

**THE CANADIAN SOCIETY FOR THE
WEIZMANN INSTITUTE OF SCIENCE**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019



CELEBRATING 46 YEARS OF SERVICE

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of The Canadian Society for the Weizmann Institute of Science (the "organization"), which comprise the statement of financial position as at September 30, 2019, the statement of operations, the statement of changes in net assets, and the statement of cash flows for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying 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, 2019, its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of

1.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the organization to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Concord, Ontario
February 13, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2019

	2019	2018
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalents	5,165,910	9,033,392
Accounts receivable (Note 3)	-	199,653
Government tax rebates	94,537	106,653
Investments (Note 4)	1,562,572	1,765,922
Prepaid expenses	43,901	72,917
Current portion of pledges receivable (Note 6)	<u>4,859,265</u>	<u>8,545,280</u>
	11,726,185	19,723,817
CAPITAL ASSETS (Note 5)	12,935	7,299
PLEDGES RECEIVABLE (Note 6)	<u>47,909,897</u>	<u>37,759,507</u>
	<u>59,649,017</u>	<u>57,490,623</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	58,941	3,692,024
Current portion of deferred revenue (Note 6)	<u>4,859,265</u>	<u>8,545,280</u>
	4,918,206	12,237,304
DEFERRED REVENUE (Note 6)	<u>47,909,897</u>	<u>37,759,507</u>
	<u>52,828,103</u>	<u>49,996,811</u>
NET ASSETS		
NET ASSETS	6,820,914	7,493,812
	<u>59,649,017</u>	<u>57,490,623</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

Lease commitments (Note 9)

See Accompanying Notes

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2019

	2019	2018
	\$	\$
BALANCE, BEGINNING OF YEAR	7,493,812	6,338,408
Excess (deficiency) of revenue over expenditures	(672,898)	1,155,404
BALANCE, END OF YEAR	6,820,914	7,493,812

See Accompanying Notes

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

STATEMENT OF OPERATIONS

YEAR ENDED SEPTEMBER 30, 2019

	2019	2018
	\$	\$
REVENUE		
Donations	18,394,756	30,073,431
Investment income (Note 7)	40,034	127,485
Foreign exchange gain	<u>102,953</u>	<u>99,519</u>
	<u>18,537,743</u>	<u>30,300,435</u>
EXPENDITURES		
Amortization	9,645	6,217
Administration (Note 8)	2,271,193	2,084,927
Direct fundraising	<u>868,636</u>	<u>382,528</u>
	<u>3,149,474</u>	<u>2,473,672</u>
EXCESS OF REVENUE OVER EXPENDITURES BEFORE ALLOCATIONS	<u>15,388,269</u>	<u>27,826,763</u>
ALLOCATIONS		
The Weizmann Institute of Science, Israel	16,061,167	26,671,359
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(672,898)</u>	<u>1,155,404</u>

See Accompanying Notes

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019

	2019	2018
	\$	\$
CASH GENERATED (USED) BY:		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	(672,898)	1,155,404
Non-cash expenditures		
Unrealized loss on investments	130,202	6,405
Amortization	<u>9,645</u>	<u>6,217</u>
	<u>(533,051)</u>	<u>1,168,026</u>
Change in non-cash working capital items		
Accounts receivable	199,656	(199,653)
Government tax rebates	12,116	(55,672)
Prepaid expenses	29,016	(34,253)
Pledges receivable	(6,464,374)	(13,977,907)
Accounts payable and accrued liabilities	(3,633,086)	3,625,204
Deferred revenue	<u>6,464,374</u>	<u>13,977,907</u>
	<u>(3,392,298)</u>	<u>3,335,626</u>
INVESTING ACTIVITIES		
Investments	73,148	(150,157)
Purchase of capital assets	<u>(15,281)</u>	<u>(8,243)</u>
	<u>57,867</u>	<u>(158,400)</u>
INCREASE IN CASH	(3,867,482)	4,345,252
CASH, BEGINNING OF YEAR	9,033,392	4,688,140
CASH, END OF YEAR	<u>5,165,910</u>	<u>9,033,392</u>
Represented by:		
Cash	\$ 1,080,192	\$ 5,808,914
Cash equivalents	<u>4,085,718</u>	<u>3,224,478</u>
	<u>5,165,910</u>	<u>9,033,392</u>

See Accompanying Notes

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 and a public foundation as defined in Section 149.1 under the Income Tax Act (Canada) and, as such, is exempt from income taxes under Section 149(1)(f) and is able to issue donation receipts for income tax purposes.

