

**THE CANADIAN SOCIETY FOR THE
WEIZMANN INSTITUTE OF SCIENCE**
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018



CELEBRATING 46 YEARS OF SERVICE

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

We have audited the accompanying financial statements of The Canadian Society for the Weizmann Institute of Science, which comprise the statement of financial position as at September 30, 2018, the statement of operations, the statement of changes in net assets, the statement of 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 regarding 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Canadian Society for the Weizmann Institute of Science as at September 30, 2018, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Concord, Ontario
February 6, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2018

	2018	2017
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalents	9,033,392	4,688,140
Accounts receivable	199,653	-
Government tax rebates	106,653	50,981
Investments (Note 4)	1,765,922	1,622,169
Prepaid expenses	72,917	38,664
Current portion of pledges receivable (Note 6)	<u>8,545,280</u>	<u>4,442,848</u>
	19,723,817	10,842,802
CAPITAL ASSETS (Note 5)	7,299	5,273
PLEDGES RECEIVABLE (Note 6)	<u>37,759,507</u>	<u>27,884,032</u>
	<u>57,490,623</u>	<u>38,732,107</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	3,692,024	66,819
Current portion of deferred revenue (Note 6)	<u>8,545,280</u>	<u>4,442,848</u>
	12,237,304	4,509,667
DEFERRED REVENUE (Note 6)	<u>37,759,507</u>	<u>27,884,032</u>
	<u>49,996,811</u>	<u>32,393,699</u>
NET ASSETS		
NET ASSETS	7,493,812	6,338,408
	<u>57,490,623</u>	<u>38,732,107</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

Lease commitments (Note 9)

See Accompanying Notes



CELEBRATING 46 YEARS OF SERVICE

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2018

	2018	2017
	\$	\$
BALANCE, BEGINNING OF YEAR	6,338,408	5,813,250
Excess of revenue over expenditures	1,155,404	525,158
BALANCE, END OF YEAR	7,493,812	6,338,408

See Accompanying Notes



CELEBRATING 46 YEARS OF SERVICE

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE
STATEMENT OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 2018

	2018	2017
	\$	\$
REVENUE		
Donations	30,073,431	14,505,529
Investment income (Note 7)	129,005	195,451
Foreign exchange gain (loss)	<u>99,519</u>	<u>(68,449)</u>
	<u>30,301,955</u>	<u>14,632,531</u>
EXPENDITURES		
Amortization	6,217	3,470
Administration (Note 8)	2,086,447	1,768,469
Direct fundraising	<u>382,528</u>	<u>237,334</u>
	<u>2,475,192</u>	<u>2,009,273</u>
EXCESS OF REVENUE OVER EXPENDITURES BEFORE ALLOCATIONS	<u>27,826,763</u>	<u>12,623,258</u>
ALLOCATIONS		
The Weizmann Institute of Science, Israel	26,671,359	12,098,100
EXCESS OF REVENUE OVER EXPENDITURES	<u>1,155,404</u>	<u>525,158</u>

See Accompanying Notes



CELEBRATING 46 YEARS OF SERVICE

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2018

	2018	2017
	\$	\$
CASH GENERATED (USED) BY:		
OPERATING ACTIVITIES		
Excess of revenues over expenditures	1,155,404	525,158
Non-cash expenditures		
Unrealized (gain) loss on investments	6,405	(102,940)
Amortization	<u>6,217</u>	<u>3,470</u>
	<u>1,168,026</u>	<u>425,688</u>
Change in non-cash working capital items		
Accounts receivable	(199,653)	24,216
Government tax rebates	(55,672)	72,661
Prepaid expenses	(34,253)	4,774
Pledges receivable	(13,977,907)	4,481,041
Accounts payable and accrued liabilities	3,625,204	(10,004)
Deferred revenue	<u>13,977,907</u>	<u>(4,481,041)</u>
	<u>3,335,626</u>	<u>91,647</u>
INVESTING ACTIVITIES		
Investments	(150,157)	103,290
Purchase of capital assets	<u>(8,243)</u>	<u>(5,410)</u>
	<u>(158,400)</u>	<u>97,880</u>
INCREASE IN CASH	4,345,252	615,215
CASH, BEGINNING OF YEAR	4,688,140	4,072,925
CASH, END OF YEAR	9,033,392	4,688,140

Represented by:

Cash	\$ 5,808,914	\$ 1,179,243
Cash equivalents	<u>3,224,478</u>	<u>3,508,897</u>
	<u>9,033,392</u>	<u>4,688,140</u>

See Accompanying Notes



CELEBRATING 46 YEARS OF SERVICE

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

1. PURPOSE OF THE ORGANIZATION

The Canadian Society for the Weizmann Institute of Science (the "organization"), founded in 1964, is a Canadian national entity which organizes and coordinates educational programs and raises funds for basic and applied scientific research in Canada and Israel. The organization is a registered charity under the Income Tax Act (Canada) and, as such, was exempt from income taxes under Section 149(1)(f) and is able to issue donation receipts for income tax purposes.

