

Technion Canada

Financial Statements
June 30, 2020



Independent auditor's report

To the Board of Directors of Technion Canada

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Technion Canada (the Organization) as at June 30, 2020 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.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at June 30, 2020;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 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.



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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
November 24, 2020

Technion Canada

Statement of Financial Position

As at June 30, 2020

	Operating Fund		Toronto Technion High Tech Restricted Fund		Endowment Fund		Donor Restricted Funds		Total	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Assets										
Current assets										
Cash	27,340	8,851	34	143	-	17,568	74,900	118,511	102,274	145,073
Short-term deposits (note 5)	765,025	1,205,359	205,131	206,729	-	-	2,524	175,793	972,680	1,587,881
Prepaid expenses and other assets	103,944	86,730	-	-	-	6,731	8,537	8,430	112,481	101,891
Interfund – due from (to) balances	481	481	-	-	-	36,507	(481)	(36,988)	-	-
Investments (note 6)	-	-	-	-	-	-	469,192	1,386,213	469,192	1,386,213
	896,790	1,301,421	205,165	206,872	-	60,806	554,672	1,651,959	1,656,627	3,221,058
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities (notes 10 and 11)	67,149	134,663	-	-	-	-	29,575	225,704	96,724	360,367
Fund Balances										
Restricted Funds	-	-	205,165	206,872	-	60,806	525,097	1,426,255	730,262	1,693,933
Operating Fund										
Unrestricted	163,515	(26,101)	-	-	-	-	-	-	163,515	(26,101)
Internally restricted (note 7)	666,126	1,192,859	-	-	-	-	-	-	666,126	1,192,859
	829,641	1,166,758	205,165	206,872	-	60,806	525,097	1,426,255	1,559,903	2,860,691
	896,790	1,301,421	205,165	206,872	-	60,806	554,672	1,651,959	1,656,627	3,221,058
Commitments (note 9)										

The accompanying notes are an integral part of these financial statements.

Technion Canada

Statement of Operations and Changes in Fund Balances

For the year ended June 30, 2020

	Operating Fund		Toronto Technion High Tech Restricted Fund		Endowment Fund		Donor Restricted Funds		Total	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Income										
Bequests	110,000	10,521	-	-	-	-	651,321	614,873	761,321	625,394
Contributions (notes 6 and 8)	113,176	115,622	-	-	-	-	827,778	2,928,901	940,954	3,044,523
Special functions income	54,138	43,600	-	-	-	-	-	-	54,138	43,600
Dividends	-	-	-	-	-	324,300	-	-	-	324,300
Interest earned	17,959	26,060	3,504	3,906	-	62,591	1,951	2,734	23,414	95,291
Government grants (note 10)	55,392	-	-	-	-	-	-	-	55,392	-
	350,665	195,803	3,504	3,906	-	386,891	1,481,050	3,546,508	1,835,219	4,133,108
Expenses										
Publicity and promotion	194,239	93,812	-	-	-	-	-	-	194,239	93,812
Salaries and benefits	508,837	680,620	-	-	-	-	-	-	508,837	680,620
Office and general	144,840	162,736	-	-	25	2,010	876	5,803	145,741	170,549
Investment fees	-	-	-	-	-	75,730	-	-	-	75,730
Foreign exchange (gain) loss	-	-	-	-	-	362,518	12,786	(13,255)	12,786	349,263
Administration and travel (recovery)	22,443	26,935	-	-	-	12,660	-	(50)	22,443	39,545
	870,359	964,103	-	-	25	452,918	13,662	(7,502)	884,046	1,409,519
Remittances										
Technion-Israel Institute of Technology (note 11)	-	-	-	-	25,084	17,152,549	1,312,627	3,642,962	1,337,711	20,795,511
Change in fair value of investments	-	-	-	-	-	275,215	(914,250)	(1,799,483)	(914,250)	(1,524,268)
Excess (deficiency) of income over expenses and remittances for the year	(519,694)	(768,300)	3,504	3,906	(25,109)	(16,943,361)	(759,489)	(1,888,435)	(1,300,788)	(19,596,190)
Fund balance – Beginning of year	1,166,758	1,744,235	206,872	208,205	60,806	17,004,167	1,426,255	3,500,274	2,860,691	22,456,881
Interfund transfers (note 10)	182,577	190,823	(5,211)	(5,239)	(35,697)	-	(141,669)	(185,584)	-	-
Fund balance – End of year	829,641	1,166,758	205,165	206,872	-	60,806	525,097	1,426,255	1,559,903	2,860,691

The accompanying notes are an integral part of these financial statements.

