Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Directors of the Nova Scotia Community College Foundation

We have audited the accompanying financial statements of Nova Scotia Community College Foundation, which comprise the statement of financial position as at March 31, 2018, 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.

KPMG

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, 2018, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
June 20, 2018
Halifax, Canada

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NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION
Statement of Financial Position
March 31, 2018, with comparative information for 2017

	2018	2017
FINANCIAL ASSETS		
Cash	**$ 1,952,035**	$ 423,499
Investments (Note 7)	**13,352,469**	10,137,549
	$ 15,304,504	$ 10,561,048
LIABILITIES		
Accounts payable and accrued liabilities	**6,895**	$ 4,241
Deferred contributions (Note 5)	**14,966,044**	10,322,120
	$ 14,972,939	$ 10,326,361
Accumulated surplus and net financial assets	**$ 331,565**	$ 234,687

See accompanying notes to the financial statements

APPROVED BY THE BOARD

________________________________ Director

________________________________ Director

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION
Statement of Operations, Accumulated Surplus and Net Financial Assets
Year ended March 31, 2018, with comparative information for 2017

	Budget	**2018**	2017
Revenues			
Designated gifts	**$ 939,744**	**$ 1,225,797**	$ 1,003,750
Donations	**1,665,000**	**1,636,111**	1,204,860
Capital gift (Note 4)	**-**	**105,587**	27,099
Investment income	**4,000**	**18,618**	3,782
	2,608,744	**2,986,113**	2,239,491
Expenditures			
Scholarships and bursaries	**1,000,000**	**1,170,833**	842,672
Nova Scotia Community College project	**500,000**	**411,787**	329,492
Office	**1,011,244**	**1,306,615**	1,060,234
	2,511,244	**2,889,235**	2,232,398
Annual surplus	**97,500**	**96,878**	7,093
Accumulated surplus and net financial assets, beginning of year	**234,687**	**234,687**	227,594
Accumulated surplus and net financial assets, end of year	**$332,187**	**$ 331,565**	$ 234,687

See accompanying notes to the financial statements

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION
Statement of Cash Flows
Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Operating transactions		
Annual surplus	**$ 96,878**	$ 7,093
Adjustments for:		
Unrealized gain on investments	**(413,549)**	(727,953)
Reinvested fund distributions (Note 7)	**(243,413)**	(33,486)
Gain from sale of investments	**(36,815)**	(319,740)
Changes in non-cash working capital (Note 3)	**4,646,578**	2,349,734
	4,049,679	1,275,648
Investing transactions		
Proceeds on sale of investments	**709,960**	734,615
Purchase of investments	**(3,231,103)**	(1,616,080)
	(2,521,143)	(881,465)
Net increase in cash	**1,528,536**	394,183
Cash, beginning of year	**423,499**	29,316
Cash, end of year	**$ 1,952,035**	$ 423,499

See accompanying notes to the financial statements

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 amounts to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Endowment contributions but their nature are not recognized as revenue but held as a deferred contribution indefinitely

Investment income is recorded on an accrual basis. Restricted investment income, either as a result of external restrictions or the terms of endowment agreements, is recognized as revenue in the year in which the related conditions of the restrictions are satisfied. Unrestricted investment revenue, including income related to internally restricted funds 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
- Investments are measured at fair value
- Accounts payable and accrued liabilities are measured at cost

Unrealized changes in fair value associated with unrestricted and internally restricted investments 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 or internally restricted investments nor unrealized foreign exchange gains or losses and therefore has not presented a statement of remeasurement gains and losses.

Designated gifts

The Nova Scotia Community College incurred unallocated costs on behalf of the Foundation. The Foundation has elected to record these costs in the statement of operations with a corresponding revenue.

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.

Adoption of New Accounting Standards

On April 1, 2017, the Foundation adopted the following Canadian public sector accounting standards:

- PS 2200 Related party disclosures, defines a related party and establishes disclosures required for related party transactions.
- PS 3210 Assets, provides guidance for applying the definition of assets in PS 1000, Financial Statement Concepts and establishes general disclosure standards for assets.
- PS 3320 Contingent Assets, establishes disclosure standards on contingent assets.
- PS 3380 Contractual rights, defines and establishes disclosure standards on rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- PS 3420 Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise the reporting entity. This standard provides that inter-entity transactions should generally be recorded at the carrying amount at the transaction date, except in certain circumstances.