Effective October 1, 2016, the organization was re-designated as a public foundation as defined in Section 149.1 of the Income Tax Act (Canada).

2. CHANGE IN ACCOUNTING POLICY

During the year, the organization changed the accounting policy from the restricted fund method to the deferral method of accounting for contributions. This change in accounting policy was applied retrospectively. The restricted fund balances previously reported are now included as part of net assets. There were no other effects on the financial statement as a result of this change.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following accounting policies:

(a) Revenue recognition:

The Canadian Society for the Weizmann Institute of Science follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related allocations occurred. Unrestricted contributions are recognized as revenue in the year received.

Pledges received from donors are recorded as pledges receivable, and an equivalent amount is established as deferred revenue. Payments received in satisfaction of pledges are transferred from deferred revenue and recognized as contributions in the statement of operations.

Receipted gifts-in-kind are recorded as revenue at the quoted market value on the date of receipt.

(b) Capital assets:

Capital assets are recorded at cost and are depreciated at rates which will reduce original cost to estimated residual value over the useful life of each property and equipment. Depreciation is provided using the following annual rate and method:

Computer equipment - 3 years straight line

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Impairment of long-lived assets:

The organization monitors the recoverability of long-lived assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The organization reviews factors such as current market value, future asset utilization and business climate and, when such indicators exist, compares the carrying value of the asset to the future undiscounted cash flows expected to result from the use of the related asset. If such cash flows are less than the carrying value, the impairment loss to be recognized equals the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is generally measured as equal to the estimated future discounted net cash flows from the assets. At the statement of financial position date, the organization has determined that no impairment in the carrying value of these assets exists.

(d) Investments and investment income:

Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income (losses), which consist of interest, dividends, income distributions from pooled funds, realized gains (losses) on the sale of investments net of investment manager fees, and unrealized gains and losses, is recorded in the statement of operations.

Realized gains or losses on sale of investments are the difference between the proceeds received and the average cost of investments sold.

Unrealized gains or losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

(e) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand, bank balances and highly liquid investments that include Canadian money market mutual funds and U.S. term deposits that are readily convertible to cash.

(f) Contributed services:

Volunteers contribute a significant amount of time in assisting the organization achieve its purposes. Because of the difficulty of determining the fair value contributed services, they are not recognized in the financial statements.

(g) Foreign currency translation:

Monetary assets, liabilities, revenues and expense items denominated in foreign currencies are translated into Canadian dollars at rates of exchange prevailing on the following dates:

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THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

monetary assets and liabilities at the statement of financial position date and revenue and expenses at the transaction date. Translation gains and losses are recorded in the statement of operations.

(h) Financial instruments:

Measurement of financial instruments

The organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The organization subsequently measures all of its financial assets and financial liabilities at 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 the statement of operations.

Financial instruments measured at amortized cost include accounts receivable and accounts payable and accrued liabilities. Financial instruments measured at fair value include investments and cash and cash equivalents.

Impairment

Financial assets measured at cost or amortized cost, are tested for impairment when there are indicators 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 net income. Any previously recognized impairment loss may be reversed to a maximum of the cumulative amount previously written down. The amount of the reversal is recognized in the statement of operations.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the statement of operations in the period incurred. However, 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 income over the life of the instrument using the straight line method.

(i) Estimation uncertainty:

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenue and expenses. Significant estimates used in the preparation of these financial statements include estimated useful lives of capital assets and accrued liabilities. The actual results are likely to differ from the judgments, estimates, and assumption made by management, and will seldom equal the estimated results.

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

4. INVESTMENTS

(a) Summary of investments:

Investments consist of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
	\$	\$	\$	\$
Fixed income	13,578	13,578	14,876	14,876
Canadian equities	<u>1,571,264</u>	<u>1,752,344</u>	<u>1,419,809</u>	<u>1,607,293</u>
	<u>1,584,842</u>	<u>1,765,922</u>	<u>1,434,685</u>	<u>1,622,169</u>

The fixed income investments bear interest of 4% per annum and mature between November 2018 and December 2020.

(b) Reconciliation of investments at beginning and end of year:

	<u>2018</u>	<u>2017</u>
	\$	\$
Market value, beginning of year	1,622,169	1,622,169
Contribution (withdrawals) and book value adjustments	53,027	(174,626)
Interest and dividend income	96,999	73,851
Gain (loss) on foreign exchange	132	(2,165)
Unrealized gain (loss) on investments	<u>(6,405)</u>	<u>102,940</u>
Market value, end of year	<u>1,765,922</u>	<u>1,622,169</u>

5. CAPITAL ASSETS

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
	\$	\$	\$	\$
Computer equipment	<u>18,653</u>	<u>11,354</u>	<u>10,410</u>	<u>5,137</u>
Cost less accumulated amortization	<u>\$ 7,299</u>		<u>\$ 5,273</u>	

9.

