

# **Technion Canada**

Financial Statements

**June 30, 2021**



## Independent auditor's report

To the Board of Directors of Technion Canada

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### 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, 2021 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, 2021;
- 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 significant accounting policies and other explanatory information.

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### 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.

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### 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.

PricewaterhouseCoopers LLP  
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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.

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### **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

Vaughan, Ontario  
November 15, 2021

# Technion Canada

## Statement of Financial Position

As at June 30, 2021

	Operating Fund		Toronto Technion High Tech Restricted Fund		Endowment Fund		Donor Restricted Funds		Total	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
<b>Assets</b>										
<b>Current assets</b>										
Cash	392,885	27,340	11	34	-	-	1,786	74,900	394,682	102,274
Short-term deposits (note 5)	659,973	765,025	201,721	205,131	-	-	-	2,524	861,694	972,680
Prepaid expenses and other assets	105,935	103,944	-	-	-	-	8,645	8,537	114,580	112,481
Interfund – due from (to) balances	-	481	-	-	-	-	-	(481)	-	-
Investments (note 6)	-	-	-	-	-	-	224,570	469,192	224,570	469,192
	1,158,793	896,790	201,732	205,165	-	-	235,001	554,672	1,595,526	1,656,627
<b>Liabilities</b>										
<b>Current liabilities</b>										
Accounts payable and accrued liabilities (note 14)	47,421	27,149	-	-	-	-	-	29,575	47,421	56,724
<b>Loan payable</b> (notes 10 and 14)	60,000	40,000	-	-	-	-	-	-	60,000	40,000
	107,421	67,149	-	-	-	-	-	29,575	107,421	96,724
<b>Fund Balances</b>										
<b>Restricted Funds</b>	-	-	201,732	205,165	-	-	235,001	525,097	436,733	730,262
<b>Operating Fund</b>										
Unrestricted	338,066	163,515	-	-	-	-	-	-	338,066	163,515
Internally restricted (note 7)	713,306	666,126	-	-	-	-	-	-	713,306	666,126
	1,051,372	829,641	201,732	205,165	-	-	235,001	525,097	1,488,105	1,559,903
	1,158,793	896,790	201,732	205,165	-	-	235,001	554,672	1,595,526	1,656,627
<b>Commitments</b> (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, 2021

	Operating Fund		Toronto Technion High Tech Restricted Fund		Endowment Fund		Donor Restricted Funds		Total	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
<b>Income</b>										
Bequests	-	110,000	-	-	-	-	1,734,922	651,321	1,734,922	761,321
Contributions (notes 6, 8 and 11)	348,243	113,176	-	-	-	-	2,157,417	827,778	2,505,660	940,954
Special functions income	182,598	54,138	-	-	-	-	-	-	182,598	54,138
Dividends	-	-	-	-	-	-	-	-	-	-
Interest earned	3,976	17,959	1,725	3,504	-	-	677	1,951	6,378	23,414
Government grants (note 10)	76,338	55,392	-	-	-	-	-	-	76,338	55,392
	611,155	350,665	1,725	3,504	-	-	3,893,016	1,481,050	4,505,896	1,835,219
<b>Expenses</b>										
Publicity and promotion	252,751	194,239	-	-	-	-	-	-	252,751	194,239
Salaries and benefits	586,071	508,837	-	-	-	-	-	-	586,071	508,837
Office and general	122,059	144,840	-	-	-	25	1,060	876	123,119	145,741
Foreign exchange loss	-	-	-	-	-	-	-	12,786	-	12,786
Administration and travel	603	22,443	-	-	-	-	-	-	603	22,443
	961,484	870,359	-	-	-	25	1,060	13,662	962,544	884,046
<b>Remittances</b>										
Technion-Israel Institute of Technology (note 11)	-	-	-	-	-	25,084	3,402,463	1,312,627	3,402,463	1,337,711
<b>Change in fair value of investments</b>	-	-	-	-	-	-	(212,687)	(914,250)	(212,687)	(914,250)
<b>Excess (deficiency) of income over expenses and remittances for the year</b>	(350,329)	(519,694)	1,725	3,504	-	(25,109)	276,806	(759,489)	(71,798)	(1,300,788)
<b>Fund balance – Beginning of year</b>	829,641	1,166,758	205,165	206,872	-	60,806	525,097	1,426,255	1,559,903	2,860,691
<b>Interfund transfers</b> (note 7)	572,060	182,577	(5,158)	(5,211)	-	(35,697)	(566,902)	(141,669)	-	-
<b>Fund balance – End of year</b>	1,051,372	829,641	201,732	205,165	-	-	235,001	525,097	1,488,105	1,559,903

