

Financial Statements of

**CAMOSUN COLLEGE
FOUNDATION**

Years ending December 31, 2012 and 2011

CAMOSUN COLLEGE FOUNDATION

Financial Statements

Years ending December 31, 2011 and 2012

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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 statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations and changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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 audits 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, 2012 and December 31, 2011 and January 1, 2011, and its results of operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.



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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.

KPMG LLP

Chartered Accountants

April 18, 2013
Victoria, Canada

CAMOSUN COLLEGE FOUNDATION

Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011
Assets			
Cash	\$ 158,424	\$ 173,045	\$ 303,188
Investments (2012 cost - \$14,719,130) (note 2)	15,124,885	14,145,139	13,416,756
Accrued interest receivable	82,288	87,971	96,942
Accounts receivable	13,428	19,875	311,164
Cash surrender value of life insurance policies (note 3)	400,673	387,394	376,381
Prepaid expenses	-	-	2,700
	\$ 15,779,698	\$ 14,813,424	\$ 14,507,131

Liabilities

Accounts payable and accrued liabilities	\$ 21,614	\$ 17,490	\$ 32,891
Payable to Camosun College	97,538	133,447	696,214
Deferred revenue	-	-	39,409
Accounts held in trust (note 4)	1,782,586	1,443,588	1,139,997
	1,901,738	1,594,525	1,908,511

Fund Balances

Restricted funds:			
Specific Purpose Fund - externally restricted	820,039	693,966	583,053
Endowment Investment Income Fund:			
Externally restricted	963,824	738,375	834,445
Internally restricted	184,283	140,405	73,504
Endowment Fund - externally restricted	10,137,496	9,885,133	9,351,559
BC Regional Innovation Chair:			
Endowment Fund - externally restricted	1,772,318	1,761,020	1,756,059
	13,877,960	13,218,899	12,598,620

Commitments (note 9)

	\$ 15,779,698	\$ 14,813,424	\$ 14,507,131
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See accompanying notes to financial statements.

Approved by the Board:

 Director

 Director

CAMOSUN COLLEGE FOUNDATION

Statements of Operations and Changes in Fund Balances

Years ended December 31, 2012 and 2011

	2012					2011 (Schedule 1)						
	Total	Operating Fund	Specific Purpose Fund	Investment Income Fund	Endowment Fund	BC Regional Innovation Chair Endowment Fund	Total	Operating Fund	Specific Purpose Fund	Investment Income Fund	Endowment Fund	Total
Revenues:												
Donations	893,011	-	622,018	25,920	244,073	-	-	-	-	-	-	1,059,290
Donations for the Pacific Institute for Sport Excellence ("PISE")	200,000	-	200,000	-	-	-	-	-	-	-	-	300,070
Distributions from other foundations (note 5)	73,106	-	-	73,106	-	-	-	-	-	-	-	70,811
Gifts in kind	163,453	-	143,296	647	19,510	-	-	-	-	-	-	99,765
Camosun College administrative support	374,093	374,093	-	-	-	-	-	-	-	-	-	443,516
Investment income (note 2)	536,894	-	-	465,958	5,296	65,640	-	-	-	-	-	490,846
Realized gain on disposal of investments	43,878	-	-	43,878	-	-	-	-	-	-	-	66,901
Special events	-	-	-	-	-	-	-	-	-	-	-	28,228
Increase in cash surrender value of life insurance policies and related distributions (note 3)	13,779	-	-	-	13,779	-	-	-	-	-	-	11,013
	2,298,214	374,093	965,314	610,509	282,658	65,640	-	-	-	-	-	2,570,440
Expenses:												
Awards - payments to students	681,392	-	370,451	310,941	-	-	-	-	-	-	-	588,100
- Camosun Programs and Equipment	115,470	-	111,985	3,485	-	-	-	-	-	-	-	112,067
- other	86,183	-	59,727	26,456	-	-	-	-	-	-	-	90,188
Transfer to Camosun College Student Society (note 4)	49,998	-	-	49,998	-	-	-	-	-	-	-	33,522
Transfer to Camosun College re: PISE	200,000	-	200,000	-	-	-	-	-	-	-	-	300,070
Transfer to Camosun College re: BCRIC Endowment	63,734	-	-	-	-	63,734	-	-	-	-	-	59,816
Transfer of gifts in kind to Camosun College	130,260	-	130,260	-	-	-	-	-	-	-	-	75,849
Special events	-	-	-	-	-	-	-	-	-	-	-	27,468
Realized loss on disposal of investments	1,906	-	-	-	-	1,906	-	-	-	-	-	-
Salaries and employee benefits	330,446	330,446	-	-	-	-	-	-	-	-	-	403,331
Professional fees	83,350	12,041	-	71,309	-	-	-	-	-	-	-	79,023
Office and administration	31,606	31,606	-	-	-	-	-	-	-	-	-	28,444
Life insurance premiums (note 3)	1,530	-	-	-	1,530	-	-	-	-	-	-	1,826
	1,775,875	374,093	872,423	462,189	1,530	65,640	-	-	-	-	-	1,799,704
Excess of revenues over expenses before undemoted	522,339	-	92,891	148,320	281,128	-	-	-	-	-	-	770,736
Unrealized gain (loss) on investments held	136,722	-	-	125,424	-	11,298	-	-	-	-	-	(150,457)
Excess of revenues over expenses	659,061	-	92,891	273,744	281,128	11,298	-	-	-	-	-	620,279
Interfund transfers (note 8)	-	-	33,182	(4,417)	(28,765)	-	-	-	-	-	-	-
Net change in fund balances	659,061	-	126,073	269,327	252,363	11,298	-	-	-	-	-	620,279
Fund balances, beginning of year	13,218,899	-	693,966	878,780	9,885,133	1,761,020	-	-	-	-	-	12,598,620
Fund balances, end of year	\$ 13,877,960	\$ -	\$ 820,039	\$ 1,148,107	\$ 10,137,496	\$ 1,772,318	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,218,899

