

**North Island College Foundation
Financial Statements**

For the years ended March 31, 2013 and 2012



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of North Island College Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of North Island College Foundation, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in fund balances, and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.



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Basis for Qualified Opinion

In common with many charitable organizations, North Island College Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of North Island College Foundation. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2013 and March 31, 2012, any adjustments might be necessary to revenue and excess of revenues over expenses reported in the statement of operations and changes in fund balances, excess of revenues over expenses reported in the statements of cash flows and current assets and fund balances reported in the statements of financial position, including the statement of financial position as at April 1, 2011. This caused us to qualify our audit opinion on the accompanying financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of North Island College Foundation as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations, changes in fund balance and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles applied in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Accountants

June 20, 2013

Victoria, Canada

North Island College Foundation Index to the Financial Statements

For the years ended March 31, 2013 and 2012

Independent Auditors' Report

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North Island College Foundation
Statements of Financial Position

As at March 31, 2013, March 31, 2012 and April 1, 2011
(see accompanying notes to the financial statements)

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	2013	2012 (Schedule 1)	2011
Assets							
Cash	\$ 368,690	\$ -	\$ -	\$ -	\$ 368,690	\$ 257,983	\$ 554,153
Accrued receivables	17,378	-	-	-	17,378	20,887	23,020
Due from North Island College (Note 5)	79,369	-	-	-	79,369	89,008	98,376
Investments (Note 3)	321,378	32,814	71,233	3,059,946	3,485,371	3,355,285	2,965,176
Art collection (Note 4)	58,700	-	-	-	58,700	58,700	-
	<u>\$ 845,515</u>	<u>\$ 32,814</u>	<u>\$ 71,233</u>	<u>\$ 3,059,946</u>	<u>\$ 4,009,508</u>	<u>\$ 3,781,863</u>	<u>\$ 3,640,725</u>
Liabilities							
Accrued liabilities	\$ 6,186	\$ -	\$ -	\$ -	\$ 6,186	\$ 5,000	\$ 5,000
Student awards payable	250,984	-	-	-	250,984	224,077	205,002
	<u>257,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,170</u>	<u>229,077</u>	<u>210,002</u>
Fund Balances							
Restricted for endowments (Note 7)	-	-	-	3,059,946	3,059,946	2,920,872	2,725,921
Externally restricted (Note 8)	-	-	71,233	-	71,233	52,272	53,337
Internally restricted (Note 9)	-	32,814	-	-	32,814	27,931	60,870
Unrestricted	588,345	-	-	-	588,345	551,711	590,595
	<u>588,345</u>	<u>32,814</u>	<u>71,233</u>	<u>3,059,946</u>	<u>3,752,338</u>	<u>3,552,786</u>	<u>3,430,723</u>
	<u>\$ 845,515</u>	<u>\$ 32,814</u>	<u>\$ 71,233</u>	<u>\$ 3,059,946</u>	<u>\$ 4,009,508</u>	<u>\$ 3,781,863</u>	<u>\$ 3,640,725</u>

Approved on behalf of the Board:


Bert Heeringa
Chair of the Board


Susan Auchterlonie
Executive Director

North Island College Foundation
Statements of Operations

For the years ended March 31, 2013 and 2012
(see accompanying notes to the financial statements)