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

6. PLEDGES RECEIVABLE AND DEFERRED REVENUE	2018	2017
	\$	\$
Opening balance	32,326,880	36,807,922
Foreign exchange on opening balances	1,149,899	(2,660,802)
Pledges collected	(9,202,642)	(11,200,570)
New pledges	22,030,650	9,436,500
Pledges written off	<u>-</u>	<u>(56,170)</u>
	46,304,787	32,326,880
Less: Current portion of pledges	<u>(8,545,280)</u>	<u>(4,442,848)</u>
	<u><u>37,759,507</u></u>	<u><u>27,884,032</u></u>

7. INVESTMENT INCOME	2018	2017
	\$	\$
Interest and dividend income	135,410	92,511
Unrealized gain (loss) on investments	<u>(6,405)</u>	<u>102,940</u>
	<u><u>129,005</u></u>	<u><u>195,451</u></u>

8. ADMINISTRATION	2018	2017
	\$	\$
Bank charges and interest	18,895	14,552
Communications	16,963	14,500
Consulting fees	34,459	22,184
Employees' benefits	154,504	100,697
Employees' salaries and fees	1,346,118	1,116,963
Printing and office supplies	143,327	141,763
Professional development	22,247	28,399
Professional fees	60,067	39,449
Rent and insurance	135,435	131,230
Travel and meetings	<u>154,432</u>	<u>158,732</u>
	<u><u>2,086,447</u></u>	<u><u>1,768,469</u></u>

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

9. LEASE COMMITMENTS

The organization leases photocopiers and office space in Toronto, Montreal and Calgary. The future minimum annual lease payments are as follows:

	\$
2019	110,816
2020	40,340
2021	<u>7,560</u>
	<u>158,716</u>

10. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current manner of presentation. The excess of revenue over expenditures previously reported has not changed due to this reclassification.

11. FINANCIAL INSTRUMENTS

(a) Risk management:

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the statement of financial position date.

The investment objective of the organization is to ensure the solvency of the organization and maximize the real value of the organization subject to the guidelines set by management.

The organization investment portfolio is subject to interest rate, credit, currency, and market risks that could adversely affect its cash flows, financial position and income. The organization uses a professional investment manager and diversifies its investments in order to reduce the investment risk.

(i) Interest rate risk:

Interest rate risk is the risk that the market value of the organization's investments will fluctuate due to changes in market interest rates. It arises from the potential variations in the timing and amount of cash flow related to the organization's assets and liabilities.

The value of the organization's investments are affected by short-term changes in nominal interest rates and equity markets.

To properly manage the organization's interest rate risk, appropriate guidelines on the weighting and duration for the diversified portfolio of investments are set and monitored.

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

11. FINANCIAL INSTRUMENTS RISK EXPOSURE (Cont'd)

(ii) Credit risk:

Credit risk is the risk of loss should the counter-party to a transaction default or otherwise fail to perform under the terms of the contract. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness and the respective concentration risk.

Financial instruments which potentially subject the organization to credit risk consist primarily of cash and cash equivalents, and investments. The organization's cash and cash equivalents are maintained at major financial institutions and investments consist of term deposits, bonds, and equities issued by high-credit quality corporations and financial institutions. Therefore, the organization considers the risk of non-performance of these instruments to be remote.

Credit risk is mitigated by establishing limits on exposure to individual counter-parties and by adhering to the investment criteria set out in the organization's investment policy.

At present, there are no assets that are past their maturity or impaired due to credit risk-related defaults.

(iii) Currency risk:

Currency risk is the risk that the value of the organization's fund balances will fluctuate due to the changes in foreign exchange rates.

Approximately \$25,107,159 of the organization's donations are received in foreign currencies (2017 - \$10,717,580). Consequently, some pledges receivable and deferred revenue are also exposed to foreign currency fluctuation. As at September 30, 2018, \$44,573,726 of pledges receivable and deferred revenue are denominated in US dollars and converted into Canadian dollars (2017 - \$30,861,792). In addition, \$7,607,539 of the organization's cash and cash equivalents are denominated in US dollars and converted into Canadian dollars (2017 - \$2,935,671). Foreign exchange (gains) and losses are included in net income and total \$(99,519) for 2018 (2017 - \$68,449). The exposure to this risk changes as the transaction amounts change and as the exchange rate fluctuates.

(iv) Market risk:

Market risk is the risk that the value of the investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specifically to the individual investment or its issuer, or factors affecting all securities traded in the market.

The organization's policy is to invest in a diversified portfolio of investments, based on criteria established by management.

12.