See accompanying notes to financial statements

CAMOSUN COLLEGE FOUNDATION

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 659,061	\$ 620,279
Unrealized losses (gains)	(136,722)	150,457
Realized gains	(43,878)	(66,901)
Cash surrender value of life insurance policies (note 3)	(13,279)	(11,013)
	<u>465,182</u>	<u>692,822</u>
Change in non-cash operating working capital:		
Accrued interest receivable	5,683	8,971
Accounts receivable	6,447	291,289
Prepaid expenses	-	2,700
Accounts payable and accrued liabilities	4,124	(15,401)
Payable to Camosun College	(35,909)	(562,767)
Deferred revenue	-	(39,409)
	<u>445,527</u>	<u>378,205</u>
Cash flows from investing activities:		
Purchase of investments	(3,923,256)	(4,461,589)
Proceeds from dispositions of investments	3,124,110	3,649,650
Increase in funds held in trust	338,998	303,591
	<u>(460,148)</u>	<u>(508,348)</u>
Decrease in cash	(14,621)	(130,143)
Cash, beginning of year	173,045	303,188
Cash, end of year	<u>\$ 158,424</u>	<u>\$ 173,045</u>
Supplemental cash flow information:		
Non-cash operating and investing activities:		
In-kind contributions of investments	\$ 33,192	\$ 23,916
In-kind contributions transferred to Camosun College	130,260	75,849

See accompanying notes to financial statements.

CAMOSUN COLLEGE FOUNDATION

Notes to Financial Statements

Years ended December 31, 2012 and 2011

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.

On January 1, 2012, the Foundation adopted Canadian Accounting Standards for Not-For-Profit Organizations ("ASNPO") in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with ASNPO.

In accordance with the transitional provisions in ASNPO, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying ASNPO.

There were no transitional adjustments required to net assets or excess of revenue over expenses from the adoption of ASNPO.

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 CICA 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

Years ended December 31, 2012 and 2011

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

Years ended December 31, 2012 and 2011

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

Years ended December 31, 2012 and 2011

2. Investments:

	2012	2011
	Fair value	Fair value
Cash held at broker	\$ 15,620	\$ 39,112
Fixed income securities, with effective interest rates of 1.5% to 7.4% (2011 - 1.5% to 6.25%), maturing between 2013 and 2108	8,260,182	8,677,159
Common shares	5,667,055	4,551,428
Preferred shares	1,182,028	877,440
	<u>\$ 15,124,885</u>	<u>\$ 14,145,139</u>

Investment income is comprised of the following:

	2012	2011
Interest	\$ 332,412	\$ 346,625
Dividends	204,482	144,221
	<u>\$ 536,894</u>	<u>\$ 490,846</u>

3. Life insurance policies:

	Cash surrender value	Face value
Balance, December 31, 2011	\$ 387,394	\$ 869,622
Net increase (decrease)	13,279	46,384
Balance, December 31, 2012	<u>\$ 400,673</u>	<u>\$ 916,006</u>

Supplementary information:

	2012	2011
Premiums paid by other parties	\$ 1,530	\$ 1,826
Total premiums paid	<u>\$ 1,530</u>	<u>\$ 1,826</u>

In addition, during the year premiums were charged directly to the cash surrender value of the policy totaling \$2,283 (2011 - \$2,039).

CAMOSUN COLLEGE FOUNDATION

Notes to Financial Statements

Years ended December 31, 2012 and 2011

4. Accounts held in trust:

	2012	2011
Camosun College Student Society Building Trust Fund	\$ 1,782,586	\$ 1,443,588

The Foundation manages funds in trust for the Camosun College Student Society. During the year the Foundation allocated \$59,025 (2011 - \$40,819) in investment income and \$9,027 (2011 - \$7,297) 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:

	2012	2011
Vancouver Foundation - Camosun College Foundation Endowment Fund	\$ 36,721	\$ 36,181
Victoria Foundation - Edward Joseph Harrison Fund for Camosun College	36,385	34,630
	\$ 73,106	\$ 70,811

(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.

CAMOSUN COLLEGE FOUNDATION

Notes to Financial Statements

Years ended December 31, 2012 and 2011

5. Other endowment funds (continued):

(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:

	2012	2011
Opening balance	\$ 1,005	\$ -
Net gaming revenue	1,003	1,100
Charitable expenses	(1,000)	(95)
Ending balance per gaming report	\$ 1,008	\$ 1,005

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. At December 31, 2012, the Foundation held shares dominated in foreign currencies with a fair value of \$1,063,151 (2011 - \$823,517).

(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.

CAMOSUN COLLEGE FOUNDATION

Notes to Financial Statements

Years ended December 31, 2012 and 2011

8. Interfund transfers:

	Specific Purpose Fund	Endowment Investment Income Fund	Endowment Fund	BC Regional Innovation Chair Endowment Fund
Redesignation of gifts	\$ 33,182	\$ (4,417)	\$ (28,765)	\$ -

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 2012 to April 2013. Of this amount \$280,075 was disbursed in November 2012 and the remaining \$144,925 was disbursed subsequent to December 31, 2012.

10. Comparative figures:

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