

Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

March 31, 2013

To the Directors of
Nova Scotia Community College Foundation

We have audited the accompanying financial statements of Nova Scotia Community College Foundation, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and accumulated surplus and cash flows for the years ended March 31, 2013 and March 31, 2012, and 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 public sector accounting standards 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.

Auditor's 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 the auditor's 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, the auditor considers 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nova Scotia Community College Foundation as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.



Chartered Accountants
Halifax, Nova Scotia
June 25, 2013

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

Table of Contents

March 31, 2013

	<u>Page</u>
Statements of Financial Position	1
Statements of Operations and Accumulated Surplus	2
Statements of Cash Flows	3
Notes to the Financial Statements	4 - 11

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position

March 31, 2013

	<u>March 31,</u> <u>2013</u>	<u>March 31,</u> <u>2012</u>	<u>April 1,</u> <u>2011</u>
		(Restated - Note 3)	(Restated - Note 3)
FINANCIAL ASSETS			
Cash	\$ 1,557,844	\$ 1,679,755	\$ 1,968,302
Investments (Note 7)	4,671,276	4,416,583	4,223,927
Accounts receivable	304,043	304,077	3,719
Due from Nova Scotia Community College	454,850	-	-
	<u>6,988,013</u>	<u>6,400,415</u>	<u>6,195,948</u>
LIABILITIES			
Accounts payable and accrued liabilities	9,065	10,428	8,569
Due to Nova Scotia Community College	-	-	340,651
Deferred revenue (Note 5)	6,763,922	6,231,620	5,725,020
	<u>6,772,987</u>	<u>6,242,048</u>	<u>6,074,240</u>
Accumulated surplus and net financial assets	\$ 215,026	\$ 158,367	\$ 121,708

APPROVED BY THE BOARD

..... Director

..... Director

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

Statements of Operations and Accumulated Surplus

Year ended March 31, 2013

	<u>Budget</u> (Unaudited)	<u>2013</u>	<u>2012</u> (Restated - Note 3)
Revenues			
Designated gifts	\$ 628,405	\$ 661,520	\$ -
Donations	750,000	727,005	506,304
Investment income	30,000	36,633	20,764
	<u>1,408,405</u>	<u>1,425,158</u>	<u>527,068</u>
Expenditures			
Scholarships and bursaries	275,000	263,623	264,123
Projects	380,000	406,170	190,643
Office	663,405	698,706	35,643
	<u>1,318,405</u>	<u>1,368,499</u>	<u>490,409</u>
Annual surplus	90,000	56,659	36,659
Accumulated surplus, beginning of year	215,026	158,367	121,708
Accumulated surplus, end of year	\$ 305,026	\$ 215,026	\$ 158,367

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

Statements of Cash Flows

Year ended March 31, 2013

	<u>2013</u>	<u>2012</u>
		(Restated - Note 3)
Operating transactions		
Annual surplus	\$ 56,659	\$ 36,659
Adjustments for:		
Changes in non-cash working capital (Note 4)	76,123	(132,550)
	<u>132,782</u>	<u>(95,891)</u>
Investing transactions		
Proceeds on sale of investments	163,667	118,850
Purchase of investments	(326,284)	(357,338)
Gain on sale of investments	(17,512)	(12,888)
Unrealized (gain) loss on investments	(74,564)	58,720
	<u>(254,693)</u>	<u>(192,656)</u>
Net decrease in cash	(121,911)	(288,547)
Cash, beginning of year	1,679,755	1,968,302
Cash, end of year	\$ 1,557,844	\$ 1,679,755

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

March 31, 2013

1. NATURE OF OPERATIONS AND AUTHORITY

Nova Scotia Community College Foundation (the "Foundation") was incorporated in the Province of Nova Scotia under the Societies Act on May 15, 2001. The purpose of the Foundation is to support the Nova Scotia Community College and related activities.

The Foundation is a government not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for government agencies as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Revenue recognition

The Foundation recognizes donations revenue in the period in which the resources are used for the purpose or purposes specified.

Investment income is recorded on an accrual basis. Investments are recorded on a trade-date basis. Realized gains and losses on the disposal of investments are reflected in the statement of operations as incurred. Realized and unrealized gains and losses on restricted investments are reflected in deferred revenue in the statement of financial position until the assets are used for their specific purpose, at which time the gains and losses are reflected in the statement of operations and accumulated surplus. Realized and unrealized gains and losses are calculated on an average cost basis. All transaction costs associated with acquisition and disposition of investments are expensed to the statement of operations and changes in accumulated surplus as incurred.

Investments

Investments are recorded at fair value. The fair values of financial instruments are based on their quoted market prices in an active market. Investments are priced at their current bid prices. Subsequent changes in the fair value of investments are recognized in deferred revenue in the statement of financial position.

