

FINANCIAL STATEMENTS
For
HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)
For year ended
DECEMBER 31, 2017

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

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INDEPENDENT AUDITOR'S REPORT

To the Members of

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

We have audited the accompanying financial statements of Hillel Lodge Long-Term Care Foundation (Ottawa), which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in fund balances 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Hillel Lodge Long-Term Care Foundation (Ottawa) derives revenue from contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these contributions was limited to the amounts recorded in the records of Hillel Lodge Long-Term Care Foundation (Ottawa). Therefore, we were not able to determine whether any adjustments might be necessary to donations and memberships revenue, endowments and bequests revenue, events revenue, restricted giving revenue, net revenue (expense) and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016, and fund balances as at January 1 and December 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Hillel Lodge Long-Term Care Foundation (Ottawa) as at December 31, 2017 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.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
April 17, 2018.

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

<u>ASSETS</u>	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Capital Fund</u>	<u>2017 Total</u>	<u>2016 Total</u>
CURRENT ASSETS					
Cash	\$ 37,973	\$ -	\$ -	\$ 37,973	\$ 53,266
Short-term investments (note 4)	250,000	4,798,015	-	5,048,015	5,099,416
Accounts receivable	115	22,606	-	22,721	22,058
Government remittances receivable	2,090	-	-	2,090	2,080
Other receivable (note 5)	5,447,091	724,000	-	6,171,091	-
Pledges receivable (note 6)	-	-	65,500	65,500	36,680
Prepaid expense	374	-	-	374	1,211
	<u>5,737,643</u>	<u>5,544,621</u>	<u>65,500</u>	<u>11,347,764</u>	<u>5,214,711</u>
PLEDGES RECEIVABLE (note 6)	-	-	200,000	200,000	300,000
TANGIBLE CAPITAL ASSETS (note 7)	467	-	-	467	927
LONG-TERM INVESTMENTS (note 4)	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>1,300,000</u>
	<u>\$ 5,738,110</u>	<u>\$ 6,544,621</u>	<u>\$ 265,500</u>	<u>\$ 12,548,231</u>	<u>\$ 6,815,638</u>
<u>LIABILITIES AND FUND BALANCES</u>					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 9,603	\$ -	\$ -	\$ 9,603	\$ 12,036
Due to Ottawa Jewish Home for the Aged (note 8)	16,479	-	-	16,479	101,284
Deferred contributions	<u>3,520</u>	<u>-</u>	<u>-</u>	<u>3,520</u>	<u>-</u>
	<u>29,602</u>	<u>-</u>	<u>-</u>	<u>29,602</u>	<u>113,320</u>
FUND BALANCES					
Operating fund -					
Unrestricted (note 5)	152,508	-	-	152,508	140,398
Internally restricted (note 5)	5,556,000	-	-	5,556,000	-
Endowment fund	-	6,544,621	-	6,544,621	6,225,240
Capital fund	<u>-</u>	<u>-</u>	<u>265,500</u>	<u>265,500</u>	<u>336,680</u>
	<u>5,708,508</u>	<u>6,544,621</u>	<u>265,500</u>	<u>12,518,629</u>	<u>6,702,318</u>
	<u>\$ 5,738,110</u>	<u>\$ 6,544,621</u>	<u>\$ 265,500</u>	<u>\$ 12,548,231</u>	<u>\$ 6,815,638</u>

Approved by the Board:

..... Director

..... Director

(See accompanying notes)

Welch LLP®

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HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2017

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Capital Fund</u>	<u>2017 Total</u>	<u>2016 Total</u>
Fund balances, beginning of year	\$ 140,398	\$ 6,225,240	\$ 336,680	\$ 6,702,318	\$ 5,955,486
Net revenue (expense)	<u>5,568,110</u>	<u>319,381</u>	<u>(71,180)</u>	<u>5,816,311</u>	<u>746,832</u>
Fund balances, end of year	<u>\$ 5,708,508</u>	<u>\$ 6,544,621</u>	<u>\$ 265,500</u>	<u>\$ 12,518,629</u>	<u>\$ 6,702,318</u>

(See accompanying notes)

