

JEWISH COMMUNITY FOUNDATION OF MONTREAL

FINANCIAL STATEMENTS

MARCH 31, 2010

**JEWISH COMMUNITY FOUNDATION OF MONTREAL
FINANCIAL STATEMENTS
MARCH 31, 2010**

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AUDITORS' REPORT

To the Directors of
Jewish Community Foundation of Montreal

We have audited the Statement of Financial Position of the Jewish Community Foundation of Montreal as at March 31, 2010 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fuller Landau LLP

Montreal, May 28, 2010

CA auditor permit n° 13530

JEWISH COMMUNITY FOUNDATION OF MONTREAL
 (INCORPORATED UNDER THE LAWS OF CANADA)
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2010

	Restricted fund	Unrestricted fund	Total	Trust funds (Note 8)	2010 Total fund balances	2009 Total fund balances
ASSETS						
Cash	\$ 2,086,985	\$ 148,601	\$ 2,235,586	\$ 962,051	\$ 3,197,637	\$ 4,151,206
Loans and sundry receivables (Note 4)	2,366,510	64,118	2,430,628	3,462	2,434,090	1,447,404
Investments (Note 5)	128,169,666	22,167,295	150,336,961	81,209,570	231,546,531	195,933,534
Investments in private Canadian companies (Note 6)	11,151,904	100,000	11,251,904	4,000,000	15,251,904	19,609,181
Capital and other assets (Note 7)	308,736	3,740	312,476	465,113	777,589	445,249
	<u>\$ 144,083,801</u>	<u>\$ 22,483,754</u>	<u>\$ 166,567,555</u>	<u>\$ 86,640,196</u>	<u>\$ 253,207,751</u>	<u>\$ 221,586,574</u>
LIABILITIES AND NET ASSETS						
Liabilities						
Grants and accounts payable	\$ 16,910	\$ 175,933	\$ 192,843	\$ 18,564	\$ 211,407	\$ 615,574
Trust funds payable (Note 8)	-	-	-	86,621,632	86,621,632	73,673,317
	<u>16,910</u>	<u>175,933</u>	<u>192,843</u>	<u>86,640,196</u>	<u>86,833,039</u>	<u>74,288,891</u>
Net assets						
Restricted	144,066,891	-	144,066,891	-	144,066,891	129,495,546
Unrestricted	-	22,307,821	22,307,821	-	22,307,821	17,802,137
	<u>144,066,891</u>	<u>22,307,821</u>	<u>166,374,712</u>	<u>-</u>	<u>166,374,712</u>	<u>147,297,683</u>
	<u>\$ 144,083,801</u>	<u>\$ 22,483,754</u>	<u>\$ 166,567,555</u>	<u>\$ 86,640,196</u>	<u>\$ 253,207,751</u>	<u>\$ 221,586,574</u>

On behalf of the Board:

Director

Director



JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2010

	Restricted fund	Unrestricted fund	Total	Trust funds (Note 8)	Total fund balances
2010					
Contributions and revenues					
Endowment contributions	\$ 6,825,370	\$ 1,099,291	\$ 7,924,661	-	\$ 7,924,661
Donations - other	9,701,496	120,403	9,821,899	-	9,821,899
Administration fees (Note 9)	-	804,899	804,899	-	804,899
Investment income (Note 10)	18,590,426	3,798,880	22,389,306	12,251,092	34,640,398
	35,117,292	5,823,473	40,940,765	12,251,092	53,191,857
Trust fund contributions	-	-	-	7,260,143	7,260,143
	35,117,292	5,823,473	40,940,765	19,511,235	60,452,000
Distributions and expenses					
Grants paid from designated funds	1,698,645	-	1,698,645	-	1,698,645
Grants paid in consultation with donors	18,202,673	-	18,202,673	-	18,202,673
Other grants paid	-	364,022	364,022	-	364,022
	19,901,318	364,022	20,265,340	-	20,265,340
Administration fees (Note 9)	485,118	78,566	563,684	241,215	804,899
Administration and financial expenses	174,657	872,425	1,047,082	-	1,047,082
	20,561,093	1,315,013	21,876,106	241,215	22,117,321
Trust fund distributions	-	-	-	6,309,335	6,309,335
	20,561,093	1,315,013	21,876,106	6,550,550	28,426,656
Change in the year	14,556,199	4,508,460	19,064,659	12,960,685	32,025,344
Interfund transfers	15,146	(2,776)	12,370	(12,370)	-
	14,571,345	4,505,684	19,077,029	12,948,315	32,025,344
Net assets - beginning of year	129,495,546	17,802,137	147,297,683	73,673,317	220,971,000
Net assets - end of year	\$ 144,066,891	\$ 22,307,821	\$ 166,374,712	\$ 86,621,632	\$ 252,996,344

JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2010

(continued)

	Restricted fund	Unrestricted fund	Total	Trust funds (Note 8)	Total fund balances
2009					
Contributions and revenues					
Endowment contributions	\$ 5,845,917	\$ 188,904	\$ 6,034,821	-	\$ 6,034,821
Donations - other	6,487,846	23,930	6,511,776	-	6,511,776
Administration fees (Note 9)	-	783,003	783,003	-	783,003
Investment loss (Note 10)	(28,405,310)	(5,681,472)	(34,086,782)	(17,875,032)	(51,961,814)
	(16,071,547)	(4,685,635)	(20,757,182)	(17,875,032)	(38,632,214)
Trust fund contributions	-	-	-	3,096,966	3,096,966
	(16,071,547)	(4,685,635)	(20,757,182)	(14,778,066)	(35,535,248)
Distributions and expenses					
Grants paid from designated funds	2,072,470	-	2,072,470	-	2,072,470
Grants paid in consultation with donors	18,936,381	-	18,936,381	-	18,936,381
Other grants paid	-	274,562	274,562	-	274,562
	21,008,851	274,562	21,283,413	-	21,283,413
Administration fees (Note 9)	482,753	51,878	534,631	248,372	783,003
Administration and financial expenses	323,371	825,277	1,148,648	-	1,148,648
	21,814,975	1,151,717	22,966,692	248,372	23,215,064
Trust fund distributions	-	-	-	8,237,053	8,237,053
	21,814,975	1,151,717	22,966,692	8,485,425	31,452,117
Change in the year	(37,886,522)	(5,837,352)	(43,723,874)	(23,263,491)	(66,987,365)
Interfund transfers	(85,842)	(7,158)	(93,000)	93,000	-
	(37,972,364)	(5,844,510)	(43,816,874)	(23,170,491)	(66,987,365)
Net assets - beginning of year	167,467,910	23,646,647	191,114,557	96,843,808	287,958,365
Net assets - end of year	\$ 129,495,546	\$ 17,802,137	\$ 147,297,683	\$ 73,673,317	\$ 220,971,000

JEWISH COMMUNITY FOUNDATION OF MONTREAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2010

