donated artwork is recorded at the appraised fair market value at the time the donation is made.

Capital assets

Purchased capital assets are initially recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Depreciation and amortization are provided for using the following methods and annual rates:

Computer and office equipment	straight-line over 3 years
Computer software	straight-line over 2 years
Donor development software	straight-line over 10 years
Leaseholds	straight-line over term of the lease

Life insurance policies

The cash surrender values of life insurance policies where the Foundation is the beneficial owner of the policy, are recorded as assets and contributions to the Endowment Funds. The net change in cash surrender value for the year is included in other income. Proceeds from the realization of life insurance policies are allocated to the Endowment Funds.

Grant commitments

Grant commitments are recorded in the year of approval. For multi-year grant commitments, the current portion, as determined by the Foundation, is accrued in the financial statements in the current year with the balance of the commitment disclosed in note 11.

Use of estimates

The preparation of financial statements in accordance with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Financial instruments

a) Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments and investment in private company, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, investment income receivable, accounts receivable and life insurance policies.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, grant commitments and distributions payable.

b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

4 Other assets

	2012 $	2011 $
Donated artwork	7,803	7,803

5 Investments

	2012		2011	
	Market value $	Cost $	Market value $	Cost $
Fixed income	30,985,392	30,963,973	29,189,610	28,100,322
Equity	44,723,041	43,446,834	40,388,640	44,483,981
	75,708,433	74,410,807	69,578,250	72,584,303

The significant financial risks to which the Foundation is exposed are interest rate risk, credit risk and foreign currency risk.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Foundation's cash flows, financial position and revenue. This risk arises from differences in the timing and amount of cash flows related to the Foundation's assets. The value of the Foundation's assets is affected by short-term changes in prevailing market interest rates and equity markets.

Foreign currency risk

Foreign currency risk arises from the Foundation's holdings of foreign securities. The amount of foreign securities held at December 31, 2012 is set out below. The Foundation does not engage in hedging transactions to reduce its exposure to foreign currency fluctuations.

Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. The Foundation manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash. Trade accounts payable and accrued liabilities are generally repaid within 30 days.

Credit risk

Credit risk exists where a significant portion of the portfolio is invested in securities which have similar characteristics or obey similar variations relating to economic or political conditions. The portfolio includes the following concentrations:

	2012		2011	
	%	Market value $	%	Market value $
Fixed income				
Canadian				
Federal	15.62	11,828,480	3.86	2,685,620
Provincial	11.30	8,556,972	9.43	6,560,813
Corporate	11.25	8,520,019	25.76	17,922,475
Municipal	0.50	380,619	0.40	281,869
Israel - government	2.24	1,699,302	2.50	1,738,833
	40.91	30,985,392	41.95	29,189,610
Equity				
Canada	29.35	22,219,847	29.10	20,249,608
United States	14.68	11,116,608	10.89	7,575,741
International	15.04	11,386,586	18.06	12,563,291
	59.07	44,723,041	58.05	40,388,640
	99.98	75,708,433	100.00	69,578,250

6 Investment in private company

In 2009, the Foundation received a bequest of shares representing 30% interest in a private holding company. This investment is neither traded in an active market nor has a quoted fair value. Its fair value of $610,567 at December 31, 2012 (2011 - $647,605) was determined by calculating the Foundation's interest in the fair value of the net assets of the company. The fair value is assessed annually.

7 Real estate

	2012 $	2011 $
Land at Middlechurch	1,215,777	1,264,800
The Faye-Parks Micay House	334,000	334,000
	1,549,777	1,598,800

Land at Middlechurch, Manitoba, consisting of approximately 248 (2011 - 258) acres was received as a Founders' Gift from the following:

Joseph Halprin	50%
Samuel Werier	25%
Abe Werier	25%

During 2012, 10 acres of land at Middlechurch were expropriated and proceeds of $75,000 were received.

8 Capital assets

			2012	2011
	Cost $	Accumulated depreciation and amortization $	Net $	Net $
Computer and office equipment	73,176	44,835	28,341	27,667
Computer Software	1,489	1,128	361	-
Donor development software	76,657	35,061	41,596	49,261
Leaseholds	155,274	30,774	124,500	137,611
	306,596	111,798	194,798	214,539

9 Life insurance policies

	2012 $	2011 $
Cash surrender value of beneficial ownership policies - beginning of year	199,822	200,092
Cash surrender value increment - net	13,272	13,675
Cash surrender value of policy realized	-	(13,945)
Cash surrender value of beneficial ownership policies - end of year	213,094	199,822

Proceeds receivable upon the realization of these policies will be approximately $4,500,000 (2011 - $4,500,000).

10 Government remittances

Government remittances consist of amounts (such as sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized with the amounts become due. In respect of government remittances, nil (2011 - nil) is included within accounts payable and accrued liabilities.

11 Commitments

a) The Foundation has made a commitment to provide $500,000 to the Canadian Museum of Human Rights in future years. The commitment will be fulfilled by allocations of future amounts from the Operating Fund. As at December 31, 2012, $500,000 (2011 - $400,000) of this commitment has been paid or accrued and the current year amount has been included in undesignated grant commitments expense.

b) The Foundation has made a commitment to provide an additional $500,000 to the Asper Jewish Community Campus of Winnipeg Endowment Fund in future years. The commitment will be fulfilled by allocations of future grant commitments. As at December 31, 2012, $400,000 (2011 - $350,000) of this commitment has been paid and the current year amount has been included in undesignated grant commitments expense.

c) During 2012, the Foundation has made a commitment to provide $150,000 over a five year period starting in 2015 from the undesignated grant commitments expense.

d) The Foundation has an agreement with the Jewish Community Campus of Winnipeg to license 2,200 square feet of office space which expires August 31, 2015. The Foundation has the option to renew the license to August 31, 2021. The estimated annual commitment is as follows:

	$
2013	37,434
2014	38,535
2015	39,636

12 The Jewish Foundation of Manitoba USA, Inc.

During 2004, the Foundation established a charitable organization in the United States to facilitate tax deductible contributions to residents of the United States. On January 20, 2004, the Jewish Foundation of Manitoba USA, Inc. (the "Organization") was incorporated in the State of Illinois. The Organization is exempt from Federal income tax under section 501 (c) (3) of the Internal Revenue Code. The Foundation maintains the exclusive right to appoint the Organization's Board of Directors.

The Organization is deemed a "Supporting Organization" for the sole purpose of supporting the charitable purpose of the Foundation under section 509 (a) (3) of the Internal Revenue Code. A Supporting Organization operates as a "public charity" under the Internal Revenue Code. Contributions to a public charity are deductible up to 50% (30% non-cash) of a taxpayer's Adjusted Gross Income ("AGI").

It is the policy of the Organization to distribute all contributions received during the year to the Foundation in the form of a grant. During 2012, the Organization received contributions in the amount of $110,575 (2011 - $59,303), which was distributed to the Foundation as a grant. Of this amount, $10,108 (2011 - $21,883) was allocated to the Endowment Funds, $100,467 (2011 - $37,420) was distributed or shall be distributed to other organizations as a flow-through commitment.

13 Residuary interests

The Foundation has a residuary interest in various estates or trusts which continue to be administered by executors and trustees and for which no values have been recorded in these financial statements.

14 Interfund transfer

In 2012, an interfund transfer of $17,714 (2011 - nil) was made from the Operating Fund to the Endowment Fund.