Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

March 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Directors of Nova Scotia Community College Foundation

We have audited the accompanying statement of financial position as at March 31, 2014, the statements of operations, accumulated surplus and net financial assets 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 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.

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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Nova Scotia Community College Foundation as at March 31, 2014, and its results of operations and accumulated surplus and net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The financial statements of the Nova Scotia Community College Foundation as at and for the year ended March 31, 2013 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 25, 2013.

KPMG LLP

Chartered Accountants
June 18, 2014
Halifax, Canada

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION
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NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION
Statement of Financial Position
March 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash	**$ 1,067,462**	$ 1,557,844
Investments (Note 7)	**6,246,773**	4,671,276
Accounts receivable	**301,890**	304,043
Due from Nova Scotia Community College	-	454,850
	$ 7,616,125	$ 6,988,013
LIABILITIES		
Accounts payable and accruals	**$ 15,322**	$ 9,065
Due to Nova Scotia Community College (Note 7)	**300,000**	-
Deferred contributions (Note 5)	**7,045,851**	6,763,922
	$ 7,361,173	$ 6,772,987
Accumulated surplus and net financial assets	**$ 254,952**	$ 215,026

APPROVED BY THE BOARD

_______________________________________ Director

_______________________________________ Director

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION
Statement of Operations, Accumulated Surplus and Net Financial Assets
Year ended March 31, 2014

	Budget	**2014**	2013
Revenues			
Designated gifts	**$ 667,977**	**$ 630,457**	$ 661,520
Donations	**743,000**	**1,037,713**	727,005
Capital gift (Note 4)	**-**	**86,603**	-
Investment income	**25,000**	**23,765**	36,633
	1,435,977	**1,778,538**	1,425,158
Expenditures			
Scholarships and bursaries	**293,000**	**352,908**	263,623
Nova Scotia Community College projects	**450,000**	**720,189**	406,170
Office	**667,977**	**665,515**	698,706
	1,410,977	**1,738,612**	1,368,499
Annual surplus	**25,000**	**39,926**	56,659
Accumulated surplus, beginning of year	**215,026**	**215,026**	158,367
Accumulated surplus and net financial assets, end of year	**$ 240,026**	**$ 254,952**	$ 215,026

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION
Statement of Cash Flows
Year ended March 31, 2014

	2014	2013
Operating transactions		
Annual surplus	**$ 39,926**	$ 56,659
Adjustments for:	**-**	
Changes in non-cash working capital (Note 3)	**651,325**	(15,953)
	691,251	40,706
Investing transactions		
Proceeds on sale of investments	**1,833,935**	163,667
Purchase of investments	**(3,015,568)**	(326,284)
	(1,181,633)	(162,617)
Net decrease in cash	**(490,382)**	(121,911)
Cash, beginning of year	**1,557,844**	1,679,755
Cash, end of year	**$ 1,067,462**	$ 1,557,844

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 Public Sector Accounting Standards ("PSAS") of the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA").

Revenue recognition

The Foundation recognizes unrestricted donations and gifts as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted and endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

Investment income is recorded on an accrual basis. Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment revenue is recognized when earned. Investments are recorded on a trade-date basis. All transaction costs associated with acquisition and disposition of investments are expensed to the statement of operations, accumulated surplus and net financial assets as incurred.

Financial instruments

Financial assets and liabilities

Financial assets and liabilities are recorded at fair value on initial recognition. The carrying amounts of the financial assets and liabilities subsequent to initial recognition of the Foundation by measurement basis are summarized as follows:

- Cash is measured at fair value
- Accounts receivable are measured at cost
- Investments are measured at fair value
- Accounts payable and accruals and Due to or from Nova Scotia Community College are measured at cost

Unrestricted unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Foundation does not have unrealized gains or losses related to unrestricted investments nor unrealized foreign exchange gains or losses and therefore has not presented a statement of remeasurement gains and losses.

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. CHANGES IN NON-CASH WORKING CAPITAL

	2014	2013
Accounts receivable	**$ 2,153**	$ 34
Accounts payable and accruals	**6,257**	(1,363)
Due from/to Nova Scotia Community College	**754,850**	(454,850)
Deferred contributions	**(111,935)**	440,226
	$ 651,325	$ (15,953)

The change in deferred contributions excludes restricted realized gains on investments related to externally restricted and endowed contributions of $393,864 (2013 - $92,076). The amounts are not recognized in the statement of operations until the year the related expenditures are incurred.