Technion Canada
Statement of Cash Flows
For the year ended June 30, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of expenses and remittances over income for the year	(1,300,788)	(19,596,190)
Items not affecting cash		
Reinvested investment income	-	(348,576)
Change in fair value of investments	914,250	(275,215)
Foreign exchange loss on investments	(12,786)	-
Changes in non-cash working capital balances related to operations		
Prepaid expenses and other assets	(10,590)	91,323
Accounts payable and accrued liabilities	(263,643)	168,344
	<u>(673,557)</u>	<u>(19,960,314)</u>
Investing activities		
Proceeds from sale of short-term deposits	2,808,574	5,256,715
Purchases of short-term deposits	(2,193,373)	(5,000,611)
Proceeds from sale of investments	15,557	-
Proceeds from sale of investments in pooled funds	-	21,030,660
Purchases of investments in pooled funds	-	(1,453,026)
	<u>630,758</u>	<u>19,833,738</u>
Change in cash during the year	(42,799)	(126,576)
Cash – Beginning of year	<u>145,073</u>	<u>271,649</u>
Cash – End of year	<u>102,274</u>	<u>145,073</u>
Supplemental information		
Item not affecting cash		
Receipt of investments to settle contribution receivable	-	3,361,613

The accompanying notes are an integral part of these financial statements.

Technion Canada

Notes to Financial Statements

June 30, 2020

1 Purpose of organization

Technion Canada, a public foundation, is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes under S149(1)(f).

The purpose and objects of Technion Canada are the following:

- a) To promote, encourage and advance Canadian development and use of the educational, scientific, engineering, research, teaching and publication facilities of Technion-Israel Institute of Technology (Technion Israel) and, for such purposes, teachers, researchers, engineers and scientists from Canada attending Technion Israel or otherwise participating in its operations.
- b) To promote and assist in the exchange of students, professors, teachers, researchers, engineers and scientists between Technion Israel and institutions of higher learning and scientific and research institutions in Canada, and to make available and aid in the establishment of scholarships, fellowships, lectureships and publications for any such purpose.
- c) To promote and facilitate the exchange of scientific information and the products of technical research and development between Technion Israel and educational, scientific and public institutions in Canada.
- d) To generally disseminate information concerning Technion Israel and its activities.
- e) To promote the formation of local chapters of Technion Canada dedicated to the purpose and objects as described herein and to do any other acts that further the purpose and objects of Technion Canada.

2 Summary of significant accounting policies

Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) in Part III of the Chartered Professional Accountants of Canada Handbook. The financial statements include the following significant accounting policies.

Revenue recognition

Unrestricted contributions are recognized as income in the Operating Fund in the year received. Donor restricted contributions are recognized as income of the appropriate restricted fund in the year in which they are received. Donor restricted contributions for specific purposes are recognized as income of the Restricted Fund.

Technion Canada does not recognize contributions raised through its agency relationship with Technion Israel that result in gifts that are paid directly to Technion Israel. These gifts are recognized by Technion Israel and charitable receipts are rendered by Technion Israel directly to the Canadian donor.

Pledges are not recorded in these financial statements as they are not legally enforceable claims.

Technion Canada

Notes to Financial Statements

June 30, 2020

Investment income is recognized when earned as income of the respective fund when the investment income is earned.

Fund accounting

Technion Canada follows the restricted fund method of accounting for contributions. The financial statements separately disclose the activities of the following funds maintained by Technion Canada:

- the Operating Fund represents Technion Canada's unrestricted and internally restricted resources;
- the Toronto Technion High Tech Restricted Fund records resources specifically donated for specified remittances to Technion Canada (notes 7 and 11);
- the Endowment Fund records resources to be maintained in perpetuity; the investment income earned on these resources is to be used for specific remittances to Technion Israel; and
- the Donor Restricted Funds record external resources restricted for Technion Canada's programs that support Canadian research, Canadian student exchange programs and scholarships at Technion Israel (notes 7 and 11).

Financial instruments

Financial instruments are recorded at fair value on initial recognition. A financial instrument is defined as any contractual arrangement that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party, except for related party transactions. Investments are recorded at fair value, with changes in fair value recognized in the statement of operations and changes in fund balances. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Transaction costs incurred on acquisition and financing costs are amortized on a straight-line basis.

Financial assets are tested for impairment at the end of each reporting period where there are indicators the assets may be impaired.

Related party transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Life insurance policies

Technion Canada has been named as beneficiary in life insurance policies of individuals. The life insurance policies are initially measured at cash surrender value, as the fair value is not reasonably estimable. Subsequently, the life insurance policies are held at the cash surrender value and are included as part of prepaid expenses and other assets in the statement of financial position. Changes in the cash surrender value are recognized as contributions in the statement of operations and changes in fund balances.

Technion Canada

Notes to Financial Statements

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Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the exchange rate prevailing at the statement of financial position date. Non-monetary assets and liabilities and income and expenses are translated into Canadian dollars using the exchange rates in effect at the date of the transaction. Exchange gains and losses are included in the statement of operations and changes in fund balances in the year in which they occur.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and income and expenses for the reporting period. Actual results could differ from those estimates.

3 Government remittances

Government remittances consist of amounts required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, receivables related to sales tax of \$11,827 (2019 – \$16,055) are included in prepaid expenses and other assets.

4 Banking facility

Technion Canada has a revolving demand operating loan in the amount of \$100,000, which bears interest at the bank prime rate plus 2.7%. A general security agreement, covering all assets of Technion Canada, has been pledged as security for the demand loan. As at June 30, 2020, Technion Canada had utilized \$nil (2019 – \$nil) of the facility.