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

**Technion Canada**  
Statement of Cash Flows  
For the year ended June 30, 2021

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	2021 \$	2020 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficiency of income over expenses and remittances for the year	(71,798)	(1,300,788)
Items not affecting cash		
Change in fair value of investments	212,687	914,250
Foreign exchange loss on investments	-	(12,786)
Changes in non-cash working capital balances related to operations		
Prepaid expenses and other assets	(2,099)	(10,590)
Accounts payable and accrued liabilities	(9,303)	(303,643)
	<u>129,487</u>	<u>(713,557)</u>
<b>Investing activities</b>		
Proceeds from sale of short-term deposits	1,352,814	2,808,574
Purchases of short-term deposits	(1,241,828)	(2,193,373)
Proceeds from sale of investments	31,935	15,557
	<u>142,921</u>	<u>630,758</u>
<b>Financing activities</b>		
Proceeds from loan payable	<u>20,000</u>	<u>40,000</u>
<b>Change in cash during the year</b>	292,408	(42,799)
<b>Cash – Beginning of year</b>	<u>102,274</u>	<u>145,073</u>
<b>Cash – End of year</b>	<u>394,682</u>	<u>102,274</u>

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

# Technion Canada

## Notes to Financial Statements

June 30, 2021

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### 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 and government grants 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. In the case of special events, contributions are initially deferred and recognized as revenue in the year in which the event occurs.

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, 2021

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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); 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

June 30, 2021

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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 \$16,056 (2020 – \$11,827) 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, 2021, Technion Canada had utilized \$nil (2020 – \$nil) of the facility.

### 5 Short-term deposits

Technion Canada has term deposits in the amount of \$859,351 (2020 – \$970,765) in cashable, flexible guaranteed investment certificates for a term of one year at an interest rate between 0.33% and 0.50%, maturing between August 2021 and February 2022. Included in term deposits is \$2,343 (2020 – \$1,915) 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 405,000 shares have been sold to date for US\$218,546. As at June 30, 2021, the remaining 2,195,000 shares have a fair market value of US\$190,315. 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. During the year, Technion Canada received US\$800,000 as consideration for the

# Technion Canada

## Notes to Financial Statements

June 30, 2021

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shortfall, which is recorded under contribution revenue. The donor will also be paying US\$800,000 in October 2021 and US\$903,488 in January 2022 to compensate for the shortfall.

### 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%. During the year, \$520,644 (2020 – \$177,366) 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 (2020 – \$100,000) and the 5% is applied to the entire donation (2020 – the amount in excess of \$100,000 per donation). These internally restricted funds are available for operations on board approval and have been deposited in bank accounts or invested in short-term deposits in the Operating Fund. For the year ended June 30, 2021, \$47,180 has been transferred in to the internally restricted funds (2020 – \$526,733 transferred out) during the year.

- b) The board of directors determined that 2.5% (2020 – 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 \$5,158 (2020 – \$5,211).

### 8 Related party transactions

During the current year, members of Technion Canada's board of directors provided financial contributions amounting to \$121,536 (2020 – \$58,461) to the Operating Fund and Donor Restricted Funds.

### 9 Commitments

Minimum future payments under lease agreements expiring on June 30, 2022 in relation to office rent and on February 28, 2023 in relation to leased office equipment are as follows:

	\$
2022	41,086
2023	2,300
2024	75
	<hr/>
	43,461
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### 10 Government grants

During the year, Technion Canada received \$69,584 (2020 – \$55,392) and \$6,754 (2020 – \$nil), respectively, from the Government of Canada for the Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS) for the period July 1, 2020 to June 30, 2021, which has been recorded as government grants in the statement of operations and changes in fund balances.

# Technion Canada

## Notes to Financial Statements

June 30, 2021

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During the year, Technion Canada received an additional \$20,000 interest-free Canada Emergency Business Account (CEBA) loan. The total amount outstanding as at June 30, 2021 was \$60,000 (2020 – \$40,000) and is included in the accounts payable and accrued liabilities.

### 11 Remittances

Technion Canada's policy is to retain 14% (2020 – 14%) of Donor Restricted Funds' donations (note 7) and the remainder is remitted to Technion Israel.

	2021 \$	2020 \$
Total remittances during the year	3,402,463	1,337,711
Donation from Operating Fund	43,311	-
Payments during the year relating to prior year	29,575	244,898
Holdback from direct remittance included in contributions	(200,000)	-
	<hr/>	<hr/>
Total cash remittances during the year	3,275,349	1,582,609

### 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. Additionally, certain donor contributions and remittances were made in US dollars. The foreign currency exposure of these transactions has not been hedged.

# **Technion Canada**

Notes to Financial Statements

**June 30, 2021**

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## **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.

## **14 Comparative figures**

Certain prior year figures have been reclassified to conform to the current year's financial statement presentation.