

**North Island College Foundation
Financial Statements**

March 31, 2019

North Island College Foundation
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March 31, 2019

Independent Auditor's 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

Opinion

We have audited the financial statements of North Island College (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion the financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2019 and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.



- 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied by the Entity 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 period.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants


Victoria, Canada
June 3, 2019


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

As at March 31, 2019, with comparative information for 2018
(see accompanying notes to the financial statements)

	2019	2018
Assets		
Cash	\$ 893,730	\$ 1,717,305
Accrued receivables	10,599	12,244
Due from North Island College (Note 5)	23,383	35,007
Investments (Note 3)	5,442,418	5,052,856
Art collection (Note 4)	58,700	58,700
	<u>\$ 6,428,830</u>	<u>\$ 6,876,112</u>
Liabilities		
Accrued liabilities	\$ 6,000	\$ 6,000
Student awards payable	509,835	321,375
	<u>515,835</u>	<u>327,375</u>
Fund Balances		
Unrestricted general fund	465,420	497,703
Specific purpose fund (Note 9)	905,893	1,840,147
Endowment investment income fund (Note 8)	77,769	80,559
Endowment fund	4,463,913	4,130,328
	<u>5,912,995</u>	<u>6,548,737</u>
	<u>\$ 6,428,830</u>	<u>\$ 6,876,112</u>

Approved on behalf of the Board:


Ilona Horgen
Board of Director, Chair


Mary Lovely
Board of Director, Treasurer

North Island College Foundation

Statement of Operations

For the year ended March 31, 2019, with comparative information for 2018
(see accompanying notes to the financial statements)

	Unrestricted General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	Total 2019	Total 2018
Revenues						
Donation Revenues						
Donations	209,627	129,333	-	227,597	566,557	373,348
North Island College contributions (Note 5)	24,000	-	-	60,250	84,250	74,900
Gifts-in-kind (Note 10)	351,179	-	-	45,738	396,917	86,296
Contributions from external foundations (Note 6)	22,220	-	-	-	22,220	21,047
	607,026	129,333	-	333,585	1,069,944	555,591
Investment Revenues						
Interest income	-	23,141	7,396	-	30,537	21,083
Dividend and other investment income	-	-	181,277	-	181,277	163,310
Realized gain on investments	63,219	-	-	-	63,219	35,048
Unrealized (loss) gain on investments	104,059	-	-	-	104,059	(47,510)
Unrealized (loss) gain on foreign currency	435	-	-	-	435	(2,392)
	167,713	23,141	188,673	-	379,527	169,539
	774,739	152,474	188,673	333,585	1,449,471	725,130
Expenses						
Student awards	357,294	37,200	191,463	-	585,957	376,417
North Island College donations (Note 5)	332,179	1,054,800	-	-	1,386,979	65,048
Miscellaneous	112,133	144	-	-	112,277	99,464
	801,606	1,092,144	191,463	-	2,085,213	540,929
Excess (deficiency) of revenues over expenses	(26,867)	(939,670)	(2,790)	333,585	(635,742)	184,201

North Island College Foundation
Statement of Changes in Fund Balances

For the year ended March 31, 2019, with comparative information for 2018
(see accompanying notes to the financial statements)

	Unrestricted General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	TOTAL
Fund Balances, April 1, 2017	\$ 568,317	\$ 1,767,597	\$ 73,785	\$ 3,954,837	\$ 6,364,536
Excess (deficiency) of revenues over expenses	(70,614)	72,550	6,774	175,491	184,201
Fund Balances, March 31, 2018	\$ 497,703	\$ 1,840,147	\$ 80,559	\$ 4,130,328	6,548,737
Interfund transfers	(5,416)	5,416	-	-	-
Excess (deficiency) of revenues over expenses	(26,867)	(939,670)	(2,790)	333,585	(635,742)
Fund Balances, March 31, 2019	\$ 465,420	\$ 905,893	\$ 77,769	\$ 4,463,913	\$ 5,912,995

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

For the year ended March 31, 2019, with comparative information for 2018
(see accompanying notes to the financial statements)

	2019	2018
Cash provided by (used in) operating activities		
Excess of revenues over expenses	\$ (635,742)	\$ 184,201
Items not requiring an outlay of cash:		
Gain on disposal of long-term investments	(63,219)	(35,048)
Unrealized loss (gain) on long-term investments	(104,494)	49,902
	(803,455)	199,055
Change in non-cash operating accounts:		
Accrued receivables	1,645	92
Due from North Island College	11,624	97,029
Student awards payable	188,460	35,785
	(601,726)	331,961
Cash provided by (used in) investing activities		
Purchase of investments	(937,441)	(844,241)
Proceeds on disposal of investments	715,592	597,987
	(221,849)	(246,254)
Increase (decrease) in cash	(823,575)	85,708
Cash, beginning of year	1,717,305	1,631,597
Cash, end of year	<u>\$ 893,730</u>	<u>\$ 1,717,305</u>

North Island College Foundation

Notes to the Financial Statements

Year ended March 31, 2019

1. Purpose of the organization

North Island College Foundation (the 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. The Society was incorporated under the Society Act on January 2, 1991 and transitioned to the new Societies Act on November 22, 2017.

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) Unrestricted General Fund, (2) Specific Purpose Fund, (3) Endowment Investment Income Fund, and (4) Endowment 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, 2019

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, US and Global equities.

	2019	2018
Fixed Income	\$ 2,028,367	\$ 1,869,888
Common and Preferred shares (fair value)	3,301,366	3,065,713
Investment trust and other securities (fair value)	112,685	117,255
	\$ 5,442,418	\$ 5,052,856

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 \$84,250 (2018 - \$74,900). During the year, the Foundation contributed to the College gifts-in-kind totaling \$325,179 (2018 - \$65,048) and other payments totaling \$1,122,952 (2018 - \$49,794).

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, 2019

6. External foundations (continued)

External foundations hold endowment funds as follows:

	2019	2018
Vancouver Foundation	\$ 415,000	\$ 415,000
Comox Valley Foundation	5,000	5,000
Alberni Valley Foundation	5,000	5,000
	\$ 425,000	\$ 425,000

7. Endowment fund

As of March 31, 2019 the Endowment Fund consists of 157 (2018 – 155) 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, earned on the Endowment Fund and the awards granted from this income.

9. 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 building campaigns, equipment purchases, student awards, and other student initiatives. As of March 31, 2019 the Specific Purpose fund consists of 18 (2018 - 14) individual campaigns.

10. Gifts-in-kind

During the year, the Foundation received in-kind donations of \$396,917 (2018 - \$86,296). 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 \$10,599 (2018 - \$12,244). Accrued receivables from one external foundation represents 37% (2018 - 33%) of the total accrued receivables at March 31, 2019. 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.

North Island College Foundation
Notes to the Financial Statements
Year ended March 31, 2019

11. 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.