The adoption of these standards did not result in an accounting policy change and did not result in any adjustments to the financial statements as at April 1, 2017.

3. CHANGES IN NON-CASH WORKING CAPITAL

		2018		2017
Accounts payable and accrued liabilities	**$**	**2,654**		(7,755)
Deferred contributions		**4,643,924**		2,357,489
	$	**4,646,578**	$	2,349,734

4. CAPITAL GIFT

During the year the Foundation recognized donations for a contribution of non-monetary assets. The fair value of $105,587 (2017 - $27,099) was determined based on the estimated replacement cost of the assets gifted. These assets were in turn donated by the Foundation to the Nova Scotia Community College with these expenditures being recognized in Nova Scotia Community College projects in the statement of operations at the exchange amount being the amount agreed to by the two parties.

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, March 31, 2016	$2,528,645	$ 5,435,986	$ 7,964,631
Contributions	846,643	1,334,362	2,181,005
Investment income	42,494	150,376	192,870
Unrealized loss on investments	170,744	557,209	727,953
Gain (loss) on sale of investments	85,742	268,113	353,855
Revenue recognized	(742,747)	(355,447)	(1,098,194)
Balance, March 31, 2017	$2,931,521	$ 7,390,599	$ 10,322,120
Contributions	2,379,798	2,836,605	**5,216,403**
Investment income	46,754	261,853	**308,607**
Unrealized loss on investments	62,653	350,897	**413,549**
Gain (loss) on sale of investments	42,454	237,772	**280,226**
Revenue recognized	(1,002,593)	(572,267)	**(1,574,861)**
Balance, March 31, 2018	**$ 4,460,587**	**$ 10,505,459**	**$ 14,966,044**

6. INTERNALLY RESTRICTED FUNDS

Internally restricted funds are subject to internally imposed stipulations specifying the purpose for which they must be used, by the Board of Directors. At March 31, 2018, the Foundation had internally restricted funds for campus-based urgent aid funding, scholarships, bursaries and awards in the amount of $187,889 (2017 - $120,324) and was in compliance with all restrictions applicable to these funds.

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 and investments, 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 credit risk on cash 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 as the Foundation's fixed income portfolio must have an average credit quality of BBB or better as per the Foundation's Investment Policy.

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, 2018, the Foundation had cash of $1,952,035 (2017 - $423,499).

The Foundation currently has no significant cash flow requirements which cannot 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 Foundation invests in funds managed by a third party financial institution based on policies established by the Foundation's Investment Policy. The Foundation's funds are sensitive to market fluctuations including interest rates, market prices and foreign currency. An immediate hypothetical decline of 10% in the unit value of funds will impact the Foundation's investments by an approximate loss of $1.3M (2017 - $1.0M). A hypothetical increase of 10% in unit values would have an equal increase.

b) Fair value

The Foundation evaluated the fair values of its financial statements based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying values of cash, investments – short term, accounts payable and accrued liabilities are considered to approximate fair values due to their short-term maturity. Investments – Restricted Fund and Endowment Fund are investments in pooled funds. Their fair value is approximated by their respective fund's net asset value which is determined based on the fair value of the assets held by the fund less any liabilities.

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:

7. FINANCIAL INSTRUMENTS (continued)

- 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:

	2018		2017	
	Fair Value	**Cost**	Fair Value	Cost
Level 2				
Cash	**$ 1,952,035**	**$ 1,952,035**	$ 423,499	$ 423,499
Investments - Endowment Fund	**13,086,324**	**12,645,774**	10,137,549	10,106,538
Investments – Short Term	**266,145**	**266,145**	-	-
	$ 15,304,504	**$ 14,863,954**	$ 10,561,048	$ 10,530,037

During the year, $264,844 of accumulated income on endowment funds was transferred to a short term investment fund to provide liquidity for withdrawals. There were no fair value measurements classified as level 1 or 3.

c) Gain from fund distribution

During the year the Foundation received non-cash distributions on investments totaling $243,413 (2017 - $33,486). These distributions represent a distribution of units by the respective investments in lieu of cash.