



Canadian Friends of Tel Aviv University Inc. / Les Amis Canadiens de L'Universite de Tel Aviv, Inc.

Financial Statements
September 30, 2016

**Canadian Friends of Tel Aviv University
Inc. / Les Amis Canadiens de L'Université
de Tel Aviv, Inc.**

Financial Statements

September 30, 2016



T 905 522 6555 F 905 522 6574 6th Floor, One James Street South Hamilton ON L8P 4R5

March 16, 2017

Independent Auditor's Report

To the Members of Canadian Friends of Tel Aviv University Inc.

We have audited the accompanying financial statements of Canadian Friends of Tel Aviv University Inc., which comprise the statement of financial position as at September 30, 2016, the statement of changes in net assets, statement of financial activities for both the Operating and Endowment Funds and the statement of cash flows for the year then ended, as well as 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.

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

PETTINELLI MASTROLUISI LLP

CHARTERED ACCOUNTANTS



T 905 522 6555 F 905 522 6574 6th Floor, One James Street South Hamilton ON L8P 4R5

Independent Auditor's Report, continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Friends of Tel Aviv University Inc. as at September 30, 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.

Petrucci Marcolini LLP

Chartered Accountants
Licensed Public Accountants

Hamilton, Ontario

Canadian Friends of Tel Aviv University Inc.

Statement of Financial Position

	September 30	
	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 199,315	\$ 289,537
Short term investments (Note 2)	26,507	28,108
GST/HST/QST public service bodies rebate receivable	28,284	19,643
Contributions receivable	30,652	19,830
Restricted cash - to be remitted to TAU (Note 3)	245,775	362,982
Restricted cash - deferred contributions (Note 4)	<u>60,174</u>	<u>33,152</u>
	590,707	753,252
Restricted investments - endowment (Note 5)	976,295	314,222
Furniture, fixtures and computer equipment (Note 6)	<u>1,948</u>	<u>2,568</u>
	<u>\$ 1,568,950</u>	<u>\$ 1,070,042</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 75,904	\$ 64,285
Restricted contributions - TAU (Note 3)	245,775	362,982
Deferred contributions (Note 4)	<u>60,174</u>	<u>33,152</u>
	<u>381,853</u>	<u>460,419</u>
Net assets		
Endowment Fund (Note 5)	976,295	314,222
Operating Fund	<u>210,802</u>	<u>295,401</u>
	<u>1,187,097</u>	<u>609,623</u>
	<u>\$ 1,568,950</u>	<u>\$ 1,070,042</u>
Lease commitments (Note 8)		

APPROVED BY THE BOARD:

_____ Director

_____ Director

Canadian Friends of Tel Aviv University Inc.

Statement of changes in Net Assets

	Operating Fund				Endowment Fund (Note 5)	Year ended September 30	
	Invested in Capital Assets	Unrestricted	Restricted	Total		2016	2015
Balance, beginning of year	\$ 2,568	\$ 292,833	\$ -	\$ 295,401	\$ 314,222	\$ 609,623	\$ 757,031
Deficiency of contributions over expenses - Operating Fund	-	(84,599)	-	(84,599)	-	(84,599)	(156,937)
Excess of revenues over expenses - Endowment Fund	-	-	-	-	6,573	6,573	9,529
Endowment contributions	-	-	-	-	655,500	655,500	-
Investment in capital assets	(620)	620	-	-	-	-	-
Balance, end of year	<u>\$ 1,948</u>	<u>\$ 208,854</u>	<u>\$ -</u>	<u>\$ 210,802</u>	<u>\$ 976,295</u>	<u>\$ 1,187,097</u>	<u>\$ 609,623</u>

Canadian Friends of Tel Aviv University Inc.

