

**North Island College Foundation
Financial Statements**

March 31, 2012

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March 31, 2012

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of North Island College Foundation

We have audited the accompanying financial statements of North Island College Foundation, which comprise the statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, 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.

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 revenues and excess of revenues over expenses reported in the statement of operations and current assets and fund balances reported in the statement of financial position.



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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, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

June 21, 2012


Victoria, Canada

North Island College Foundation
Statement of Financial Position

As at March 31, 2012, with comparative information for 2011
(see accompanying notes to the financial statements)

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	2012	2011
Assets						
Current						
Cash	\$ 257,983	\$ -	\$ -	\$ -	\$ 257,983	\$ 554,153
Accrued receivables	20,887	-	-	-	20,887	23,020
Short-term investments (Note 5)	150,734	-	52,272	-	203,006	-
	429,604	-	52,272	-	481,876	577,173
Long-term						
Long-term investments (Note 5)	203,476	27,931	-	2,920,872	3,152,279	2,965,176
Art collection (Note 6)	58,700	-	-	-	58,700	-
	\$ 691,780	\$ 27,931	\$ 52,272	\$ 2,920,872	\$ 3,692,855	\$ 3,542,349
Liabilities						
Current						
Accrued liabilities	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Due to North Island College (Note 7)	135,069	-	-	-	135,069	106,626
	140,069	-	-	-	140,069	111,626
Fund Balances						
Endowment (Note 9)	-	-	-	2,920,872	2,920,872	2,725,921
Externally restricted (Note 10)	-	-	52,272	-	52,272	53,337
Internally restricted (Note 11)	-	27,931	-	-	27,931	60,870
Unrestricted	551,711	-	-	-	551,711	590,595
	551,711	27,931	52,272	2,920,872	3,552,786	3,430,723
	\$ 691,780	\$ 27,931	\$ 52,272	\$ 2,920,872	\$ 3,692,855	\$ 3,542,349

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, 2012, with comparative information for 2011
(see accompanying notes to the financial statements)

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	2012	2011
Revenues						
Donation Revenue						
Donations	\$ 43,242	\$ 5,407	\$ -	\$ 105,339	\$ 153,988	\$ 247,344
North Island College grants (Note 7)	-	-	-	60,000	60,000	60,000
Gifts-in-kind (Note 12)	80,917	-	-	5,192	86,109	137,404
Contributions from external foundations	17,702	-	-	-	17,702	16,188
	<u>141,861</u>	<u>5,407</u>	<u>-</u>	<u>170,531</u>	<u>317,799</u>	<u>460,936</u>
Investment Revenue						
Interest income	8,593	-	79,094	-	87,687	77,599
Dividend and other investment income	5,584	-	51,397	-	56,981	51,146
Gain (loss) on investments - realized	(33,764)	-	-	-	(33,764)	70,922
Unrealized gain (loss) on investments	(30,789)	-	-	-	(30,789)	41,891
Loss on foreign exchange	(840)	-	-	-	(840)	-
	<u>(51,216)</u>	<u>-</u>	<u>130,491</u>	<u>-</u>	<u>79,275</u>	<u>241,558</u>
	<u>90,645</u>	<u>5,407</u>	<u>130,491</u>	<u>170,531</u>	<u>397,074</u>	<u>702,494</u>
Expenses						
North Island College student awards	61,718	12,330	127,571	-	201,619	176,662
North Island College donations (Note 12)	33,217	3,303	1,700	-	38,220	22,849
Miscellaneous	31,302	1,585	2,285	-	35,172	58,387
	<u>126,237</u>	<u>17,218</u>	<u>131,556</u>	<u>-</u>	<u>275,011</u>	<u>257,898</u>
Excess (deficiency) of revenues over expenses	<u>\$ (35,592)</u>	<u>\$ (11,811)</u>	<u>\$ (1,065)</u>	<u>\$ 170,531</u>	<u>\$ 122,063</u>	<u>\$ 444,596</u>

North Island College Foundation
Statement of Changes in Fund Balances

For the year ended March 31, 2012, with comparative information for 2011
(see accompanying notes to the financial statements)

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	2012	2011
Fund Balances, beginning of year	\$ 590,595	\$ 60,870	\$ 53,337	\$ 2,725,921	\$ 3,430,723	\$ 2,986,127
Interfund transfers	(3,292)	(21,128)	-	24,420	-	-
Excess (deficiency) of revenues over expenses	(35,592)	(11,811)	(1,065)	170,531	122,063	444,596
Fund Balances, end of year	<u>\$ 551,711</u>	<u>\$ 27,931</u>	<u>\$ 52,272</u>	<u>\$ 2,920,872</u>	<u>\$ 3,552,786</u>	<u>\$ 3,430,723</u>

North Island College Foundation

Statement of Cash Flows

For the year ended March 31, 2012, with comparative information for 2011
(see accompanying notes to the financial statements)

	2012	2011
Cash provided by (used in) operating activities		
Excess of revenue over expenses	\$ 122,063	\$ 444,596
Items not requiring an outlay of cash:		
(Gain) loss on disposal of investments	33,764	(70,922)
Unrealized (gain) loss on investments	30,789	(41,891)
Unrealized loss on foreign exchange	840	-
Donation of art collection	(58,700)	-
	<u>128,756</u>	<u>331,783</u>
Change in non-cash operating accounts:		
Accrued receivables	2,133	157
Accrued liabilities	-	(1,000)
Due to North Island College	28,443	(49,187)
	<u>159,332</u>	<u>281,753</u>
Cash provided by (used in) investing activities		
Purchase of investments	(1,317,173)	(1,311,457)
Proceeds on disposal of investments	861,671	1,291,481
	<u>(455,502)</u>	<u>(19,976)</u>
Increase (decrease) in cash	(296,170)	261,777
Cash, beginning of year	<u>554,153</u>	<u>292,376</u>
Cash, end of year	<u>\$ 257,983</u>	<u>\$ 554,153</u>

North Island College Foundation

Notes to the Financial Statements

March 31, 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, 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 generally accepted accounting principles 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 in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

North Island College Foundation

Notes to the Financial Statements

March 31, 2012

2. Significant accounting policies (continued)

Financial instruments

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition. The Foundation has designated cash and long-term investments as held for trading.

Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income, gains and losses arising from changes in fair value are recognized immediately in income. Fair value is determined by published price quotations in an active market.

Loans and receivables:

The Foundation has classified accrued receivables as loans and receivables. This asset is initially recognized at its fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Other financial liabilities:

The Foundation has classified accrued liabilities and due to North Island College as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition.

The Foundation has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861 of the Canadian Institute of Chartered Accountants Handbook.

Revisions to Not-for-Profit accounting standards

The Foundation will be transitioning to the Accounting Standards for Not-for-Profit Organizations contained in Part III of the CICA Handbook-Accounting beginning April 1, 2012. While the financial statement presentation and the accounting treatment of most items will not change from current practice, there are certain transitional provisions that the Foundation will apply when preparing the first financial statements under the new accounting standards. The impact of these transitional provisions on the financial statements of the Foundation has not yet been fully determined.

3. Financial instruments

All significant financial assets and financial liabilities of the Foundation are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk, and credit risk.

North Island College Foundation

Notes to the Financial Statements

March 31, 2012

3. Financial instruments (continued)

Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation is not exposed to foreign currency 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 \$20,747 (2011- \$23,020). Accrued receivables from one external foundation represents 28% of the total accrued receivables at March 31, 2012. 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:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure on the interest-bearing investments 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 an organization will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation enters into transactions to purchase goods and services on credit, for which payment is required at various dates. Liquidity risk is measured by reviewing the Foundation's future net cash flows for the possibility of a negative net cash flow.

Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation enters into transactions to purchase investments for which the market price fluctuates. The Foundation manages this risk through its investment policy which prescribes the maximum amount of investments that can be made in any one investment type.

North Island College Foundation

Notes to the Financial Statements

March 31, 2012

3. Financial instruments (continued)

Financial asset impairment:

At each balance sheet date the Foundation assesses its financial assets (other than those as identified as held for trading) for impairment and the amount of any loss is measured as the difference between the carrying amount of the asset and its fair value is recorded in the statement of operations.

Fair value of financial instruments:

The carrying amount of cash, accrued receivables, and accrued liabilities is approximate to fair value, due to their short term nature. Long-term investments are recorded at fair value, determined by published price quotations in an active market. It is not practicable to estimate the fair value of the due to North Island College.

4. Capital management

The Foundation's objective when managing capital is to preserve endowment and other donated capital while maximizing the income to fund student awards. The Foundation has created investment policies to ensure this objective is met. The Foundation manages the following as capital:

	2012	2011
Cash	\$ 257,983	\$ 554,153
Short-term investments	203,006	-
Long-term investments	3,152,279	2,965,176
	<u>\$ 3,613,268</u>	<u>\$ 3,519,329</u>

During the year, the Foundation monitored capital through monthly review of the investment portfolio and through regular communication with its investment advisor. The Foundation manages exposure on the interest-bearing investments by investing in a widely diversified portfolio with varying fixed and variable interest rates and maturity dates. This process is unchanged from the prior year.

Additionally the Foundation has complied with all external funding restrictions.

North Island College Foundation

Notes to the Financial Statements

March 31, 2012

5. Investments

Investments consist of fixed income securities and Canadian equities. They are classified as held for trading and are recorded at market value.

	2012	2011
Fixed Income securities, with stated interest rates of 4.5% to 5.7%, maturing between 2012 and 2020	\$ 1,872,201	\$ 1,616,187
Common and Preferred Shares	1,483,084	1,348,989
	<hr/> 3,355,285	<hr/> 2,965,176
Short-term investments	203,006	-
Long-term investments	<hr/> \$ 3,152,279	<hr/> \$ 2,965,176

6. Art collection

During the year 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.

7. 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, 2012, the Foundation has recorded a total of \$135,069 (2011 - \$106,626) owing to the College. This consists primarily of 2012/2013 student awards.

During the year, the Foundation received donations from the College totaling \$60,000 (2011 - \$60,000). During the year, the Foundation contributed to the College gifts-in-kind totaling \$22,217 (2011 - \$5,134) as well as other program specific contributions totaling \$1,700. The total student bursaries contributed to the college were \$201,619 (2011 - \$176,662).

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.

8. 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.

North Island College Foundation

Notes to the Financial Statements

March 31, 2012

8. External foundations (continued)

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:

	2012	2011
Vancouver Foundation	\$ 415,000	\$ 415,000
Comox Valley Community Foundation	5,000	5,000
Alberni Valley Community Foundation	5,000	5,000
	<u>\$ 425,000</u>	<u>\$ 425,000</u>

9. Endowment fund

As of March 31, 2012, the Endowment Fund consists of 124 (2011 – 117) separately named endowments. The income from these funds must be used for bursaries, scholarships, and student success initiatives.

10. 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.

11. Specific 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, 2012 the Specific Purpose fund consists of 9 (2011- 11) individual campaigns.

12. Gifts-in-kind

During the year, the Foundation received in-kind donations of \$86,109 (2011 - \$137,404). These donations consist of equipment for North Island College programs, art collections, shares of publicly traded companies, and prizes for fund raising campaigns. The items for use in College programs \$22,217 (2011 - \$5,134) were then subsequently donated to the College.