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	2013	2012
						(Schedule 2)
Revenues						
Donation Revenues						
Donations	\$ 69,318	\$ 36,068	\$ -	\$ 68,096	\$ 173,482	\$ 153,988
North Island College grants (Note 5)	-	-	-	60,000	60,000	60,000
Gifts-in-kind (Note 10)	6,625	-	-	10,978	17,603	86,109
Contributions from external foundations (Note 6)	17,531	-	-	-	17,531	17,702
	93,474	36,068	-	139,074	268,616	317,799
Investment Revenues						
Interest income	6,988	-	64,321	-	71,309	87,687
Dividend and other investment income	7,316	-	67,343	-	74,659	56,981
Realized loss on investments	(13,673)	-	-	-	(13,673)	(33,764)
Unrealized gain (loss) on investments	85,933	-	-	-	85,933	(30,789)
Gain (loss) on foreign exchange	4,218	-	-	-	4,218	(840)
	90,782	-	131,664	-	222,446	79,275
	184,256	36,068	131,664	139,074	491,062	397,074
Expenses						
North Island College Student awards	95,792	8,020	112,703	-	216,515	201,619
North Island College donations (Note 5)	26,625	-	-	-	26,625	38,220
Miscellaneous	25,205	23,165	-	-	48,370	35,172
	147,622	31,185	112,703	-	291,510	275,011
Excess of revenues over expenses	\$ 36,634	\$ 4,883	\$ 18,961	\$ 139,074	\$ 199,552	\$ 122,063

North Island College Foundation
Statements of Changes in Fund Balances

For the years ended March 31, 2013 and 2012
(see accompanying notes to the financial statements)

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	Total
Fund Balances, April 1, 2011	\$ 590,595	\$ 60,870	\$ 53,337	\$ 2,725,921	\$ 3,430,723
Interfund transfers	(3,292)	(21,128)	-	24,420	-
Excess (deficiency) of revenues over expenses	(35,592)	(11,811)	(1,065)	170,531	122,063
Fund Balances, March 31, 2012	551,711	27,931	52,272	2,920,872	3,552,786
Excess of revenues over expenses	36,634	4,883	18,961	139,074	199,552
Fund Balances, March 31, 2013	\$ 588,345	\$ 32,814	\$ 71,233	\$ 3,059,946	\$ 3,752,338

North Island College Foundation
Statements of Cash Flows

For the years ended March 31, 2013 and 2012
(see accompanying notes to the financial statements)

	2013	2012
Cash provided by (used in) operating activities		
Excess of revenues over expenses	\$ 199,552	\$ 122,063
Items not involving cash:		
Loss on disposal of investments	13,673	33,764
Unrealized (gain) loss on investments	(85,933)	30,789
Unrealized (gain) loss on foreign exchange	(4,813)	840
Donation of art collection	-	(58,700)
	122,479	128,756
Change in non-cash operating working capital:		
Accrued receivables	3,509	2,133
Due to North Island College	9,639	9,368
Accrued liabilities	1,186	-
Student awards payable	26,907	19,075
	163,720	159,332
Cash provided by (used in) investing activities		
Purchase of investments	(760,391)	(1,317,173)
Proceeds on disposal of investments	707,378	861,671
	(53,013)	(455,502)
Increase (decrease) in cash	110,707	(296,170)
Cash, beginning of year	257,983	554,153
Cash, end of year	\$ 368,690	\$ 257,983

North Island College Foundation

Notes to the Financial Statements

Years ended March 31, 2013 and 2012

1. Purpose of the organization

North Island College Foundation was created to enlist the financial support of those communities served by North Island College. Through the Foundation, individuals and organizations are encouraged to provide financial gifts to enhance North Island College's programs and services by increasing scholarship and bursary funds, improving quality of classrooms, labs, libraries and other facilities. North Island College Foundation is a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Significant accounting policies

On April 1, 2012, the Foundation adopted Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with ASNPO.

In accordance with the transitional provisions in ASNPO, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying ASNPO.

There were no transitional adjustments to the fund balances as at April 1, 2011 or excess of revenue over expenses for the year ended March 31, 2012 as a result of the transition to ASNPO.

These financial statements have been prepared using the significant accounting policies described below:

Fund accounting:

The Foundation uses the restricted fund method of accounting for donations and maintains four funds: (1) Endowment Fund, (2) Endowment Investment Income Fund, (3) Specific Purpose Fund, and (4) General Fund.

Donations that are specifically intended for named endowments are reported directly in the Endowment Fund as revenue when received. The Endowment Investment Income Fund includes investment income, defined as interest and dividends, earned on the Endowment Fund, and the awards granted from this income. The Specific Purpose Fund includes donations that are restricted by the Board of Directors of the Foundation for certain specific uses, usually at the time the gift or bequest is received. The General Fund includes the Foundation's services and all unrestricted donations. Investment gains and losses, including unrealized gains and losses due to market value changes, are reported in the General Fund.