2. 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.

Received 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
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THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

2. 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.

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

(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: 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.

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

(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.

3. ACCOUNTS RECEIVABLE

As at September 30, 2019, the carrying amount of impaired receivables totaled \$NIL (2018 - \$NIL). The organization evaluates its accounts receivable at year end and writes off any impaired amount to bad debts. The allowance for doubtful accounts is \$NIL (2018 - \$NIL).

4. INVESTMENTS

(a) **Summary of investments:**

Investments consist of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
	\$	\$	\$	\$
Fixed income	9,561	9,561	13,578	13,578
Canadian equities	<u>1,502,600</u>	<u>1,553,011</u>	<u>1,571,264</u>	<u>1,752,344</u>
	<u>1,512,161</u>	<u>1,562,572</u>	<u>1,584,842</u>	<u>1,765,922</u>

The fixed income investments bear interest of 4% per annum and mature between October 2019 and December 2020.

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

4. INVESTMENTS (Cont'd)

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Market value, beginning of year	1,765,922	1,622,169
Contribution (withdrawals) and book value adjustments	(181,258)	54,547
Interest and dividend income	102,002	96,999
Gain/(loss) on foreign exchange	(748)	132
Gain/(loss) on sale of investments	6,856	(1,520)
Unrealized gain/(loss) on investments	<u>(130,202)</u>	<u>(6,405)</u>
Market value, end of year	<u>1,562,572</u>	<u>1,765,922</u>

5. CAPITAL ASSETS

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
	\$	\$	\$	\$

Computer equipment	<u>33,934</u>	<u>20,999</u>	<u>18,653</u>	<u>11,354</u>
Cost less accumulated amortization	<u>\$ 12,935</u>		<u>\$ 7,299</u>	

6. PLEDGES RECEIVABLE AND DEFERRED REVENUE

	<u>2019</u>	<u>2018</u>
	\$	\$

Opening balance	46,304,787	32,326,880
Change in foreign exchange	1,026,108	1,149,899
Pledges collected	(6,683,433)	(9,202,642)
Net new pledges	<u>12,121,700</u>	<u>22,030,650</u>
	52,769,162	46,304,787
Less: Current portion of pledges	<u>(4,859,265)</u>	<u>(8,545,280)</u>
	<u>47,909,897</u>	<u>37,759,507</u>

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

7. INVESTMENT INCOME	2019	2018
	\$	\$
Interest and dividend income	102,002	96,999
Bank interest	61,378	38,411
Gain (loss) on sale of investments	6,856	(1,520)
Unrealized gain (loss) on investments	<u>(130,202)</u>	<u>(6,405)</u>
	<u>40,034</u>	<u>127,485</u>

8. ADMINISTRATION	2019	2018
	\$	\$
Bank charges and interest	21,543	17,375
Communications	16,377	16,963
Consulting fees	93,802	34,459
Employees' benefits	162,380	154,504
Employees' salaries and fees	1,503,085	1,346,118
Printing and office supplies	147,159	143,327
Professional development	42,568	22,247
Professional fees	28,246	60,067
Rent and insurance	144,255	135,435
Travel and meetings	<u>111,778</u>	<u>154,432</u>
	<u>2,271,193</u>	<u>2,084,927</u>

9. LEASE COMMITMENTS

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

	\$
2020	89,926
2021	57,146
2022	<u>37,190</u>
	<u>184,262</u>

10. COMPARATIVE FIGURES

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

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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.

(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.

THE CANADIAN SOCIETY FOR THE WEIZMANN INSTITUTE OF SCIENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

11. FINANCIAL INSTRUMENTS (Cont'd)

(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 \$3,977,990 of the organization's donations were received in foreign currencies (2018 - \$25,107,159). Consequently, some pledges receivable and deferred revenue are also exposed to foreign currency fluctuation. As at September 30, 2019, \$36,923,928 of pledges receivable and deferred revenue are denominated in US dollars and converted into Canadian dollars (2018 - \$34,433,160). In addition, \$3,283,233 of the organization's cash and cash equivalents are denominated in US dollars and converted into Canadian dollars (2018 - \$7,607,539). Foreign exchange (gains) and losses are included in net income and total \$(102,953) for 2019 (2018 - \$(99,519)). 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.