Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

March 31, 2016

KPMG

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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, 2016, 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 Nova Scotia Community College Foundation as at March 31, 2016, 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 Accountants
June 15, 2016
Halifax, Canada

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NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION
Statement of Financial Position
March 31, 2016, with comparative information for 2015

	2016	2015
FINANCIAL ASSETS		
Cash	**$ 29,316**	$ 275,876
Accounts receivable	**-**	69,809
Investments (Note 7)	**8,174,905**	7,642,773
	$ 8,204,221	$ 7,988,458
LIABILITIES		
Accounts payable and accrued liabilities	**$ 11,996**	$ 46,755
Deferred contributions (Note 5)	**7,964,631**	7,657,557
	$ 7,976,627	$ 7,704,312
Accumulated surplus and net financial assets	**$ 227,594**	$ 284,146

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, 2016, with comparative information for 2015

	Budget	**2016**	2015
Revenues			
Designated gifts	**$ 864,297**	**$ 934,703**	$ 717,557
Donations	**1,338,000**	**1,227,566**	680,856
Capital gift (Note 4)	**-**	**150,563**	20,000
Investment income	**4,500**	**3,897**	7,031
	2,206,797	**2,316,729**	1,425,444
Expenditures			
Scholarships and bursaries	**750,000**	**712,856**	550,356
Nova Scotia Community College projects	**500,000**	**668,757**	90,104
Office	**914,800**	**991,668**	755,790
	2,164,800	**2,373,281**	1,396,250
Annual surplus	**41,997**	**(56,552)**	29,194
Accumulated surplus, beginning of year	**284,146**	**284,146**	254,952
Accumulated surplus and net financial assets, end of year	**$326,143**	**$ 227,594**	$ 284,146

See accompanying notes to the financial statements

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION
Statement of Cash Flows
Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Operating transactions		
Annual surplus	**$ (56,552)**	$ 29,194
Adjustments for:		
Unrealized loss (gain) on investments	**1,071,109**	171,700
Gain from fund distributions (Note 7)	**(380,838)**	(111,140)
Gain from sale of investments	**(98,107)**	(337,117)
Changes in non-cash working capital (Note 3)	**342,123**	575,220
	877,735	327,857
Investing transactions		
Proceeds on sale of investments	**2,430,000**	1,047,909
Purchase of investments	**(3,554,295)**	(2,167,352)
	(1,124,295)	(1,119,443)
Net decrease in cash	**(246,560)**	(791,586)
Cash, beginning of year	**275,876**	1,067,462
Cash, end of year	**$ 29,316**	$ 275,876

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 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 accrued liabilities 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

		2016		2015
Accounts receivable	**$**	**69,809**	$	232,081
Accounts payable and accrued liabilities		**(34,759)**		31,433
Due to Nova Scotia Community College		**-**		(300,000)
Deferred contributions		**307,073**		611,706
	$	**342,123**	$	575,220

4. CAPITAL GIFT

During the year the Foundation recognized donations for a contribution of tangible capital assets. The fair value of $150,563 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 expenditures being recognized in Nova Scotia Community College projects in the statement of operations, accumulated surplus and net financial assets.

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, 2014	$2,845,022	$ 4,200,829	$ 7,045,851
Contributions	358,847	359,072	717,919
Investment income	12,114	179,228	191,342
Unrealized loss on investments	-	(171,700)	(171,700)
Gain (loss) on sale of investments	(31)	448,288	448,257
Revenue recognized	(333,563)	(240,549)	(574,112)
Balance, March 31, 2015	$2,882,389	$ 4,775,168	$ 7,657,557
Contributions	479,807	1,283,939	**1,763,746**
Investment income	76,061	155,110	**231,171**
Unrealized loss on investments	(396,766)	(674,343)	**(1,071,109)**
Gain (loss) on sale of investments	155,887	322,511	**478,398**
Revenue recognized	(668,733)	(426,399)	**(1,095,132)**
Balance, March 31, 2016	**$ 2,528,645**	**$ 5,435,986**	**$ 7,964,631**

As a result of external restrictions and endowments, the Foundation has the following restricted assets: $8,174,905 (2015 - $7,642,773) (Note 7).

The portion of cash that is externally restricted and endowed is $126,912 and ($45,427) respectively (2015 - $121,386 and $102,257 respectively).

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, 2016, the Foundation had internally restricted funds for campus-based student emergency funding, scholarships, bursaries and awards in the amount of $139,290 (2015 - $234,245) and was in compliance with all restrictions applicable to these funds. During the year, $132,183 (2015 - $106,743) of internally restricted contributions were recognized in donations.

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 accounts 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, 2016 there were no accounts receivable balances.

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 because the bonds held are issued by provincial governments. Credit risks are minimized as the credit quality of 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, 2016, the Foundation had cash of $29,316 (2015 - $275,876).

Accounts payable and accrued liabilities in the amount of $11,996 contains no interest or repayment terms. 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.

As the fixed income portfolio contains bonds with an average duration of 5.76 years, a 1% increase in interest rates would decrease the value of the bond portfolio by an approximate 5.76%. As bonds comprise about 31% of the investment portfolio, the impact would be a reduction of 1.8% to the investment value. The fixed income portfolio would not be impacted until a bond matured and it was potentially reinvested at a lower or higher interest rate.

Money market instruments comprise another 4% of the portfolio, though the impact from a change in rates is significantly lower due to their short duration.

As equities comprise about 65% of the investment portfolio, a 2% increase in equity values would increase the portfolio by 1.3% or approximately $106,000 on $5,308,220 market value in equities.

As at March 31, 2016, approximately 34% of the portfolio is directly exposed to foreign currency fluctuations of which approximately 70% would be attributable to US dollar and Canadian dollar (CAD) translation risk. The remainder of the foreign exchange exposure portfolio is comprised largely of British Pound, Euro, Yen, Australian Dollar and Swiss Franc to CAD translation risk. If the CAD dollar were to fluctuate in value against the foregoing basket of foreign currencies by 10%, and the underlying foreign equity values remained unchanged in local currencies, then the portfolio could experience a $280,000 change in value which is a 3.4% market value impact to the overall portfolio.

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, accounts receivable and investments, 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:

	2016		2015	
	Fair Value	**Cost**	Fair Value	Cost
Level 2				
Cash	**$ 29,316**	**$ 29,316**	$ 275,876	$ 275,876
Investments - Endowment Fund	**8,174,905**	**8,871,847**	7,642,773	7,268,606
	$ 8,204,221	**$ 8,901,163**	$ 7,918,649	$ 7,544,482

During the year, there has been no significant transfer of amounts between levels. 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 $380,838 (2015 - $111,140). These distributions represent a distribution of units by the respective investments in lieu of cash.