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	Operating <u>Fund</u>	Endowment <u>Fund</u>	Capital <u>Fund</u>	2017 <u>Total</u>	2016 <u>Total</u>
Revenue					
Donations and memberships	\$ 71,533	\$ -	\$ -	\$ 71,533	\$ 67,049
Endowments and bequests	6,177,236	31,106	-	6,208,342	298,949
Events	113,835	-	-	113,835	91,339
Restricted giving	106,131	-	-	106,131	147,059
Dividend	166,355	-	-	166,355	154,274
Interest	19,873	-	-	19,873	47,968
Realized gain on investments	-	76,624	-	76,624	10,650
Other	9,003	-	-	9,003	234
	<u>6,663,966</u>	<u>107,730</u>	<u>-</u>	<u>6,771,696</u>	<u>817,522</u>
Expenses					
Office	3,847	-	-	3,847	3,212
Salaries and benefits (note 8)	147,632	-	-	147,632	129,202
Professional fees	20,106	-	-	20,106	13,616
Fundraising	31,912	-	-	31,912	38,522
Bad debts	-	-	4,150	4,150	27,392
	<u>203,497</u>	<u>-</u>	<u>4,150</u>	<u>207,647</u>	<u>211,944</u>
Net revenue (expense) before items below	6,460,469	107,730	(4,150)	6,564,049	605,578
Unrealized gain on investments	-	211,651	-	211,651	628,874
Contribution to Ottawa Jewish Home for the Aged (note 8)	<u>(892,359)</u>	<u>-</u>	<u>(67,030)</u>	<u>(959,389)</u>	<u>(487,620)</u>
Net revenue (expense)	<u>\$ 5,568,110</u>	<u>\$ 319,381</u>	<u>\$ (71,180)</u>	<u>\$ 5,816,311</u>	<u>\$ 746,832</u>

(See accompanying notes)

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM (USED IN):		
OPERATIONS		
Net revenue	\$ 5,816,311	\$ 746,832
Adjustments for:		
Amortization of tangible capital assets	460	460
Realized gains on investments	(76,624)	(10,650)
Changes in fair value of investments	<u>(211,651)</u>	<u>(628,874)</u>
	5,528,496	107,768
Changes in level of:		
Accounts receivable	(663)	(5,803)
Government remittances receivable	(10)	5,793
Pledges receivable	71,180	174,532
Other receivables	(6,171,091)	-
Prepaid expenses	837	(845)
Accounts payable and accrued liabilities	(2,433)	3,786
Due to Ottawa Jewish Home for the Aged	(84,805)	(131,527)
Deferred contributions	<u>3,520</u>	<u>-</u>
	<u>(654,969)</u>	<u>153,704</u>
INVESTING ACTIVITIES		
Proceeds on sale of investments	2,624,561	2,351,197
Purchase of investments	<u>(1,984,885)</u>	<u>(2,584,218)</u>
	<u>639,676</u>	<u>(233,021)</u>
DECREASE IN CASH	(15,293)	(79,317)
CASH, BEGINNING OF YEAR	<u>53,266</u>	<u>132,583</u>
CASH, END OF YEAR	<u>\$ 37,973</u>	<u>\$ 53,266</u>

(See accompanying notes)

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2017****1. ORGANIZATION AND PURPOSE**

The Hillel Lodge Long-Term Care Foundation (Ottawa) ("the Foundation") was incorporated without share capital under Part II of the *Canada Corporations Act* on June 11, 2002, and began operations on February 10, 2003. The Foundation has continued under section 211 of the Canada not-for-profit Corporations Act on April 24, 2014. The Foundation is registered as a charitable organization and is therefore exempt from income tax. The objectives of the Foundation are to receive contributions, to maintain funds and to contribute amounts out of income and capital to Ottawa Jewish Home for the Aged ("the Lodge").

2. SIGNIFICANT ACCOUNTING POLICIES***Basis of accounting***

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Foundation's program delivery and administration. Unrestricted and internally restricted contributions are recorded as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Endowment Fund accounts for contributions to be maintained in perpetuity. The contributors have specified how the income from the assets is to be disbursed. Externally restricted contributions to be maintained in perpetuity are recognized as revenue of the Endowment Fund.

The Capital Fund accounts for pledges received related to the capital campaign. The opening balance of the Capital Fund reflects amounts which were previously recorded as revenue at the time when the pledge was made (note 6).

Financial instruments***Measurement of financial instruments***

Cash and equity investments are measured at fair value at the financial statement date.

All other financial instruments are measured at amortized cost at the financial statement date.

Transaction costs

Transaction costs associated with the acquisition and disposal of investments are capitalized to the acquisition costs or reduced from proceeds on disposal.

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.****YEAR ENDED DECEMBER 31, 2017****2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.*****Tangible capital assets***

Tangible capital assets are capitalized at acquisition cost. Amortization is provided on a straight-line basis over their estimated useful lives of 5 years.

Use of estimates

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, revenues and expenses and disclosure of contingent assets and liabilities as 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.

The estimated useful life of the Foundation's tangible capital assets, the net realizable value of accounts and pledges receivables, and the amount of accrued liabilities are the most significant items where estimates are used.

3. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations at December 31, 2017.

The Foundation does not use derivative financial instruments to manage its risks.

Credit risk

The Foundation is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Foundation's maximum exposure to credit risk is the carrying value of its cash, guaranteed investment certificates, accounts receivable and pledges receivable. The Foundation's cash is deposited with a Canadian chartered bank and their guaranteed investment certificates are invested in trust companies and banks and as a result management believes the risk of loss on these items to be remote. The Foundation manages the credit risk of accounts receivable and pledges receivable by reviewing monthly aged accounts receivable and pledge receivable balances and following up on outstanding amounts. Management believes that all accounts receivable at year end will be collected. As disclosed in note 6, there has been no provision made for uncollectible pledges.