Financial instruments

The carrying amounts of the financial assets and liabilities of the Foundation by measurement basis are summarized as follows:

- Cash and cash equivalents are measured at fair value
- Accounts receivable are measured at amortized cost
- Investments are measured at fair value
- Accounts payable and accrued liabilities and Due to Nova Scotia Community College are measured at amortized cost

The Foundation has determined that it does not have derivatives or embedded derivatives.

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

March 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS

In previous fiscal years, the Foundation classified itself as a Canadian government not-for-profit organization and followed the recommendations of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook - Part V. In October 2009, the PSAB determined that this category will cease to exist for fiscal years ending on or after April 1, 2012, and Canadian government not-for-profit organization are required to reclassify themselves in accordance with Public Sector Accounting Standards ("PSAS").

The adoption of PSAS is accounted for by retroactive application with restatement of prior periods. The following is a summary of the main qualitative differences for the Foundation between its previous and current financial statements:

- The March 31, 2012 Balance Sheet has been replaced by the Statement of Financial Position, segregating financial and non-financial assets as well as the net assets (financial assets less liabilities) of the Foundation; and accumulated surplus at the Statement of Financial Position date.
- The Statement of Revenue, Expenditures and Net Assets for the year ended March 31, 2012 has been replaced by the Statement of Operations and Accumulated Surplus for reporting both revenue and expenses. A comparison of the current year results with the original comparative budget is also now disclosed.

The Foundation has not elected to use any of the available exemptions under PS 2125, *First Time Adoption by Government Organizations*.

The following tables present the reconciliation of account balances and transactions from the previous reporting framework to PSAS:

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

March 31, 2013

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

i) Reconciliation of the April 1, 2011 Statement of Financial Position:

	Footnotes	CICA Accounting Handbook Part V	Adjustments	PSAS
Assets				
Cash		\$ 1,968,302	\$ -	\$ 1,968,302
Investments		4,223,927	-	4,223,927
Accounts receivable		3,719	-	3,719
		<u>6,195,948</u>	<u>-</u>	<u>6,195,948</u>
Liabilities				
Accounts payable and accrued liabilities		8,569	-	8,569
Due to Nova Scotia Community College		340,651	-	340,651
Deferred revenue	(c)	-	5,725,020	5,725,020
		<u>349,220</u>	<u>5,725,020</u>	<u>6,074,240</u>
Net assets				
Externally restricted	(a)	5,635,703	(5,635,703)	-
Internally restricted	(b)	147,591	(147,591)	-
Unrestricted	(b)	63,434	(63,434)	-
		<u>5,846,728</u>	<u>(5,846,728)</u>	<u>-</u>
Accumulated surplus and net financial assets				
	(a),(b),(c)	\$ -	\$ 121,708	\$ 121,708

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

March 31, 2013

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

ii) Reconciliation of the March 31, 2012 Statement of Financial Position:

	Footnotes	Handbook Part V	Adjustments	PSAS
Assets				
Cash		\$ 1,679,755	\$ -	\$ 1,679,755
Investments		4,416,583	-	4,416,583
Accounts receivable		304,077	-	304,077
		<u>6,400,415</u>	<u>-</u>	<u>6,400,415</u>
Liabilities				
Accounts payable and accrued liabilities		10,428	-	10,428
Deferred revenue	(a),(c)	-	6,231,620	6,231,620
		<u>10,428</u>	<u>6,231,620</u>	<u>6,242,048</u>
Net assets				
Externally restricted	(a)	6,151,519	(6,151,519)	-
Internally restricted	(b)	174,126	(174,126)	-
Unrestricted	(b)	64,342	(64,342)	-
		<u>6,389,987</u>	<u>(6,389,987)</u>	<u>-</u>
Accumulated surplus and net financial assets	(a),(b),(c)	\$ -	\$ 158,367	\$ 158,367

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

March 31, 2013

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

iii) Reconciliation of the Statement of Operations and Accumulated Surplus for the year ended March 31, 2012:

	Footnotes	CICA Accounting Handbook Part V	Adjustments	PSAS
Revenue				
Donations	(a)	\$ 961,830	\$ (455,526)	\$ 506,304
Investment income	(a)	117,670	(96,906)	20,764
Gain on sale of investments	(a)	12,888	(12,888)	-
Unrealized loss on investments	(a)	(58,720)	58,720	-
		1,033,668	(506,600)	527,068
Expenditures				
Scholarships and bursaries		264,123	-	264,123
Projects		190,643	-	190,643
Office		35,643	-	35,643
		490,409	-	490,409
Annual surplus	(a)	\$ 543,259	\$ (506,600)	\$ 36,659

