

**North Island College Foundation  
Financial Statements**

**March 31, 2014**

# North Island College Foundation Index to the Financial Statements

March 31, 2014

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## Independent Auditors' Report

## Financial Statements

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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 statement of financial position as at March 31, 2014, and the statements of operations, changes in fund balances, and cash flows for the year then ended, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence 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 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 and we were not able to determine whether 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 statement of cash flows and current assets and fund balances reported in the statement of financial position. 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, 2014, and its results of operations, its changes in fund balance and its cash flows for the year then ended 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 policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

*KPMG LLP*

Chartered Accountants

June 19, 2014

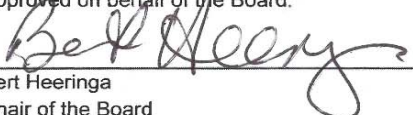
Victoria, Canada

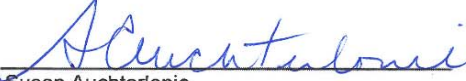
**North Island College Foundation**  
**Statement of Financial Position**

As at March 31, 2014, with comparative information for 2013  
(see accompanying notes to the financial statements)

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	2014	2013
<b>Assets</b>						
<b>Current</b>						
Cash	\$ 727,464	\$ -	\$ -	\$ -	\$ 727,464	\$ 368,690
Accrued receivables	10,440	-	-	-	10,440	17,378
Due from North Island College (Note 5)	81,057	-	-	-	81,057	79,369
Investments (Note 3)	26,637	38,653	57,438	3,228,424	3,351,152	3,485,371
Art collection (Note 4)	58,700	-	-	-	58,700	58,700
	<u>\$ 904,298</u>	<u>\$ 38,653</u>	<u>\$ 57,438</u>	<u>\$ 3,228,424</u>	<u>\$ 4,228,813</u>	<u>\$ 4,009,508</u>
<b>Liabilities</b>						
Accrued liabilities	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000	\$ 6,186
Student awards payable	255,032	-	-	-	255,032	250,984
	<u>260,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,032</u>	<u>257,170</u>
<b>Fund Balances</b>						
Restricted endowments (Note 7)	-	-	-	3,228,424	3,228,424	3,059,946
Externally restricted	-	-	57,438	-	57,438	71,233
Internally restricted (Note 8)	-	38,653	-	-	38,653	32,814
Unrestricted	644,266	-	-	-	644,266	588,345
	<u>644,266</u>	<u>38,653</u>	<u>57,438</u>	<u>3,228,424</u>	<u>3,968,781</u>	<u>3,752,338</u>
	<u>\$ 904,298</u>	<u>\$ 38,653</u>	<u>\$ 57,438</u>	<u>\$ 3,228,424</u>	<u>\$ 4,228,813</u>	<u>\$ 4,009,508</u>

Approved on behalf of the Board:

  
Bert Heeringa  
Chair of the Board

  
Susan Auchterlonie  
Executive Director

## North Island College Foundation Statement of Operations

For the year ended March 31, 2014, with comparative information for 2013  
(see accompanying notes to the financial statements)

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	2014	2013
<b>Revenues</b>						
<b>Donation Revenues</b>						
Donations	\$ 64,935	\$ 66,313	\$ -	\$ 85,640	\$ 216,888	\$ 173,482
North Island College grants (Note 5)	-	-	-	60,000	60,000	60,000
Gifts-in-kind (Note 9)	-	-	-	4,838	4,838	17,603
Contributions from external foundations (Note 6)	17,393	-	-	-	17,393	17,531
	82,328	66,313	-	150,478	299,119	268,616
<b>Investment Revenues</b>						
Interest income	4,410	-	40,585	-	44,995	71,309
Dividend and other investment income	8,819	-	81,163	-	89,982	74,659
Gain/(loss) on investments - realized	38,826	-	-	-	38,826	(13,673)
Unrealized gain on investments	47,524	-	-	-	47,524	90,151
	99,579	-	121,748	-	221,327	222,446
	181,907	66,313	121,748	150,478	520,446	491,062
<b>Expenses</b>						
Student awards	100,077	3,230	135,543	-	238,850	216,515
North Island College donations (Note 5)	-	-	-	-	-	26,625
Miscellaneous	25,909	39,244	-	-	65,153	48,370
	125,986	42,474	135,543	-	304,003	291,510
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 55,921</b>	<b>\$ 23,839</b>	<b>\$ (13,795)</b>	<b>\$ 150,478</b>	<b>\$ 216,443</b>	<b>\$ 199,552</b>

