

Financial Statements of

**CAMOSUN COLLEGE
FOUNDATION**

Year ended December 31, 2013

CAMOSUN COLLEGE FOUNDATION

Financial Statements

Year ended December 31, 2013

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Operations and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to Financial Statements	6



KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Camosun College Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Camosun College Foundation, which comprise the statement of financial position as at December 31, 2013, the statements of operations and changes in fund balances 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 accounting standards for not-for-profit organizations, 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 in our audit 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 Camosun College Foundation as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Page 2

Report on Other Legal and Regulatory Requirements:

As required by the Canada Corporations Act, we also report that, in our opinion, the accounting principles applied by the Camosun College Foundation have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Accountants

June 18, 2014
Victoria, Canada

CAMOSUN COLLEGE FOUNDATION

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Cash	\$ 519,443	\$ 158,424
Investments (2013 cost - \$15,968,915) (note 2)	16,985,808	15,124,885
Accrued interest receivable	83,131	82,288
Accounts receivable	12,105	13,428
Cash surrender value of life insurance policies (note 3)	402,146	400,673
Prepaid expenses		-
	<u>\$ 18,002,633</u>	<u>\$ 15,779,698</u>

Liabilities

Accounts payable and accrued liabilities	\$ 35,212	\$ 21,614
Payable to Camosun College	101,107	97,538
Deferred revenue		-
Accounts held in trust (note 4)	2,133,101	1,782,586
	<u>2,269,420</u>	<u>1,901,738</u>

Fund Balances

Restricted funds:		
Specific Purpose Fund - externally restricted	1,674,000	820,039
Endowment Investment Income Fund:		
Externally restricted	1,611,074	963,824
Internally restricted	309,979	184,283
Endowment Fund - externally restricted	10,354,413	10,137,496
BC Regional Innovation Chair:		
Endowment Fund - externally restricted	1,783,747	1,772,318
	<u>15,733,213</u>	<u>13,877,960</u>

Commitments (note 9)

	<u>\$ 18,002,633</u>	<u>\$ 15,779,698</u>
--	----------------------	----------------------

See accompanying notes to financial statements.

Approved by the Board:



Director



Director

CAMOSUN COLLEGE FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2013 with comparative information for 2012.

	2013		Restricted Funds				2012	
	Total	Operating Fund	Specific Purpose Fund	Endowment Investment Fund	Endowment Fund	BC Regional Innovation Chair Endowment Fund	Total	
Revenues:								
Donations	\$ 1,316,720	\$ -	\$ 1,103,402	\$ 31,379	\$ 181,939	\$ -	\$ 893,011	
Donations for the Pacific Institute for Sport Excellence ("PISE")	-	-	-	-	-	-	200,000	
Distributions from other foundations	74,703	-	-	74,703	-	-	73,106	
Gifts in kind	1,073,460	-	1,049,594	-	23,866	-	163,453	
Camosun College contribution	525,514	325,514	200,000	-	-	-	374,093	
Investment income	500,082	-	-	429,715	5,749	64,618	477,869	
Realized gain on disposal of investments	130,430	-	-	125,696	-	4,734	43,878	
Special events	32,378	-	32,378	-	-	-	-	
Increase in cash surrender value of life insurance policies and related distributions	1,473	-	-	-	1,473	-	13,779	
	3,654,760	325,514	2,385,374	661,493	213,027	69,352	2,239,189	
Expenses:								
Awards - payments to students (note 9)	685,387	-	281,781	403,606	-	-	681,392	
- Camosun Programs and Equipment	35,843	-	31,548	4,295	-	-	115,470	
- other	55,531	-	53,007	2,524	-	-	86,183	
Transfer to Camosun College re: PISE	-	-	-	-	-	-	200,000	
Transfer to Camosun College re: BCRIC Endowment	59,901	-	-	-	-	59,901	63,734	
Transfer of gifts in kind to Camosun College	1,040,503	-	1,040,503	-	-	-	130,260	
Special events	16,890	-	16,890	-	-	-	-	
Realized loss on disposal of investments	-	-	-	-	-	-	1,906	
Salaries and employee benefits	285,007	285,007	-	-	-	-	330,446	
Campaign support	106,809	-	106,809	-	-	-	-	
Professional fees	95,700	12,067	-	74,182	-	9,451	74,323	
Office and administration	28,440	28,440	-	-	-	-	31,606	
Life insurance premiums	632	-	-	-	632	-	1,530	
	2,410,643	325,514	1,530,538	484,607	632	69,352	1,716,850	
Excess of revenues over expenses before undernoted	1,244,117	-	854,836	176,886	212,395	-	522,339	
Unrealized gain on investments held	611,137	-	-	599,708	-	11,429	136,722	
Excess of revenues over expenses	1,855,254	-	854,836	776,594	212,395	11,429	659,061	
Interfund transfers	-	-	(874)	(3,648)	4,522	-	-	
Net change in fund balances	1,855,254	-	853,962	772,946	216,917	11,429	659,061	
Fund balances, beginning of year	13,877,959	-	820,038	1,148,107	10,137,496	1,772,318	13,218,899	
Fund balances, end of year	\$ 15,733,213	\$ -	\$ 1,674,000	\$ 1,921,053	\$ 10,354,413	\$ 1,783,747	\$ 13,877,960	