4. CAPITAL GIFT

During the year the Foundation received a capital gift comprised of helicopter equipment and an automobile. The gift was recognized at the capital assets fair market value of $86,603 on the date of the receipt of the gift. Fair value was determined based on the estimated replacement cost of the assets gifted. These assets were in turn donated to the Nova Scotia Community College with an expenditure being recognized in Nova Scotia Community College projects in the statement of operations.

5. DEFERRED CONTRIBUTIONS

Deferred contributions include amounts received from donors and funders that have been restricted or endowed for scholarships and bursaries, projects and other program expenditures that will occur in the future. The terms of these externally restrictions and endowments also restrict the use of net investment income earned on these funds.

	Restricted Fund	Endowment Fund	Total
Balance, April 1, 2012	$ 2,963,940	$ 3,267,680	$ 6,231,620
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	$ 3,073,058	$ 3,690,864	$ 6,763,922
Contributions	**570,553**	**131,382**	**701,935**
Investment income	**17,257**	**116,576**	**133,833**
Unrealized gain on investments	-	**353,160**	**353,160**
Gain on sale of investments	-	**40,704**	**40,704**
Revenue recognized	**(815,846)**	**(131,857)**	**(947,703)**
Balance, March 31, 2014	**$ 2,845,022**	**$ 4,200,829**	**$ 7,045,851**

As a result of external restrictions and endowments, the Foundation has the following restricted assets:

The Foundation has investments of $6,246,773 (2013 - $4,671,276) related to externally restricted and endowment funds (Note 7).

The portion of cash that is externally restricted and endowed is $593,974 and $232,246, respectively (2013 - $1,494,751 and $305,068, respectively). These amounts include $17,563 (2013 - $80,100) from internally restricted cash to be used for restricted or endowment purposes.

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, 2014, the Foundation had internally restricted funds for campus-based student emergency funding, scholarships, bursaries and awards in the amount of $219,165 (2013 - $207,789) and was in compliance with all restrictions applicable to these funds. During the year, $90,010 (2013 - $84,687) of internally restricted contributions were recognized in donation revenue.

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 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 amount 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. As at March 31, 2014 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, 2014, the Foundation had cash of $1,067,462 (2013 - $1,557,844).

Due to Nova Scotia Community College in the amount of $300,000 contains no interest or repayment terms. The Foundation currently has no significant cash flow requirements which can not be met and as such has little liquidity risk.

7. FINANCIAL INSTRUMENTS (continued)

iii) Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market interest rates, market prices and changes in foreign exchange rates.

The fixed income portfolio contains bonds with an average duration of 5.3 years. A 1% increase in interest rates would impact the value of the bond portfolio by approximately (5.3%). Bonds comprise about 40% of the investment portfolio, the impact would be (2.1%) to the investment value.

As equities comprise about 57% of the investment portfolio, a 2% increase in equity values would increase the portfolio by 1.1% or approximately $38,500 on $3.5 Million market value in equities.

As at March 31, 2014, approximately 21% of the portfolio is directly exposed to foreign currency fluctuations of which half would be attributable to US dollar and Canadian dollar (CAD) translation risk. A 10% increase in the Canadian dollar against a relevant basket of foreign currencies, and the underlying foreign equity values remained unchanged in local currencies, then the portfolio could experience a $140,000 decline in value which is 2% of the value to the overall portfolio. The remainder of the portfolio is comprised largely of British Pound, Euro, Yen and Australian Dollar to CAD translation risk. Many of the individual securities in the portfolio are naturally hedged from an earnings perspective as a large percentage of their operating and borrowing costs are denominated in the currencies in which they undertake business.

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:

	2014		2013	
Level 1	**Fair Value**	**Cost**	Fair Value	Cost
Cash	**$ 1,067,462**	**$ 1,067,462**	$ 1,557,844	$ 1,557,844
Level 2				
Investments – Restricted Fund	-	-	1,278,306	1,278,306
Investments – Endowment Fund	**6,246,773**	**5,700,906**	3,392,970	3,200,264
	$ 7,314,235	**$ 6,768,368**	$ 6,229,120	$ 6,036,414

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.