Statement of Financial Activities

Operating Fund

	Year ended September 30, 2016			Year ended September 30, 2015		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Contributions	\$ 42,728	\$ 1,537,056	\$ 1,579,784	\$ 90,888	\$ 1,938,562	\$ 2,029,450
Herbert Marx gala	-	240,321	240,321	-	-	-
Contributions - CIREC	-	9,878	9,878	-	12,948	12,948
	<u>42,728</u>	<u>1,787,255</u>	<u>1,829,983</u>	<u>90,888</u>	<u>1,951,510</u>	<u>2,042,398</u>
Expenses						
Contributions forwarded to TAU	-	1,537,056	1,537,056	11,899	2,056,490	2,068,389
Salaries, wages and benefits (Note 9)	537,539	-	537,539	311,968	-	311,968
Herbert Marx gala (Note 10)	-	240,321	240,321	-	-	-
Travel and accommodation	50,294	9,878	60,172	23,032	4,248	27,280
Office and general	54,058	-	54,058	24,463	-	24,463
Professional fees	49,293	-	49,293	20,395	-	20,395
Rent and occupancy costs	29,421	-	29,421	30,070	-	30,070
Fundraising activities	25,860	-	25,860	76,174	-	76,174
Advertising and promotion	19,224	-	19,224	10,614	-	10,614
Loss (gain) on foreign exchange	15,904	-	15,904	(8,349)	-	(8,349)
Telephone and internet	10,545	-	10,545	9,123	-	9,123
Insurance	6,384	-	6,384	4,715	-	4,715
Interest and bank charges	5,346	-	5,346	5,634	-	5,634
Scholarships	2,906	-	2,906	15,622	-	15,622
Amortization	620	-	620	712	-	712
Interest income	(508)	-	(508)	(147)	-	(147)
Recovery of expenses	(679,559)	-	(679,559)	(397,328)	-	(397,328)
	<u>127,327</u>	<u>1,787,255</u>	<u>1,914,582</u>	<u>138,597</u>	<u>2,060,738</u>	<u>2,199,335</u>
Deficiency of contributions over expenses for the year	<u>\$ (84,599)</u>	<u>\$ -</u>	<u>\$ (84,599)</u>	<u>\$ (47,709)</u>	<u>\$ (109,228)</u>	<u>\$ (156,937)</u>

Canadian Friends of Tel Aviv University Inc.

Statement of Financial Activities

Endowment Fund

	Year ended September 30	
	2016	2015
Investment revenue		
Realized gain (loss) on sale of investments	\$ 27,242	\$ (5,208)
Interest and investment income	20,092	1,763
Unrealized (loss) gains on investments	<u>(20,761)</u>	<u>12,974</u>
	<u>26,573</u>	<u>9,529</u>
Expenses		
Remitted to Tel Aviv University for scholarships	<u>(20,000)</u>	<u>-</u>
Excess of revenue over expenses	<u>\$ 6,573</u>	<u>\$ 9,529</u>

Canadian Friends of Tel Aviv University Inc.

Statement of Cash Flows

	Year ended September 30	
	2016	2015
Cash flows from (used in) operating activities		
Deficiency of contributions over expenses - Operating Fund	\$ (84,599)	\$ (156,937)
Excess of revenue over expenses - Endowment Fund	6,573	9,529
Items not involving cash		
Amortization	620	712
Loss (gain) on disposition of investments	(27,242)	5,280
Unrealized gain on change in fair value of investments	<u>20,761</u>	<u>(12,974)</u>
	<u>(83,887)</u>	<u>(154,390)</u>
Net change in non-cash working capital balances relating to operations		
Decrease (increase) in public service bodies rebate receivable	(8,641)	(7,575)
Increase in contributions receivable	(10,822)	(19,830)
Decrease in prepaid expenses	-	1,664
Increase (decrease) in accounts payable and accrued liabilities	11,619	34,119
Increase (decrease) in restricted contributions - payable to TAU	(117,207)	362,982
Increase in deferred contributions	<u>27,022</u>	<u>33,152</u>
	<u>(98,029)</u>	<u>404,512</u>
	<u>(181,916)</u>	<u>250,122</u>
Cash flows from (used in) investing activities		
Endowment contributions	655,500	-
Purchase of equipment	-	(565)
Proceeds on disposal of investments	48,108	15,951
Purchase of investments	<u>(702,099)</u>	<u>(28,245)</u>
	<u>1,509</u>	<u>(12,859)</u>
Net increase (decrease) in cash during the year	(180,407)	237,263
Cash at beginning of the year	<u>685,671</u>	<u>448,408</u>
Cash at end of the year	<u>\$ 505,264</u>	<u>\$ 685,671</u>
Cash consists of:		
Cash and cash equivalents	\$ 199,315	\$ 289,537
Restricted cash - to be remitted to TAU	245,775	362,982
Restricted cash - deferred contributions	<u>60,174</u>	<u>33,152</u>
	<u>\$ 505,264</u>	<u>\$ 685,671</u>

Notes to Financial Statements

September 30, 2016

Nature of operations

Canadian Friends of Tel Aviv University Inc. (the "Organization") was incorporated under Part II of the Canada Corporations Act and is a registered not-for-profit organization and a registered charity and thus is exempt from income taxes under the Income Tax Act.