Revenue recognition:

Funds pledged to the Foundation are not recognized in revenue until such time as funds are received.

Gifts-in-kind are recorded at fair value where fair value can be reasonably determined. The Foundation also benefits from the contribution of donated services. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Investment income is recognized on an accrual basis, and recorded as revenue in the period in which it is earned.

Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

North Island College Foundation
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

2. Significant accounting policies (continued)

Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in net income in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

3. Investments

Investments consist of fixed income securities and Canadian equities.

	2013	2012	2011
Fixed income securities, with stated interest rates of 4.5% to 5.7%, maturing between 2013 and 2020	\$ 1,334,792	\$ 1,872,201	\$ 1,616,187
Common and Preferred shares	2,150,579	1,483,084	1,348,989
	<u>\$ 3,485,371</u>	<u>\$ 3,355,285</u>	<u>\$ 2,965,176</u>

4. Art collection

During fiscal 2012 an art collection was donated to the Foundation with an estimated fair market value at the time of donation of \$58,700. The art collection consists of 19 paintings and prints by Peter Robinson known as the Royal Navy Series. The Foundation is displaying the art collection throughout the North Island College campus in Courtenay.

5. Related parties

The Foundation is related to North Island College by virtue of holding resources which are to be used to provide support to students attending the College. There is no common control of the organizations through Board appointment or other forms of control.

At March 31, 2013, the Foundation has recorded a total of \$79,369 (2012 - \$89,008) owing from the College.

North Island College Foundation
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

5. Related parties (continued)

During the year, the Foundation received donations from the College totaling \$60,000 (2012 - \$60,000). During the year, the Foundation contributed to the College gifts-in-kind totaling \$6,625 (2012 - \$22,217) as well as other contributions totaling \$20,000 (2012 - \$1,700).

North Island College provides administration, personnel, supplies and facilities to the Foundation at no charge. The value of the services is not reasonably estimated and no amount has been recorded in these financial statements.

6. External foundations

The Foundation has interests in endowment funds held and administered by external foundations. These include the Vancouver Foundation, Comox Valley Community Foundation and Alberni Valley Community Foundation. Under the terms of the agreements with these external foundations, these funds are held as permanently restricted funds by the external foundations.

Income from the investments is to be disbursed for scholarships and bursaries and for other such educational purposes as determined by the Board of the Foundation.

These investments are not recorded in these financial statements, as the Foundation does not have control over the investments and cannot access the capital. Any contributions to these funds or disbursements received are included as expenses or income, respectively, in the year.

External foundations hold endowment funds as follows:

	2013	2012	2011
Vancouver Foundation	\$ 415,000	\$ 415,000	\$ 415,000
Comox Valley Community Foundation	5,000	5,000	5,000
Alberni Valley Community Foundation	5,000	5,000	5,000
	\$ 425,000	\$ 425,000	\$ 425,000

7. Endowment fund

As of March 31, 2013 the Endowment Fund consists of 128 (2012 – 124) separately named endowments. The income from these funds must be used for bursaries, scholarships, and student success initiatives.

8. Endowment Investment Income fund

The Endowment Investment Income Fund includes investment income, defined as interest and dividends, earned on the Endowment Fund investments and the awards granted from this income.

9. Special Purpose fund

The Foundation has carried out fund raising campaigns with specific objectives. The funds received under these campaigns are restricted by the Board of Directors for the purpose specified. These purposes include equipment purchases, student awards, and other student initiatives. As of March 31, 2013 the Specific Purpose fund consists of 9 (2012- 9) individual campaigns.

10. Gifts-in-kind

During the year, the Foundation received in-kind donations of \$17,603 (2012 - \$86,109). These donations consist of equipment for North Island College programs and shares of publicly traded companies. The items for use in College programs valued at \$6,625 (2012- \$22,217) were subsequently donated to the College.