CAMOSUN COLLEGE FOUNDATION

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 1,855,254	\$ 659,061
Unrealized gains	(611,137)	(136,722)
Realized gains	(130,430)	(43,878)
Cash surrender value of life insurance policies (note 3)	(1,473)	(13,279)
	<u>1,112,214</u>	<u>465,182</u>
Change in non-cash operating working capital:		
Accrued interest receivable	(843)	5,683
Accounts receivable	1,323	6,447
Prepaid expenses	-	-
Accounts payable and accrued liabilities	13,598	4,124
Payable to Camosun College	3,569	(35,909)
	<u>1,129,861</u>	<u>445,527</u>
Cash flows from investing activities:		
Purchase of investments	(4,776,351)	(3,923,256)
Proceeds from dispositions of investments	3,656,994	3,124,110
Increase in funds held in trust	350,515	338,998
	<u>(768,842)</u>	<u>(460,148)</u>
Increase (decrease) in cash	361,019	(14,621)
Cash, beginning of year	158,424	173,045
Cash, end of year	\$ 519,443	\$ 158,424
Supplemental cash flow information:		
Non-cash operating and investing activities:		
In-kind contributions of investments	\$ 32,957	\$ 33,192
In-kind contributions transferred to Camosun College	1,040,503	130,260

See accompanying notes to financial statements.

CAMOSUN COLLEGE FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

The Camosun College Foundation (the "Foundation") is registered as a charity under the Income Tax Act and is incorporated under Part II of the Canada Corporations Act. The Foundation was created to assist Camosun College to expand its educational services in areas not funded by government. The Foundation's main purpose is to provide financial aid to the students of Camosun College.

The Foundation provides the opportunity for individuals, corporations and associations to become involved in post-secondary education through contributions that support college students, programs and services.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

(a) Fund accounting:

The Foundation receives support from various donors and allows for restrictions on the use of the donations. These are recorded in the following funds:

Operating Fund:

The Operating Fund includes operating revenues and expenses of the Foundation. This fund reports unrestricted revenues and restricted operating contributions.

Restricted Funds:

- (i) The Specific Purpose Fund includes donations for which the donor has specified certain specific uses such as bursaries, scholarships and equipment acquisitions.
- (ii) The Endowment Investment Income Fund includes investment income, defined as interest and dividends, earned on the Endowment Fund, related portfolio management fees and the awards granted from this income. Realized and unrealized capital gains (losses) are also recorded in the Endowment Investment Income Fund and are used for general purposes consistent with the framework governing endowment funds. In addition, the fund includes distributions received from endowments held at other foundations where the Camosun College Foundation is the beneficiary.

CAMOSUN COLLEGE FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

1. Significant accounting policies (continued):

(a) Fund accounting (continued):

Endowment Fund:

The Endowment Fund includes donations for which the Foundation and/or the donor have specified that the principal is to be held intact in perpetuity. Also included is the cash surrender value of life insurance policies owned by the Foundation.

BC Regional Innovation Chair Endowment Fund:

The BC Regional Innovation Chair Endowment Fund ("BCRIC") was established with a capital contribution to Camosun College of \$1,250,000 by the Leading Edge Endowment Fund ("LEEF") in December 2007. Camosun College designated the Foundation as the trustee for BCRIC. The Foundation agreed to raise funds to match the \$1,250,000 and made an initial contribution of \$300,000 toward the needed \$1.25M and committed to raise the balance of \$950,000 at a rate of \$190,000 a year for five years, ending in November 2012.

As fundraising efforts had not been successful by the date of the first annual commitment, the Foundation advanced \$190,000 to BCRIC with the intent that, as additional funds were raised, the Foundation's advance would be repaid. Fund raising conditions since 2008 have been such that the Foundation has not been able to raise the needed funds.

The principal has been invested and is to be held in perpetuity. The net investment income is used to support the BC Regional Innovation Chair in Sport Technology at Camosun College.

(b) Investments:

Investments are recorded at fair value. Transaction costs are charged to the statement of operations as incurred.

The change in the difference between the fair value and book value of investments at the beginning and end of each year is recorded in the statement of operations.

The fair value of fixed income securities and equities is determined by the closing bid price for these securities on the last trading date of the year.

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

CAMOSUN COLLEGE FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

1. Significant accounting policies (continued):

(c) Investment transactions and income recognition:

Investment transactions are accounted for as of the trade date. Dividend and interest income are recorded on the accrual basis, with dividends recorded as of the ex-dividend date. Realized gains and losses from investment transactions and unrealized gains or losses of investments are calculated on a weighted-average cost basis.

(d) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions. Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund.