**North Island College Foundation**  
**Statement of Changes in Fund Balances**

For the year ended March 31, 2014, with comparative information for 2013  
(see accompanying notes to the financial statements)

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	TOTAL
Fund Balances, April 1, 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
Interfund transfers	-	(18,000)	-	18,000	-
Excess (deficiency) of revenues over expenses	55,921	23,839	(13,795)	150,478	216,443
Fund Balances, end of year	\$ 644,266	\$ 38,653	\$ 57,438	\$ 3,228,424	\$ 3,968,781

**North Island College Foundation**  
**Statement of Cash Flows**

For the year ended March 31, 2014, with comparative information for 2013  
(see accompanying notes to the financial statements)

	2014	2013
<b>Cash provided by (used in) operating activities</b>		
<b>Excess of revenue over expenses</b>	\$ 216,443	\$ 199,552
<b>Items not requiring an outlay of cash:</b>		
(Gain)/loss on disposal of investments	(38,826)	13,673
Unrealized gain on investments	(47,524)	(90,746)
	130,093	122,479
<b>Change in non-cash operating accounts:</b>		
Accrued receivables	6,938	3,509
Due to North Island College	(1,688)	9,639
Accrued liabilities	(1,186)	1,186
Student awards payable	4,048	26,907
	138,205	163,720
<b>Cash provided by (used in) investing activities</b>		
Purchase of investments	(1,212,614)	(760,391)
Proceeds on disposal of investments	1,433,183	707,378
	220,569	(53,013)
<b>Increase in cash</b>	358,774	110,707
<b>Cash, beginning of year</b>	368,690	257,983
<b>Cash, end of year</b>	\$ 727,464	\$ 368,690

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**North Island College Foundation**  
**Notes to the Financial Statements**  
Year ended March 31, 2014

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**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 and 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**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organization ("ASNPO") in Part III of the CICA Handbook.

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.

**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.

**North Island College Foundation**  
**Notes to the Financial Statements**  
Year ended March 31, 2014

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**2. Significant accounting policies (continued)**

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.

	2014	2013
Fixed income securities with stated interest rates of 4.5% to 5.7% maturing between 2015 and 2020 (at amortized cost)	\$ 649,547	\$ 1,334,792
Common and Preferred shares (at fair value)	2,701,605	2,150,597
	<b>\$ 3,351,152</b>	<b>\$ 3,485,371</b>

**4. Art collection**

In 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**

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 \$0 (2013-\$26,625).

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.

**North Island College Foundation**  
**Notes to the Financial Statements**  
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**6. External foundations (continued)**

External foundations hold endowment funds as follows:

	2014	2013
Vancouver Foundation	\$ 415,000	\$ 415,000
Comox Valley Community Foundation	5,000	5,000
Alberni Valley Community Foundation	5,000	5,000
	<b>\$ 425,000</b>	<b>\$ 425,000</b>

**7. Endowment fund**

As of March 31, 2014 the Endowment Fund consists of 135 (2013 – 128) separately named endowments. The funds are subject to externally imposed restrictions stipulating that the principal be maintained intact. The income from these funds must be for bursaries, scholarships, and student success initiatives.

**8. 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, 2014 the Specific Purpose fund consists of 9 (2013 - 9) individual campaigns.

**9. Gifts-in-kind**

During the year, the Foundation received in-kind donations of \$4,838 (2013 - \$17,603). These donations consist of shares of publicly traded companies.

**10. 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 \$10,440 (2013 - \$17,378). Accrued receivables from one external foundation represents 38% (2013 - 23%) of the total accrued receivables at March 31, 2014. The Foundation believes that there is a minimal risk associated with this amount. The Foundation's credit risk exposure is limited due to 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 carrying fixed and variable interest rates and maturity dates.

**North Island College Foundation**  
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**10. Financial risks and concentration of risk (continued)**

**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's 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.