

**North Island College Foundation
Financial Statements**

March 31, 2015

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March 31, 2015

Independent Auditors' Report

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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, 2015, 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 revenues 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, 2015, and its results of operations, its changes in fund balances 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.

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 long, horizontal, slightly wavy line that extends to the right.

Chartered Accountants

June 11, 2015

Victoria, Canada

North Island College Foundation
Statement of Financial Position

As at March 31, 2015, with comparative information for 2014
(see accompanying notes to the financial statements)

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	2015	2014
Assets						
Current						
Cash	\$ 453,660	\$ -	\$ -	\$ -	\$ 453,660	\$ 727,464
Accrued receivables	5,462	-	-	-	5,462	10,440
Due from North Island College (Note 5)	10,431	572,226	22,525	60,000	665,182	81,057
Investments (Note 3)	268,572	260,588	184,361	3,490,323	4,203,844	3,351,152
Art collection (Note 4)	58,700	-	-	-	58,700	58,700
	<u>\$ 796,825</u>	<u>\$ 832,814</u>	<u>\$ 206,886</u>	<u>\$ 3,550,323</u>	<u>\$ 5,386,848</u>	<u>\$ 4,228,813</u>
Liabilities						
Accrued liabilities	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000	\$ 5,000
Student awards payable	103,785	-	141,481	-	245,266	255,032
	<u>109,785</u>	<u>-</u>	<u>141,481</u>	<u>-</u>	<u>251,266</u>	<u>260,032</u>
Fund Balances						
Restricted for endowments (Note 7)	-	-	-	3,550,323	3,550,323	3,228,424
Externally restricted (Note 8)	-	-	65,405	-	65,405	57,438
Internally restricted (Note 9)	-	832,814	-	-	832,814	38,653
Unrestricted	687,040	-	-	-	687,040	644,266
	<u>687,040</u>	<u>832,814</u>	<u>65,405</u>	<u>3,550,323</u>	<u>5,135,582</u>	<u>3,968,781</u>
	<u>\$ 796,825</u>	<u>\$ 832,814</u>	<u>\$ 206,886</u>	<u>\$ 3,550,323</u>	<u>\$ 5,386,848</u>	<u>\$ 4,228,813</u>

Approved on behalf of the Board:

Robert Buckley
Chair of the Board

Susan Auchterlonie
Executive Director

North Island College Foundation Statement of Operations

For the year ended March 31, 2015, with comparative information for 2014
(see accompanying notes to the financial statements)

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	2015	2014
Revenues						
Donation Revenues						
Donations	\$ 114,778	\$ 83,678	\$ -	\$ 169,415	\$ 367,871	\$ 216,888
North Island College contributions (Note 5)	13,923	825,000	-	85,882	924,805	60,000
Gifts-in-kind (Note 10)	8,341	-	-	40,378	48,719	4,838
Contributions from external foundations (Note 6)	18,170	-	-	-	18,170	17,393
	155,212	908,678	-	295,675	1,359,565	299,119
Investment Revenues						
Interest income	2,818	-	25,939	-	28,757	44,995
Dividend and other investment income	10,813	-	99,519	-	110,332	89,982
Gain on investments - realized	186,316	-	-	-	186,316	38,826
Unrealized gain (loss) on investments	(100,714)	-	-	-	(100,714)	47,524
	99,233	-	125,458	-	224,691	221,327
	254,445	908,678	125,458	295,675	1,584,256	520,446
Expenses						
Student awards	105,536	22,400	117,491	-	245,427	238,850
North Island College donations (Note 6)	73,522	21,021	-	-	94,543	-
Miscellaneous	29,884	47,601	-	-	77,485	65,153
	208,942	91,022	117,491	-	417,455	304,003
Excess of revenues over expenses	\$ 45,503	\$ 817,656	\$ 7,967	\$ 295,675	\$ 1,166,801	\$ 216,443

North Island College Foundation
Statement of Changes in Fund Balances

For the year ended March 31, 2015, with comparative information for 2014
(see accompanying notes to the financial statements)

	General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	TOTAL
Fund Balances, April 1, 2013	\$ 588,345	\$ 32,814	\$ 71,233	\$ 3,059,946	\$ 3,752,338
Excess (deficiency) of revenues over expenses	55,921	5,839	(13,795)	168,478	216,443
Fund Balances, March 31, 2014	644,266	38,653	57,438	3,228,424	3,968,781
Interfund transfers	(2,729)	(23,495)	-	26,224	-
Excess of revenues over expenses	45,503	817,656	7,967	295,675	1,166,801
Fund Balances, March 31, 2015	\$ 687,040	\$ 832,814	\$ 65,405	\$ 3,550,323	\$ 5,135,582

North Island College Foundation
Statement of Cash Flows

For the year ended March 31, 2015, with comparative information for 2014
(see accompanying notes to the financial statements)

	2015	2014
Cash provided by (used in) operating activities		
Excess of revenues over expenses	\$ 1,166,801	\$ 216,443
Items not requiring an outlay of cash:		
Gain on disposal of long-term investments	(186,316)	(38,826)
Unrealized (gain) loss on long-term investments	100,714	(47,524)
	1,081,199	130,093
Change in non-cash operating accounts:		
Accrued receivables	4,978	6,938
Due from North Island College	(584,125)	(1,688)
Accrued liabilities	1,000	(1,186)
Student awards payable	(9,766)	4,048
	493,286	138,205
Cash provided by (used in) investing activities		
Purchase of investments	(2,761,498)	(1,212,614)
Proceeds on disposal of investments	1,994,408	1,433,183
	(767,090)	220,569
Increase (decrease) in cash	(273,804)	358,774
Cash, beginning of year	727,464	368,690
Cash, end of year	\$ 453,660	\$ 727,464

North Island College Foundation

Notes to the Financial Statements

Year ended March 31, 2015

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 CPA Canada 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 costs, 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, 2015

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 Canadian and US equities.

	2015	2014
Fixed income securities	\$ 906,027	\$ 649,547
Common and Preferred shares (at fair value)	3,297,817	2,701,605
	\$ 4,203,844	\$ 3,351,152

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 contributions from the College totaling \$924,805 (2014 - \$60,000). During the year, the Foundation contributed to the College gifts-in-kind totaling \$10,567 (2014 - \$0) and other contributions totaling \$83,976 (2014 - \$0).

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
Year ended March 31, 2015

6. External foundations (continued)

External foundations hold endowment funds as follows:

	2015	2014
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>

7. Endowment fund

As of March 31, 2015 the Endowment Fund consists of 143 (2014 – 135) separately named endowments. These 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. 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 building campaigns, equipment purchases, student awards, and other student initiatives. As of March 31, 2015 the Specific Purpose fund consists of 11 (2014 - 9) individual campaigns.

10. Gifts-in-kind

During the year, the Foundation received in-kind donations of \$48,719 (2014 - \$4,838). These donations consist of shares of publicly traded companies, supplies and equipment.

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 \$5,462 (2014 - \$10,440). Accrued receivables from one external foundation represents 73% (2014 - 38%) of the total accrued receivables at March 31, 2015. The Foundation believes that there is a 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 carrying 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's awards.

North Island College Foundation
Notes to the Financial Statements
Year ended March 31, 2015

11. Financial risks and concentration of risk (continued)

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.