(e) Contributions:

Gifts in kind designated for Camosun College are recorded at their estimated fair market value on date of receipt, except for contributions of art and collectibles which are recorded at nominal values of \$1 until realization of cash proceeds from the sale of such items. Contributed materials and services, including accounting and administrative services provided by Camosun College, are not recorded in the financial statements.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

CAMOSUN COLLEGE FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

2. Investments:

		2013	2012
	Cost	Fair value	Fair value
Cash held at broker	\$ 72,057	\$ 72,057	\$ 15,620
Fixed income securities, with effective interest rates of 2.0% to 7.4% (2012 - 1.5% to 7.4%), maturing between 2014 and 2108	8,089,702	8,224,165	8,260,182
Common shares	6,261,661	7,235,874	5,667,055
Preferred shares	1,545,495	1,453,712	1,182,028
	\$15,968,915	\$16,985,808	\$15,124,885

At December 31, 2013, the Foundation held shares denominated in foreign currencies with a fair value of \$1,650,104 (2012 - \$1,063,151).

Investment income is comprised of the following:

	2013	2012
Interest	\$ 300,014	\$ 332,412
Dividends	262,240	204,482
Subtotal	562,254	536,894
Less investment income allocated to the Camosun College Student Society Building Trust Fund	(62,172)	(59,025)
	\$ 500,082	\$ 477,869

3. Life insurance policies:

	Cash surrender value	Face value
Balance, December 31, 2012	\$ 400,673	\$ 916,006
Net increase (decrease)	1,473	(16,316)
Balance, December 31, 2013	\$ 402,146	\$ 899,690

CAMOSUN COLLEGE FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

3. Life insurance policies (continued):

Supplementary information:

	2013	2012
Premiums paid by other parties	\$ 1,774	\$ 1,530
Total premiums paid	\$ 1,774	\$ 1,530

In addition, during the year premiums were charged directly to the cash surrender value of the policy totaling \$2,039 (2012 - \$2,283).

4. Accounts held in trust:

	2013	2012
Camosun College Student Society Building Trust Fund	\$ 2,133,101	\$ 1,782,586

The Foundation manages funds in trust for the Camosun College Student Society. During the year the Foundation allocated \$62,172 (2012 - \$59,025) in investment income and \$11,657 (2012 - \$9,027) in management fee expenses to the funds held in trust.

5. Other endowment funds:

The Foundation is entitled to distributions from endowment funds held at other foundations:

Vancouver Foundation - Camosun College Foundation Endowment Fund	\$ 800,000
Victoria Foundation - Edward Joseph Harrison Fund for Camosun College	1,000,000
	\$ 1,800,000

Distributions recognized from endowment funds held at other foundations were as follows:

	2013	2012
Vancouver Foundation - Camosun College Foundation Endowment Fund	\$ 37,501	\$ 36,721
Victoria Foundation - Edward Joseph Harrison Fund for Camosun College	37,202	36,385
	\$ 74,703	\$ 73,106

CAMOSUN COLLEGE FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

5. Other endowment funds (continued):

(a) Vancouver Foundation:

In 1984 the Camosun College Foundation Endowment Fund was established at the Vancouver Foundation and, in accordance with the provisions of the Vancouver Foundation Act, the Fund is held permanently by the Vancouver Foundation.

The income of the Fund is received by the Foundation quarterly. The Board of the Foundation has approved that this income be disbursed for scholarships, bursaries and other educational purposes.

(b) Victoria Foundation:

The Foundation is to receive all of the annual distributions from the Edward Joseph Harrison Fund for Camosun College to provide scholarships and other assistance to needy students.

The income of the Fund is received by the Foundation semi-annually. The Victoria Foundation operates the Fund which was established with a \$1,000,000 donation from Mr. Edward Joseph Harrison.

6. Other information:

Gaming revenue:

Gaming revenue is included in specific purpose revenue. In accordance with the BC Ministry of Government Services Public Gaming Branch's directive, gaming proceeds and disbursements are as follows:

	2013	2012
Opening balance	\$ 1,008	\$ 1,005
Net gaming revenue	1,200	1,003
Charitable expenses	(2,200)	(1,000)
Ending balance per gaming report	\$ 8	\$ 1,008

7. Financial instruments:

(a) Interest rate risk:

The Foundation's exposure to interest rate risk relates to its investments in fixed income securities. The fair value of these securities is directly impacted by changes in interest rates.

(b) Foreign exchange risk:

The Foundation holds investments in securities traded on foreign stock exchanges which are subject to foreign exchange risk (note 2).

CAMOSUN COLLEGE FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

7. Financial instruments (continued):

(c) Credit risk:

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. For cash, investments, accounts receivable, and cash surrender value of life insurance policies, the Foundation's credit risk is limited to the carrying value on the balance sheet.

The Foundation manages the risk associated with the concentration of credit risk through its policy of investing in instruments issued by high credit quality financial institutions.

8. Interfund transfers:

	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	BC Regional Innovation Chair Endowment Fund
Redesignation of gifts	\$ (874)	\$ (3,648)	\$ 4,522	\$ -

9. Commitments:

During the year, the Foundation's board approved a maximum disbursement of \$425,000 for student awards and bursaries for the period September 2013 to April 2014. Of this amount \$232,763 was disbursed in November 2013 and the remaining \$192,237 was disbursed subsequent to December 31, 2013.

10. Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.