

**North Island College Foundation
Financial Statements**

March 31, 2021

**North Island College Foundation
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March 31, 2021

Independent Auditor's Report

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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 Foundation (the Entity), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations and 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, 2021 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.

Chartered Professional Accountants

Victoria, Canada
December 15, 2021

North Island College Foundation
Statement of Financial Position

As at March 31, 2021, with comparative information for 2020
(see accompanying notes to the financial statements)

	2021	2020 recast - Note 9
Assets		
Cash	\$ 670,489	\$ 314,060
Accrued receivables	7,030	4,612
Due from North Island College	-	505,653
Investments (Note 3)	5,912,779	5,084,527
Art collection (Note 4)	58,700	58,700
	<u>\$ 6,648,998</u>	<u>\$ 5,967,552</u>
Liabilities		
Accrued liabilities	\$ 6,000	\$ 6,000
Due to North Island College	109,530	-
Student awards payable	421,800	469,355
	<u>537,330</u>	<u>475,355</u>
Fund Balances		
Unrestricted general fund	131,605	35,674
Specific purpose fund	814,491	971,629
Endowment investment income fund	482,245	(51,418)
Endowment fund	4,683,327	4,536,312
	<u>6,111,668</u>	<u>5,492,197</u>
	<u>\$ 6,648,998</u>	<u>\$ 5,967,552</u>

Approved on behalf of the Board:



Garry Griffin
Board of Director, Chair



Donna Cloutier
Board of Director, Treasurer

North Island College Foundation
Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2021, with comparative information for 2020
(see accompanying notes to the financial statements)

	Unrestricted General Fund	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	2021	2020
Revenues						
Donation Revenues						
Donations	14,750	567,185	-	121,951	703,886	1,350,237
North Island College contributions (Note 7)	-	3,510	-	550	4,060	106,359
Gifts-in-kind (Note 8)	2,020	-	-	24,514	26,534	116,831
Contributions from external foundations (Note 5)	-	25,189	-	-	25,189	22,972
	16,770	595,884	-	147,015	759,669	1,596,399
Investment Revenues						
Interest income	-	-	6,241	-	6,241	96,322
Dividend and other investment income	-	-	227,502	-	227,502	111,185
Realized gain on investments	-	-	112,932	-	112,932	6,456
Unrealized gain (loss) on investments	-	-	400,533	-	400,533	(613,351)
Unrealized gain on foreign currency	-	-	12,537	-	12,537	870
	-	-	759,745	-	759,745	(398,518)
	16,770	595,884	759,745	147,015	1,519,414	1,197,881
Expenses						
Student awards	-	247,160	199,235	-	446,395	503,035
North Island College contributions (Note 7)	107,864	311,044	-	-	418,908	1,060,313
Miscellaneous	7,793	-	26,847	-	34,640	55,331
	115,657	558,204	226,082	-	899,943	1,618,679
Excess (deficiency) of revenues over expenses	(98,887)	37,680	533,663	147,015	619,471	(420,798)
Fund Balances, March 31, 2020, as recast (Note 9)	35,674	971,629	(51,418)	4,536,312	5,492,197	5,912,995
Interfund transfers	194,818	(194,818)	-	-	-	-
Fund Balances, March 31, 2021	\$ 131,605	\$ 814,491	\$ 482,245	\$ 4,683,327	\$ 6,111,668	\$ 5,492,197

North Island College Foundation
Statement of Cash Flows

For the year ended March 31, 2021, with comparative information for 2020
(see accompanying notes to the financial statements)

	2021	2020
Cash provided by (used in) operating activities		
Excess of revenues over expenses	\$ 619,471	\$ (420,798)
Items not requiring an outlay of cash:		
Gain on disposal of long-term investments	(112,932)	(6,456)
Unrealized loss (gain) on long-term investments	(400,533)	613,351
	106,006	186,097
Change in non-cash operating accounts:		
Accrued receivables	(2,418)	5,987
Due to/from North Island College	615,183	(482,270)
Student awards payable	(47,555)	(40,480)
	671,216	(330,666)
Cash provided by (used in) investing activities		
Purchase of investments	(11,073,259)	(894,861)
Proceeds on disposal of investments	10,758,472	645,857
	(314,787)	(249,004)
Increase in cash	356,429	(579,670)
Cash, beginning of year	314,060	893,730
Cash, end of year	\$ 670,489	\$ 314,060

North Island College Foundation

Notes to the Financial Statements

Year ended March 31, 2021

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:

(a) Fund accounting:

The Foundation uses the restricted fund method of accounting for contributions. The financial statements include the following funds:

- i. The Unrestricted General Fund comprises the resources available for the Foundation's general operating activities. Reported in this fund are all unrestricted contributions.
- ii. The Specific Purpose Fund includes donations for which the donor has stipulated specific uses such as bursaries, scholarships, equipment acquisitions, capital campaigns held for the duration of the campaign. The fund also contains contributions that are restricted by the Board of Directors of the Foundation for certain specific uses, totaling \$327,131 (2020 - \$205,509). As of March 31, 2021 the Specific Purpose fund consists of 23 (2020 - 22) individual campaigns.
- iii. The Endowment Investment Income Fund, includes investment income, earned by investments, the awards granted from this income and the related portfolio management fees. Realized and unrealized capital gains (losses) are also recorded in the Endowment Investment Income Fund and are used for general purposes consistent with the framework governing endowment funds.
- iv. The Endowment Fund includes donations that are specifically intended for named endowments are reported directly in the Endowment Fund as revenue when received. The donor has specified that the principal is to be held intact in perpetuity. The Endowment Fund consists of 159 (2020 - 158) separately named endowments.