	Restricted fund	Unrestricted fund	Trust funds	2010	2009 (Note 14)
Source of funds					
Endowment contributions	\$ 6,825,370	\$ 1,099,291	\$ -	\$ 7,924,661	\$ 6,034,821
Donations – other	9,701,496	120,403	-	9,821,899	6,511,776
Trust fund contributions	-	-	7,260,143	7,260,143	3,096,966
Less: donations in kind	(1,000,000)	-	(300,000)	(1,300,000)	(1,500,000)
Redemption of preferred shares					
- private companies	5,437,277	-	-	5,437,277	6,515,328
Less: redemption of preferred shares in kind	(4,952,380)	-	-	(4,952,380)	(6,389,095)
Administration fees	-	804,899	-	804,899	783,003
Investment income (Note 10)	2,268,644	273,735	1,650,807	4,193,186	4,030,443
Disposition of investments	42,324,414	20,124,644	49,911,778	112,360,836	78,277,962
Balance of sale received	-	-	-	-	800,000
	60,604,821	22,422,972	58,522,728	141,550,521	98,161,204
Application of funds					
Grants paid from designated funds	1,698,645	-	-	1,698,645	2,072,470
Grants paid in consultation with donors	18,202,673	-	-	18,202,673	18,936,381
Less: grants paid from the redemption of preferred shares in kind	(4,952,380)	-	-	(4,952,380)	(6,389,095)
Other grants paid	-	364,022	-	364,022	274,562
Trust fund distributions	-	-	6,309,335	6,309,335	8,237,053
Acquisition of investments	44,270,278	21,049,874	52,206,468	117,526,620	69,928,978
Acquisition of capital assets	-	-	32,340	32,340	-
Investments made in preferred shares of start-up companies	80,000	-	-	80,000	85,000
Administration fees	485,118	78,566	241,215	804,899	783,003
Administration and financial expenses	174,657	872,425	-	1,047,082	1,148,648
Decrease (increase) in grants and accounts payable	310,732	112,000	(18,564)	404,168	(89,715)
Increase in loans and sundry receivables	967,551	14,812	4,323	986,686	51,023
	61,237,274	22,491,699	58,775,117	142,504,090	95,038,308
Increase (decrease) in cash	(632,453)	(68,727)	(252,389)	(953,569)	3,122,896
Interfund transfers	15,146	(2,776)	(12,370)	-	-
Cash at beginning of year	2,704,292	220,104	1,226,810	4,151,206	1,028,310
Cash at end of year	\$ 2,086,985	\$ 148,601	\$ 962,051	\$ 3,197,637	\$ 4,151,206

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2010

Note 1 - Purpose of organization

The Jewish Community Foundation of Montreal is a registered charitable foundation whose purpose is to solicit endowments and other donations to be used to fund charitable organizations as set out by donors, to provide seed money for new initiatives within the Montreal Jewish Community, and to provide for current unmet needs of the community by responding to critical emergencies and protecting on-going programs to meet changing realities or a shortfall in the annual Combined Jewish Appeal Campaign.

Note 2 - New accounting policy

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) issued amendments to Handbook Section 1540 – Cash Flow Statements for fiscal years beginning on or after January 1, 2009. The new standard makes Cash Flow Statements applicable to not-for-profit organizations. This new standard has been adopted by the Foundation during the fiscal year starting April 1, 2009 and its implementation did not have an impact on the results of operations or financial position.

Note 3 - Significant accounting policies

Fund accounting

The Jewish Community Foundation of Montreal 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 Jewish Community Foundation of Montreal acts as a custodian of funds. Income (loss) derived from these funds are held in trust by the Foundation and are recorded as a direct increase (decrease) in the trust funds.

Revenue recognition

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



JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2010

Note 3 - Significant accounting policies (continued)

Life insurance policy proceeds are recorded as revenue in the restricted fund based on the present value of the policy less the present value of the annual premiums.

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. Withdrawals from the trust funds are recognized as direct decreases in trust funds payable.

Financial Instruments

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) issued new accounting standards, Handbook Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation, which replace Handbook Section 3861 Financial Instruments – Disclosure and Presentation. Not-for-profit organizations have the choice whether or not to adopt the new standards. The Foundation has decided to continue to apply Section 3861 regarding information on presentation and disclosure of financial instruments.

The Foundation is applying the following accounting standards that apply to the Foundation: a) CICA Handbook Section 3855 “Financial Instruments Recognition and Measurement”; and b) CICA Handbook Section 3861 “Financial Instruments – Disclosure and Presentation”.

The Foundation classifies financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurement. The Foundation is classifying investments as held-for-trading – measured at fair value with changes in fair value recorded in net earnings.

The Foundation is classifying investments in private Canadian companies as available-for-sale. Available-for-sale investments that do not have a quoted market price are recorded at cost, as fair values are not reliably measurable.