The Organization's purpose is to raise funds on behalf of Tel Aviv University in Israel.

1. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Cash and cash equivalents

Cash and cash equivalents include balances with banks, net of outstanding cheques and short-term investments with maturities of 120 days or less.

Short term/restricted investments

Investments consist of mutual funds and GIC's which are measured at fair value.

Furniture, fixtures and computer equipment

Furniture, fixtures and computer equipment are recorded at cost. The Organization provides for amortization using the declining balance method at rates designed to amortize the cost of the furniture, fixtures and computer equipment over their estimated useful lives. The annual amortization rates are as follows:

Furniture and fixtures	20%
Computer equipment	30%

Expenditures for repairs and maintenance are charged to income.

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue of the Unrestricted Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue of the Restricted Operating Fund in the year in which the related expenses are incurred. Unspent funds are recorded as deferred contributions.

Investment income earned on endowment contributions is recognized as revenue of the Endowment Fund in the year in which it is earned. Investment income earned on unrestricted contributions is recorded as revenue of the Unrestricted Operating Fund in the year in which it is earned.

Notes to Financial Statements

September 30, 2016

1. Significant accounting policies, continued

Operating Fund

Contributions and expenses related to the day-to-day activities of the Organization are reported in the Unrestricted Operating Fund.

Restricted Operating Fund

Contributions received in which have been designated for a specific purpose are reported in the Restricted Operating Fund.

Endowment Fund

An Endowment Fund was created to hold funds that were contributed to the Organization by way of bequests or designated contributions. Investment income earned by the fund is to be spent in accordance with the donors restrictions.

Foreign currency transactions

These financial statements have been presented in Canadian dollars, the principal currency of the Organization's operating.

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at the exchange rates prevailing at the transactions dates. Carrying values of monetary assets and monetary liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the determination of excess of revenues over expenses for the current period.

Contributed property and services

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations, and would otherwise have been purchased.

Volunteers contributed time to assist the Organization in carrying out its purpose. Because of the difficulty of determining their fair value, volunteer services are not recognized in the financial statements.

Use of estimates

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Notes to Financial Statements

September 30, 2016

1. Significant accounting policies, continued

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value,.

The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in deficiency of contributions over expenses in the period incurred.

Financial assets measured at amortized cost include cash and cash equivalents, GST/HST/QST public service bodies rebate receivable and contributions receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and restricted contributions - payable to TAU.

Financial assets measured at fair value include short term investments and restricted investments - endowment.

Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in deficiency of contributions over expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 deficiency of contributions over expenses.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

Notes to Financial Statements

September 30, 2016

2. Short term investments

As at September 30, 2016, short term investments consisted of:

	September 30	
	2016	2015
GIC, bearing interest at 0.85%, maturing July 2017	\$ 26,507	\$ 26,285
State of Israel Bonds matured during the year	<u>-</u>	<u>1,823</u>
	<u>\$ 26,507</u>	<u>\$ 28,108</u>

3. Restricted cash and contributions - TAU

These amounts are collections from donors which have been designated by the donor to be paid to TAU for various different programs.

	2016	2015
Balance, beginning of year	\$ 362,982	\$ -
Contributions received during the year	1,419,849	2,301,544
Contributions recognized on the statement of financial activities - Operating Fund	<u>(1,537,056)</u>	<u>(1,938,562)</u>
Balance, end of year	<u>\$ 245,775</u>	<u>\$ 362,982</u>

The amount payable for each location is as follows:

	2016	2015
Toronto office	\$ 127,163	\$ 127,560
Montreal office	<u>118,612</u>	<u>235,422</u>
	<u>\$ 245,775</u>	<u>\$ 362,982</u>