(b) 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 the 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 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 amounts 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.

North Island College Foundation
Notes to the Financial Statements
Year ended March 31, 2021

2. Significant accounting policies (continued)

(c) Investments:

Investments are carried at fair value. Investment transactions are accounted for as of the trade date. Dividend and interest income are recorded on the accrual basis.

The fair value of fixed income securities and equities is determined by the closing bid price for these securities on the last trading date of the year.

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates their fair value.

(d) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund. Unrestricted donations are recognized in the Unrestricted General Fund when received or receivable and collection is reasonably assured. At the discretion of the Board of Directors, unrestricted contributions may be internally restricted and are recorded in the Specific Purpose Fund.

Endowment contributions are recognized as revenue in the Endowment Fund.

(e) Contributions in kind:

Gifts in kind designated for North Island College are recorded at their estimated fair market value when the fair market value can be reasonably determined. Contributed materials and services, including accounting and administrative services provided by North Island College, are not recorded in the financial statements.

(f) 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 disclosures 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.

3. Investments

Investments are recorded at fair value and are comprised of the following:

	2021	2020
Pooled equity funds	\$ 3,322,975	\$ -
Pooled fixed income funds	1,940,342	-
Fixed Income	649,462	2,131,867
Common and Preferred shares	-	2,853,064
Investment trust and other securities	-	99,596
	\$ 5,912,779	\$ 5,084,527

During fiscal 2021, the Foundation transitioned investment portfolio managers resulting in the disposal of the investment portfolio and the immediate re-investment of the funds.

4. Art collection

An art collection was donated to the Foundation with an estimated fair market value at the time of donation of \$58,700 (2012). 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.

North Island College Foundation
Notes to the Financial Statements
Year ended March 31, 2021

5. 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:

	2021	2020
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>

The fair market value of Vancouver Foundation endowment is \$622,058 (2020 - \$523,210).

6. Financial risks and concentration of risk

Market risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Foundation's marketable securities are carried at fair value with fair value changes recognized in the statement of operations and changes in fund balances, all changes in market conditions will directly result in an increase or decrease in net assets. Market risk is managed by the Foundation's Investment Policy which provides for the investment of diversified portfolios of instruments across various industries traded on various markets.

Credit risk:

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. For cash, investments, accounts receivable, the Foundation's credit risk is limited to the carrying value on the statement of financial position.

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 pooled investment funds to ensure a 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. 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.

North Island College Foundation
Notes to the Financial Statements
Year ended March 31, 2021

6. Financial risks and concentration of risk (continued):

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 is not exposed to significant currency risk.

The Foundation has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

7. Related parties

During the year, the Foundation contributed to the College gifts-in-kind totaling \$2,020 (2020 - \$12,225) and contributions and other payments totaling \$416,888 (2020 - \$1,048,088). During the year, the Foundation received contributions from the College totaling \$4,060 (2020 - \$106,359).

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. Gifts-in-kind

During the year, the Foundation received in-kind donations of \$26,534 (2020 - \$116,831). These donations consist of shares of publicly traded companies, supplies and equipment.

9. Recast of comparative financial information

Prior year fund balances have been recast to correct balances recorded in the Unrestricted General Fund for which restrictions existed. The impact of this correction on the 2020 Unrestricted General Fund balance is an increase of \$141,398 and a corresponding decrease in the Endowment Investment Earnings Fund balance of \$141,398. The adjusted amounts previously reported in the Unrestricted General Fund related to investment gains and losses and investment management fees for which restrictions apply. The correction has been recorded retroactively and, accordingly the comparative figures for 2020 have been recast as follows:

March 31, 2020	Balance, as previously reported	Adjustment	Balance, as recast
Statement of Financial Position:			
Unrestricted General Fund	(105,724)	141,398	35,674
Endowment Investment Income Fund	89,980	(141,398)	(51,418)
Statement of Operations and Changes in Fund Balances:			
Unrestricted General Fund balance, March 31, 2020	(105,724)	141,398	35,674
Endowment Investment Income Fund balance, March 31, 2020	89,980	(141,398)	(51,418)

10. Interfund Transfer

During the year, the Board approved a transfer of \$200,000 from an internally restricted Special Purpose Fund to the Unrestricted General Fund. An additional transfer of \$5,182 from the Unrestricted General Fund to the Specific Purpose fund was made to adjust previous allocations.

11. Comparative Information

Certain comparative information has been reclassified to conform with the current year's financial statement presentation.