5 Short-term deposits

Technion Canada has term deposits in the amount of \$970,765 (2019 – \$1,575,111) in cashable, flexible guaranteed investment certificates for a term of one year at an interest rate between 1.55% and 2.00%, maturing between August 2020 and February 2021. Included in term deposits is \$1,915 (2019 – \$12,770) of accrued interest.

6 Pledges

A donor has pledged to donate a total of US\$5,000,000 over a three-year period for an Architectural Pavilion and other defined projects to be agreed with the donor.

As at June 30, 2020, US\$1,700,000 of the pledge has been received in cash and US\$2,573,735 of the pledge has been received in the form of 2,600,000 shares, of which 240,000 shares have been sold to date for US\$167,525. As at June 30, 2020, the fair market value of the remaining 2,360,000 shares have a fair market value of US\$344,293. The donor has pledged to cover any shortfall in the eventual realization on the sale of the shares relative to the original fair value of US\$2,573,735.

Technion Canada

Notes to Financial Statements

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The remaining pledge will be paid once the other projects have been defined and as such has not been recorded in the financial statements.

7 Interfund transfers

- a) Technion Canada's policy is such that a stated percentage of the Donor Restricted Funds' donations is allocated to the Operating Fund to cover operating costs unless the donor specifically requested that the entire donation remain restricted. Effective July 1, 2019, the allocation rate is 14% for a two-year period. During the year, \$177,366 (2019 – \$185,584) was transferred from the Donor Restricted Funds to the Operating Fund.

In addition, 5% of the allocation above is internally restricted for all donations received in excess of \$100,000 (2019 – \$50,000) and the 5% is applied only to the amount in excess of \$100,000 per donation. These internally restricted funds are available for operations on board approval and have been invested in short-term deposits in the Operating Fund. For the year ended June 30, 2020, \$526,733 has been transferred out of internally restricted funds (2019 – \$62,333 transferred in) during the year.

- b) The board of directors determined that 2.5% (2019 – 2.5%) of the current year closing cash and short-term deposits balance of the Toronto Technion High Tech Restricted Fund be allocated to the Operating Fund to cover operating costs. The transfer amounted to \$5,211 (2019 – \$5,239).
- c) During the year, \$35,697 (2019 - \$nil) was transferred from the Endowment Fund to the Donor Restricted Fund.

8 Related party transactions

During the current year, members of Technion Canada's board of directors provided financial contributions amounting to \$58,461 (2019 – \$22,967) to the Donor Restricted Funds.

9 Commitments

Minimum future payments under lease agreements expiring on June 30, 2021 in relation to office rent and on February 28, 2023 in relation to leased office equipment are as follows:

	\$
2021	18,400
2022	2,400
2023	1,600
	<hr/>
	22,400
	<hr/>

10 Government grants

During the year, Technion Canada received \$55,392 (2019 – \$nil) from the Government of Canada for the Canada Emergency Wage Subsidy (CEWS) for the period March 15, 2020 to June 30, 2020 which has been recorded in income in the statement of operations and changes in fund balances.

Technion Canada

Notes to Financial Statements

June 30, 2020

11 Remittances

Technion Canada's policy is to retain 14% (2019 – 12.5%) of Donor Restricted Funds' donations (note 7) and the remainder is remitted to Technion Israel.

	2020 \$	2019 \$
Total remittances during the year	1,337,711	20,795,511
Add: Payments during the year relating to prior year	244,898	129,014
Less: Amounts owed at year-end	-	(244,898)
	<hr/>	<hr/>
Total cash remittances during the year	1,582,609	20,679,627

12 Financial instruments and risk management

Financial risk is the risk to Technion Canada's earnings that arises from fluctuations in foreign exchange rates, interest rates, stock market prices and the degree of volatility of those rates. Technion Canada does not have specific policies to reduce its exposure to these risks.

Market risk

All investments are subject to market risk including interest rate risk. Market risk is the risk the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. Technion Canada does not hold or issue financial instruments for trading purposes and does not hold or invest in derivative financial instruments. Market risk is considered moderate due to the nature of investments held. There is no change in risk exposure from prior years.

Foreign currency risk

Technion Canada has investments in Hong Kong and therefore is subject to gains and losses due to fluctuations in foreign currency exchange rates (note 6). The risk is considered moderate due to the low volume of trading.

13 Impact of COVID-19

In March 2020, the Ontario government enacted emergency measures to combat the spread of the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, which included the mandatory shutdown of all non-essential businesses, the implementation of travel bans, self-imposed quarantine periods and social distancing. As a result, Technion Canada received contributions from various donors directed towards COVID-19 research.

As the situation continues to evolve rapidly, Technion Canada is unable to quantify the potential impact this pandemic may have on its financial statements.

Technion Canada

Notes to Financial Statements

June 30, 2020

14 Comparative figures

The comparative statement of operations and changes in fund balances has been reclassified from the statement of operations and changes in fund balances previously presented to conform to the 2020 presentation of the statement of operations and changes in fund balances.