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 building is used rent-free by a third party. The operating expenses are borne by the lessee. The Jewish Community Foundation of Montreal derives no income from the building and therefore does not provide for amortization.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2010

Note 3 - Significant accounting policies (continued)

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

Donated art is comprised of paintings, prints and sculptures and is not being amortized.

The Cemetery plots and foundations are recorded at cost. The Jewish Community Foundation of Montreal 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 generally accepted accounting principles 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 reported period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Note 4 - Loans and sundry receivables

	2010	2009
Loans receivable	\$ 2,160,147	\$ 1,170,825
Sundry receivables	273,943	276,579
	<u>\$ 2,434,090</u>	<u>\$ 1,447,404</u>

The loans receivable have repayment terms ranging from demand to 5 years, are unsecured and bear interest at 4.5% to 6%.

Note 5 - Investments

Investments comprise the following:

	2010		2009	
	Cost	Market value	Cost	Market value
Pooled Fixed Income Fund	\$ 51,662,499	\$ 51,811,117	\$ 52,742,240	\$ 53,349,460
Pooled Equity Fund	171,876,011	168,968,289	156,961,661	131,813,078
State of Israel Bonds	3,782,594	3,555,118	3,782,594	3,817,803
Shares of publicly traded corporations	6,498,748	5,915,591	5,306,632	4,333,591
Other bonds	1,232,324	1,296,416	2,703,730	2,619,602
	<u>\$235,052,176</u>	<u>\$ 231,546,531</u>	<u>\$ 221,496,857</u>	<u>\$ 195,933,534</u>



JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2010

Note 5 - Investments (continued)

The Pooled Fixed Income Fund invests mostly in pooled Canadian Bond Funds as well as State of Israel Bonds. The pooled funds are recorded based on the published market values of these funds as at March 31, 2010. The Pooled Fixed Income Fund also includes loans to community institutions to fund special projects. These loans bear interest at the income rate earned by the Pooled Fixed Income Fund, are secured by pledges and are receivable as follows: 2011, \$560,000; 2012, \$40,000; 2013, \$29,000; subsequent, \$1,899,000.

The Pooled Equity Fund invests in Canadian, American and International money market, equity funds, hedge funds, and other investments which are recorded based on the published market values of these funds as at March 31, 2010.

The State of Israel Bonds consist of fixed rate instruments and have various terms to maturity ranging up to five years. A portion of the State of Israel Bonds amounting to approximately \$1,090,000 is denominated in U.S. dollars as at March 31, 2010.

The other bonds consist of fixed-rate instruments and have various terms to maturity ranging up to five years.

Note 6 - Investments in private Canadian companies

Investments in private Canadian companies consist of the following:

	2010	2009
Balance - beginning of year	\$ 19,609,181	\$ 24,539,509
Preferred shares received as contributions	1,000,000	1,500,000
Investments made in preferred shares of start-up companies	80,000	85,000
Redemption of preferred shares of start-up companies	(92,897)	(126,233)
Grants made through redemption of preferred shares	(5,344,380)	(6,389,095)
Balance - end of year	<u>\$ 15,251,904</u>	<u>\$ 19,609,181</u>
Preferred shares - private companies	\$ 11,251,904	\$ 19,609,181
Note receivable - private company	4,000,000	-
	<u>\$ 15,251,904</u>	<u>\$ 19,609,181</u>

During the year, preferred shares of a private company in the amount of \$4,000,000 were converted to a note receivable. The note receivable is secured, bears interest at 6% and has no fixed terms of repayment.

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2010

Note 7 - Capital and other assets

	2010	2009
Building	\$ 259,200	\$ 259,200
Donated residential property	300,000	-
Donated art	53,275	53,275
Cemetery plots and foundations	165,113	132,773
Leasehold rights		
	<u>\$ 777,589</u>	<u>\$ 445,249</u>

During the year, the Foundation purchased cemetery plots and foundations in the amount of \$32,340 (2009, \$Nil), and was donated a residential property having an appraised fair market value in the amount of \$300,000.