Liquidity risk

Liquidity risk is the risk that the Foundation cannot meet a demand for cash or fund its obligations as they become due. The Foundation meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flow from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.****YEAR ENDED DECEMBER 31, 2017****3. FINANCIAL INSTRUMENTS - Cont'd.***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 is comprised of currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Foundation's financial instruments are all denominated in Canadian dollars and the Foundation transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) 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.

As the Foundation has investments in guaranteed investment certificates it is exposed to interest rate risk. The Foundation manages this risk by investing in short-term investments which reduces the sensitivity of the portfolio to the impact of interest rate fluctuations.

iii) 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), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Foundation is exposed to other price risk due to its investment in a variety of publicly traded equities. Risk and volatility of investment returns are mitigated through diversification of investments in different business sectors.

Changes in risk

With the exception that the Foundation has investments in equities representing 67% of total investments at market value as at December 31, 2017 (2016 - 64%), there have been no significant changes in the Foundation's risk exposures from the prior year.

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

4. INVESTMENTS

Investments consists of:

	<u>2017</u>	<u>2016</u>
Cash	\$ 129,408	\$ 208,079
Guaranteed investment certificates	1,850,000	2,050,000
Equities	<u>4,068,607</u>	<u>4,141,337</u>
	6,048,015	6,399,416
Long-term investments (maturing beyond one year)	<u>(1,000,000)</u>	<u>(1,300,000)</u>
	<u>\$ 5,048,015</u>	<u>\$ 5,099,416</u>
Short-term investments		

Investments are managed by investment managers who are under the direction of the Board of Directors. Investment managers must follow the guidelines as set out in the Foundation's Investment Policy statement.

Guaranteed investment certificates bear interest at fixed rates ranging from 0.45% and 2.58%, maturing from 2018 to 2022 (2016 - 0.90% to 2.50%, maturing from 2017 to 2021). Equities are invested in Canadian companies. Included in accounts receivable at December 31, 2017 is accrued interest on guaranteed investment certificates of \$22,721 (2016 - \$22,058).

5. OTHER RECEIVABLES

During the year, a bequest of \$6,171,091 was made to the Foundation from the estate of a deceased donor. As the gift was from the estate without specific donor direction, the amount is recorded as bequest revenue in the Operating Fund. The Board of Directors of the Foundation has internally restricted a portion of these funds (\$5,556,000) to be set aside for future use with Board approval. A portion was also used to reimburse the Endowment Fund and as such has been shown as a receivable of that fund. Subsequent to year end, on January 23, 2018 the amount was received.

6. PLEDGES RECEIVABLE

Pledges receivable are carried at cost and are expected to be collected as follows:

2018	\$ 65,500
2019	50,000
2020	50,000
2021	50,000
2022	<u>50,000</u>
	265,500
Current portion of pledges receivable	<u>(65,500)</u>
Long-term portion of pledges receivable	<u>\$ 200,000</u>

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

7. TANGIBLE CAPITAL ASSETS

Tangible capital assets consists of:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Memorial wall	\$ 10,176	\$ 10,176	\$ 10,176	\$ 10,176
Furniture and equipment	<u>2,312</u>	<u>1,845</u>	<u>2,312</u>	<u>1,385</u>
	12,488	<u>\$ 12,021</u>	12,488	<u>\$ 11,561</u>
Less: accumulated amortization	<u>12,021</u>		<u>11,561</u>	
	<u>\$ 467</u>		<u>\$ 927</u>	

8. OTTAWA JEWISH HOME FOR THE AGED

The Foundation supports the Ottawa Jewish Home for the Aged ("the Home") by raising funds to assist in its operations. The Home exercises economic interest over the Foundation since the Board of Directors of the Foundation includes some of the Board members of the Home.

The transactions with the Ottawa Jewish Home for the Aged occurred in the normal course of business and have been recorded at their exchange amounts which is the amount agreed upon by both parties.

Amounts due to the Home at December 31, 2017 were \$16,479 (2016 - \$101,284). The amount owing to the Home is non-interest bearing and payable on demand.

The Foundation's salary costs are reimbursed to the Lodge and as such have been reflected as an expense of the Foundation in the amount of \$147,632 (2016 - \$129,202) in the Statement of Operations.

During the year, the Foundation donated \$959,389 (2016 - \$487,620) to the Ottawa Jewish Home for the Aged. The make up of these donations is as follows:

	<u>2017</u>	<u>2016</u>
Investment income	\$ 186,228	\$ 193,721
Operating	600,000	-
Restricted	106,131	146,759
Capital campaign	<u>67,030</u>	<u>147,140</u>
	<u>\$ 959,389</u>	<u>\$ 487,620</u>

The Foundation has guaranteed a revolving line of credit on behalf of the Home. This line of credit bears interest at a rate of prime + 0.5% and is in the amount of \$500,000, of which no amount was utilized at year end (2016 - \$402,563).

9. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.