Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION

March 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Directors of the Nova Scotia Community College Foundation

Opinion

We have audited the financial statements of Nova Scotia Community College Foundation (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations, accumulated surplus and net financial assets 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 and other explanatory information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, 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.

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 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 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 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.

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.

KPMG LLP

Chartered Professional Accountant, Licensed Public Accountants

Halifax, Canada

June 25, 2019

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NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION
Statement of Financial Position
March 31, 2019, with comparative information for 2018

	2019	2018
FINANCIAL ASSETS		
Cash	**$ 1,775,725**	$1,952, 035
Due from NSCC	**6,890**	-
Investments (Note 7)	**20,132,458**	13,352,469
	$ 21,915,073	$ 15,304,504
LIABILITIES		
Accounts payable and accrued liabilities	**$ 111,877**	$ 6,895
Deferred contributions (Note 5)	**21,410,160**	14,966,044
	$ 21,522,037	$ 14,972,939
Accumulated surplus and net financial assets	**$ 393,036**	$ 331,565

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, 2019, with comparative information for 2018

	Budget	**2019**	2018
Revenues			
Designated gifts	**$ 1,023,551**	**$ 1,194,815**	$ 1,225,797
Donations	**2,580,000**	**2,401,332**	1,636,111
Capital gift (Note 4)	**-**	**140,724**	105,587
Investment income	**4,000**	**54,437**	18,618
	3,607,551	**3,791,308**	2,986,113
Expenditures			
Scholarships and bursaries	**1,800,000**	**1,651,977**	1,170,833
Nova Scotia Community College project	**500,000**	**792,632**	411,787
Office	**1,110,051**	**1,285,228**	1,306,615
	3,410,051	**3,729,837**	2,889,235
Annual surplus	**197,500**	**61,471**	96,878
Accumulated surplus and net financial assets, beginning of year	**331,565**	**331,565**	234,687
Accumulated surplus and net financial assets, end of year	**$ 529,065**	**$ 393,036**	$ 331,565

See accompanying notes to the financial statements

NOVA SCOTIA COMMUNITY COLLEGE FOUNDATION
Statement of Cash Flows
Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Operating transactions		
Annual surplus	**$ 61,471**	$ 96,878
Adjustments for:		
Unrealized gain on investments	**(222,318)**	(413,549)
Reinvested fund distributions (Note 7)	**(288,646)**	(243,413)
Gain from sale of investments	**(55,647)**	(36,815)
Changes in non-cash working capital (Note 3)	**6,567,668**	4,646,578
	6,062,528	4,049,679
Investing transactions		
Proceeds on sale of investments	**300,126**	709,960
Purchase of investments	**(6,538,964)**	(3,231,103)
	(6,238,838)	(2,521,143)
Net increase in cash	**(176,310)**	1,528,536
Cash, beginning of year	**1,952,035**	423,499
Cash, end of year	**$ 1,775,725**	$ 1,952,035

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 by 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.

3. CHANGES IN NON-CASH WORKING CAPITAL

	2019	2018
Accounts payable and accrued liabilities	**$ 104,982**	2,654
Due to Nova Scotia Community College	**6,890**	-
Deferred contributions	**6,444,116**	4,643,924
	$ 6,555,988	$ 4,646,578

4. CAPITAL GIFT

During the year the Foundation recognized donations for a contribution of non-monetary assets. The fair value of $140,724 (2018 - $105,587) 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, 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	350,896	413,549
Gain (loss) on sale of investments	42,454	237,772	280,226
Revenue recognized	(1,002,594)	(572,267)	(1,574,861)
Balance, March 31, 2018	$4,460,587	$ 10,505,459	$ 14,966,044
Contributions	2,528,185	5,330,913	7,859,098
Investment income	52,812	365,854	418,666
Unrealized loss on investments	28,044	194,274	222,318
Gain (loss) on sale of investments	43,454	301,029	344,483
Revenue recognized	(1,544,854)	(855,595)	(2,400,449)
Balance, March 31, 2019	**$ 5,568,226**	**$ 15,841,935**	**$ 21,410,160**

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, 2019, the Foundation had internally restricted funds for campus-based urgent aid funding, scholarships, bursaries and awards in the amount of $155,322 (2018 - $187,889) 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, 2019, the Foundation had cash of $1,775,725 (2018 - $1,952,035).

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 $2.0M (2018 - $1.3M). 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:

	2019		2018	
	Fair Value	**Cost**	Fair Value	Cost
Level 1				
Investments	**$ 2,755,760**	**$ 2,997,820**	-	-
Level 2				
Cash	**$ 1,775,725**	**$ 1,775,725**	$ 1,952,035	$ 1,952,035
Investments	**17,376,698**	**16,421,952**	13,086,324	12,645,774
Investments – Short Term	**-**	**-**	266,145	266,145
	$ 21,908,183	**$ 21,195,497**	$ 15,304,504	$ 14,863,954

Included in investments are amounts related to endowment totaling a fair value of $17,376,698 (2018-$13,086,324) and a cost of $16,421,952 (2018-$12,645,774).

c) Gain from fund distribution

During the year the Foundation received non-cash distributions on investments totaling $288,646 (2018 - $243,413). These distributions represent a distribution of units by the respective investments in lieu of cash.