The Jewish Community Foundation of Montreal acts as trustee for mineral and surface rights under leases transferred from the Jewish Colonization Association of Canada. Any royalties received by the Foundation in connection with the mineral and surface rights are held in trust for the Jewish Colonization Association of Canada. As the fair market value of the leases is unknown, the Jewish Community Foundation of Montreal has recorded the leases at a nominal amount.

Note 8 - Trust funds

	2010	2009
Balance - beginning of year	\$ 73,673,317	\$ 96,843,808
Contributions	7,260,143	3,096,966
Investment income (loss)	12,251,092	(17,875,032)
Distributions	(6,309,335)	(8,237,053)
Interfund transfers	(12,370)	93,000
Administrative expenses	(241,215)	(248,372)
Balance - end of year	<u>\$ 86,621,632</u>	<u>\$ 73,673,317</u>

Note 9 - Administration fees

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

JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2010

Note 10 - Investment income (loss)

Investment income (loss) is comprised of the following:

	Restricted	Unrestricted	Trust Funds	2010 Total	2009 Total
Investment income	\$ 2,268,644	\$ 273,735	\$ 1,650,807	\$ 4,193,186	\$ 4,030,443
Change in market value of investments	16,321,782	3,525,145	10,600,285	30,447,212	(55,992,257)
	<u>\$ 18,590,426</u>	<u>\$ 3,798,880</u>	<u>\$ 12,251,092</u>	<u>\$ 34,640,398</u>	<u>\$ (51,961,814)</u>

Note 11 - Financial instruments and commitments

Financial instruments

Fair value

The carrying values of cash, sundry receivables, grants and accounts payable and trust funds payable are a reasonable estimate of their fair values, due to the short-term nature of these instruments.

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, 2010, balances in USD and Euro were the following:

	2010	2009
Cash in USD	\$ 1,525,281	\$ -
Investments in USD	\$ 139,148,782	\$ 88,944,461
Investments in Euro	€ 1,922,633	€ 1,497,955

Commitments

In order to protect against foreign currency fluctuations inherent in holding foreign currency denominated investments, the Foundation has contracted to sell \$83,000,000 U.S. in exchange for \$85,819,000 Canadian in April 2010. Gains and losses related to foreign exchange contracts are recognized when realized. During the year, the Foundation recognized gains on foreign exchange contracts exercised during the year for an amount of \$21,166,000 (2009, losses of \$24,033,565).

As at March 31, 2010, the Foundation has contracted to invest \$50,100,000 in 20 closed-end investment funds.



JEWISH COMMUNITY FOUNDATION OF MONTREAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2010

Note 12 - Capital disclosures

The Jewish Community Foundation of Montreal defines capital as the sum of its restricted and unrestricted net assets as well as trust funds held on behalf of others. The Foundation is subject to externally imposed requirements on its trust funds and restricted funds.

The Foundation's objectives when managing capital are to preserve and enhance purchasing power and to ensure sufficient liquidity to meet its current obligations as they come due.

The Foundation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the capital invested. The Foundation adjusts the investment mix of its capital in an effort to generate an adequate rate of return while within its tolerance level of investment risk.

By diversifying into different currencies, the Foundation's capital is also exposed to foreign exchange risk. To manage this risk, the Foundation enters into forward contract positions to protect its capital against the risk of foreign exchange fluctuations.

The Foundation's unrestricted capital allows it to maintain stability in its financial structure and to maintain sufficient liquidity to enable it to meet its obligations as they become due.

Note 13 - Comparative figures

Certain figures for 2009 have been reclassified to conform to the basis of presentation adopted in 2010.

Note 14 - Cash flows

The statement of changes in cash flows for 2009 has not disclosed the sources of cash and application of cash by fund as the information was not readily available.