Notes to Financial Statements

September 30, 2016

4. Restricted cash and deferred contributions

The amounts included in Deferred contributions are related to amounts collected from donors. The donors have designated their contributions to allocated to the Canada Israel Real Estate connection (CIREC). The amounts deferred for the CIREC are held by the Toronto office. Changes in the balance of deferred contributions are as follows:

	2016	2015
Balance, beginning of year	\$ 33,152	\$ -
Contributions received during the year	36,900	46,100
Contributions recognized on the statement of financial activities - Operating Fund - Disbursements	<u>(9,878)</u>	<u>(12,948)</u>
Balance, end of year	<u>\$ 60,174</u>	<u>\$ 33,152</u>

5. Endowment Fund

Contributions restricted for endowment consist of contributions and bequests received by the Organization where the principal is required to remain unspent. The investment income generated from the endowments must be used in accordance with the purposes established by the donors. As of September 30, 2016 the endowment's growth available for designated use is \$31,729 (2015 - \$44,222) for Montreal and \$19,066 for Toronto.

	September 30	
	2016	2015
Toronto - principal	\$ 655,500	\$ -
Toronto - (Note A)	19,066	-
Montreal - principal	270,000	270,000
Montreal - available for use	<u>31,729</u>	<u>44,222</u>
	<u>\$ 976,295</u>	<u>\$ 314,222</u>

A) Contingent upon the funds performance and in accordance with the donor's agreement will ultimately determine how the funds are to be disbursed.

Both Toronto and Montreal endowment funds are invested in a independently managed portfolio.

Notes to Financial Statements

September 30, 2016

6. Furniture, fixtures and computer equipment

			September 30	
	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Furniture and fixtures	\$ 11,350	\$ 10,148	\$ 1,202	\$ 1,502
Computer equipment	<u>16,729</u>	<u>15,983</u>	<u>746</u>	<u>1,066</u>
	<u>\$ 28,079</u>	<u>\$ 26,131</u>	<u>\$ 1,948</u>	<u>\$ 2,568</u>

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include government remittances for payroll withholdings in the aggregate amount of \$7,232 (2015 - \$NIL).

8. Lease commitments

The Organization's total commitments, under various operating leases and property lease agreements for the Toronto and Montreal offices, exclusive of occupancy costs, are as follows:

2017	\$ 27,858
2018	23,706
2019	20,944
2020	20,350
2021	<u>3,392</u>
	<u>\$ 96,250</u>

The Toronto office subleases excess office space with another organization on a month to month basis. The sublease rental income in the amount of \$848/month is applied as a reduction to the rent and occupancy costs on the statement of financial activities.

9. Termination benefit

During the fiscal year the Organization paid severance of \$100,000 to a former employee. This severance payment was based on a calculation of years of service.

Notes to Financial Statements

September 30, 2016

10. Herbert Marx gala

The Herbert Marx gala expenses are detailed as follows:

	2016
Contributions forwarded to TAU	\$ 130,900
Food, entertainment and other	<u>109,421</u>
	<u>\$ 240,321</u>

Included in restricted cash and contributions - TAU (Note 3) is an additional \$19,261 of contributions of which have been paid subsequent to year end.

11. Pledges

As at September 30, 2016, the Organization had pledges (not including gala pledges) receivable amounting to approximately \$8,060,000 (2015 - \$1,450,000).

The Herbert Marx gala generated additional pledges in the amount of \$62,000.

These pledges are not included in the financial statements because their ultimate collection cannot be reasonably assured.

12. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

Foreign exchange risk

The Organization is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Organization by a donor, or that an obligation in a foreign currency was made to the Organization to a recipient, is different at the time of settlement than it was at time that the obligation was determined. The Organization reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the Organization. The Organization does not utilize financial instruments to manage its foreign exchange risk. The Organization maintains adequate foreign currency balances in its bank provided by its donors.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At September 30, 2016 the Organization held cash and cash equivalents, including restricted cash, in \$USD at a value of of \$90,612 CAD (2015 - \$132,768).

Notes to Financial Statements

September 30, 2016

12. Financial instruments, continued

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. This risk is mitigated as the Organization follows a capital preservation investment strategy and performs regular review and re-balancing of its investment portfolio.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate cash flow risk with respect to fixed income securities held. The Organization employs investment diversification to manage this risk.

13. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.