Note to the reconciliation of CICA Accounting Handbook – Part V to PSAS:

a) Revenue recognition – external restrictions

In accordance with PS 3100, *Restricted Assets and Revenues*, externally restricted inflows should be recognized in a government's financial statements in the period in which the resources are used for the purpose or purposes specified. An externally restricted inflow received before this criterion has been met should be reported as a liability until the resources are used for the purpose or purposes specified. Accordingly, the net assets and revenues of the endowment fund and restricted fund were adjusted and re-classified as a liability. Unrealized and realized gains and losses on these restricted assets are also required to be recorded as deferred revenue until the assets are used for their specified purpose.

b) Reclassification of net assets

In accordance with PS 1201, *Financial Statement Presentation*, net assets are required to be presented as the total of accumulated operating surplus. As a result, net assets were re-classified from net assets to accumulated surplus.

c) Prior period adjustment

Management has determined that investment revenue totalling \$89,317 recognized in the General Fund prior to the adoption of PSA should have been recorded in the externally restricted and endowment funds. As a result, the March 31, 2012 and April 1, 2011 balances for deferred revenue and accumulated surplus have been adjusted.

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

March 31, 2013

4. CHANGES IN NON-CASH WORKING CAPITAL

	<u>2013</u>	<u>2012</u>
Accounts receivable	\$ 34	\$ (300,358)
Accounts payable and accrued liabilities	(1,363)	1,859
Due from/to Nova Scotia Community College	(454,850)	(340,651)
Deferred revenue	532,302	506,600
	<u>\$ 76,123</u>	<u>\$ (132,550)</u>

5. DEFERRED REVENUE

Deferred revenue includes amounts received from donors and funders that relate to scholarships and bursaries, projects and other program expenditures that will occur in the future as well as the net investment income earned on these externally restricted assets and endowment funds.

	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Balance, April 1, 2011	\$ 2,569,861	\$ 3,155,159	\$ 5,725,020
Contributions	717,564	164,450	882,014
Investment income	14,115	82,791	96,906
Unrealized loss on investments	-	(58,720)	(58,720)
Gain on sale of investments	-	12,888	12,888
Revenue recognized	(337,600)	(88,888)	(426,488)
Balance, March 31, 2012	<u>2,963,940</u>	<u>3,267,680</u>	<u>6,231,620</u>
Contributions	662,743	321,653	984,396
Investment income	(692)	98,840	98,148
Unrealized gain on investments	-	74,564	74,564
Gain on sale of investments	-	17,512	17,512
Revenue recognized	(552,933)	(89,385)	(642,318)
Balance, March 31, 2013	<u>\$ 3,073,058</u>	<u>\$ 3,690,864</u>	<u>\$ 6,763,922</u>

6. INTERNALLY RESTRICTED FUNDS

Internally restricted funds are subject to internally imposed stipulations specifying the purpose for which they must be used. At March 31, 2013 and 2012, the Foundation was in compliance with all restrictions applicable to these funds. During the year, \$84,687 (2012 - \$79,816) of contributions were recognized in donation revenue.

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

March 31, 2013

7. FINANCIAL INSTRUMENTS

a) Financial risk factors

The Foundation has exposure to credit risk, liquidity risk, and market risk. The Foundation's Board of Directors has overall responsibility for the oversight of these risks and reviews the Foundation's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below:

i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligation. The Foundation's principal financial assets are cash, investments, and accounts receivable, which are subject to credit risk. The carrying amounts of financial assets on the statement of financial position represents the Foundation's maximum credit exposure at the balance sheet date.

The Foundation's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Foundation based on previous experience and its assessment of the current economic environment. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits. As at March 31, 2013, March 31, 2012 and April 1, 2011 all accounts receivable balances were current and none were past due or impaired.

The credit risk on cash and temporary investments is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies. The credit risk on long-term investments is limited because the bonds held are issued by provincial governments.

ii) Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. The Foundation's objective is to have sufficient liquidity to meet its liabilities when due. The Foundation monitors its cash balances and cash flows generated from operations to meet its requirements. As at March 31, 2013, the Foundation had cash of \$1,557,844 (March 31, 2012 - \$1,679,755).

iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Foundation's net income or loss or the value of its financial instruments. The Foundation mitigates these risks by maintaining a diversified investment portfolio.

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

March 31, 2013

7. FINANCIAL INSTRUMENTS (continued)

b) Fair value

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The following table presents the financial instruments recorded at fair value in the Statement of Financial Position, classified using the fair value hierarchy described above:

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Level 1				
Cash	\$ 1,557,844	\$ 1,557,844	\$ 1,679,755	\$ 1,679,755
Investments - Restricted Fund	1,278,306	1,278,306	1,278,306	1,278,306
Investments - Endowment Fund	2,090,449	1,891,615	1,995,735	1,869,365
Level 2				
Investments - Endowment Fund	1,302,521	1,308,649	1,142,542	1,150,784
	\$ 6,229,120	\$ 6,036,414	\$ 6,096,338	\$ 5,978,210

During the year, there has been no significant transfer of amounts between Level 1 and Level 2. There were no fair value measurements classified as level 3.