North Island College Foundation
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

11. Financial risks and concentration of risk

Credit risk:

Financial instruments that potentially subject an organization to concentrations of credit risk include accrued receivables. The Foundation's maximum credit risk exposure is \$17,378 (2012- \$20,747). Accrued receivables from one external foundation represents 23% (2012 – 28%) of the total accrued receivables at March 31, 2013. The Foundation believes that there is minimal risk associated with this amount. The Foundation's credit risk exposure is limited due to a large customer base, regular monitoring of the receivables, and the provision of allowances for potentially uncollectable amounts.

Interest rate risk:

The Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Foundation to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The Foundation manages its interest rate risk by investing in a widely diversified portfolio with varying fixed and variable interest rates and maturity dates.

Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The main obligation of the Foundation is funding student awards. The Foundation identifies student awards based on previously earned revenues, as such; the Foundation is not exposed to significant liquidity risk.

Additionally, the Foundation is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments.

Currency risk:

Investments that trade in foreign markets are exposed to currency risk as the price in local terms on the foreign stock exchange is converted to Canadian dollars to determine fair value. The Foundation's overall currency positions are monitored on a daily basis by the portfolio manager. The Foundation is not exposed to significant currency risk.

North Island College Foundation
Statement of Financial Position
 March 31, 2012

Schedule 1

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	2012
Assets					
Cash	\$ 257,983	\$ -	\$ -	\$ -	\$ 257,983
Accrued receivables	20,887	-	-	-	20,887
Due from North Island College (Note 5)	89,008	-	-	-	89,008
Investments (Note 3)	354,210	27,931	52,272	2,920,872	3,355,285
Art collection (Note 4)	58,700	-	-	-	58,700
	<u>\$ 780,788</u>	<u>\$ 27,931</u>	<u>\$ 52,272</u>	<u>\$ 2,920,872</u>	<u>\$ 3,781,863</u>
Liabilities					
Accrued liabilities	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Student awards payable	224,077	-	-	-	224,077
	<u>229,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,077</u>
Fund Balances					
Endowment (Note 7)	-	-	-	2,920,872	2,920,872
Externally restricted (Note 8)	-	-	52,272	-	52,272
Internally restricted (Note 9)	-	27,931	-	-	27,931
Unrestricted	551,711	-	-	-	551,711
	<u>551,711</u>	<u>27,931</u>	<u>52,272</u>	<u>2,920,872</u>	<u>3,552,786</u>
	<u>\$ 780,788</u>	<u>\$ 27,931</u>	<u>\$ 52,272</u>	<u>\$ 2,920,872</u>	<u>\$ 3,781,863</u>

North Island College Foundation
Statement of Operations

March 31, 2012

Schedule 2

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	2012
Revenues					
Donation Revenue					
Donations	\$ 69,318	\$ 36,068	\$ -	\$ 68,096	\$ 173,482
North Island College grants (Note 5)	-	-	-	60,000	60,000
Gifts-in-kind (Note 10)	6,625	-	-	10,978	17,603
Contributions from external foundations (Note 6)	17,531	-	-	-	17,531
	93,474	36,068	-	139,074	268,616
Investment Revenue					
Interest income	6,988	-	64,321	-	71,309
Dividend and other investment income	7,316	-	67,343	-	74,659
Gain/(loss) on investments - realized	(13,673)	-	-	-	(13,673)
Unrealized gain/(loss) on investments	85,933	-	-	-	85,933
Loss on foreign exchange	4,218	-	-	-	4,218
	90,782	-	131,664	-	222,446
	184,256	36,068	131,664	139,074	491,062
Expenses					
North Island College Student awards	95,792	8,020	112,703	-	216,515
North Island College donations (Note 5)	26,625	-	-	-	26,625
Miscellaneous	25,205	23,165	-	-	48,370
	147,622	31,185	112,703	-	291,510
Excess (deficiency) of revenues over expenses	\$ 36,634	\$ 4,883	\$ 18,961	\$ 139,074	\$ 199,552