

Algoma University Foundation
Financial Statements
For the year ended April 30, 2010

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Tel: 705 945 0990
Fax: 705 942 7979
Toll-free: 800 520 3005
www.bdo.ca

BDO Canada LLP
747 Queen Street E
PO Box 1109
Sault Ste. Marie ON P6A 5N7 Canada

Auditors' Report

To the Board of Directors of Algoma University Foundation

We have audited the statement of financial position of Algoma University Foundation as at April 30, 2010 and the statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As management has not provided us with an appraisal of artwork, we were unable to satisfy ourselves concerning the valuation of the investment in other assets (artwork). Accordingly, we were not able to determine whether any adjustments might be necessary to other assets (artwork), net assets and excess of revenue over expenses.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the valuation of the investments in other assets (artwork), these financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
August 20, 2010

Algoma University Foundation
Statement of Financial Position

April 30	2010	2009
Assets		
Cash	\$ 163,754	\$ 23,595
Marketable securities (Note 2)	2,688,555	2,444,851
Other assets	<u>355,649</u>	<u>355,649</u>
	\$ 3,207,958	\$ 2,824,095
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 4,995	\$ 3,496
Due to Algoma University (Note 3)	251,798	85,584
Scholarship funds held in trust (Note 2)	<u>42,947</u>	<u>44,078</u>
	299,740	133,158
Deferred campaign contributions (Note 4)	<u>74,114</u>	-
	<u>373,854</u>	<u>133,158</u>
Net assets		
Invested in other assets	355,649	355,649
Endowment funds	2,615,134	2,318,709
Non-endowment funds	<u>(136,679)</u>	<u>16,579</u>
	<u>2,834,104</u>	<u>2,690,937</u>
	\$ 3,207,958	\$ 2,824,095

On behalf of the Board:

_____ Director

_____ Director

Algoma University Foundation Statement of Changes in Net Assets

For the year ended April 30, 2010

	Invested in other assets	Endowment funds	Non-endowment funds	Total
Balance at April 30, 2008	\$ 355,649	\$ 2,380,062	\$ 97,014	\$ 2,832,725
Change in unrealized loss on marketable securities	-	(154,857)	(11,008)	(165,865)
Excess (deficiency) of revenues over expenses (Note 6)	-	93,504	(69,427)	24,077
Balance at April 30, 2009 (Note 6)	355,649	2,318,709	16,579	2,690,937
Endowment contributions	-	19,090	-	19,090
Change in unrealized loss on marketable securities	-	117,947	11,412	129,359
Excess (deficiency) of revenue over expenses	-	159,388	(164,670)	(5,282)
Balance at April 30, 2010	\$ 355,649	\$ 2,615,134	\$ (136,679)	\$ 2,834,104

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Algoma University Foundation Statement of Operations

For the year ended April 30	2010	2009
Revenue		
Cash donations	\$ 215,913	\$ 180,875
Service dinner	36,258	-
Golf tournament	39,530	39,675
	291,701	220,550
Investment income	72,914	79,524
Capital gain on investments	7,617	4,488
Municipal grant	40,000	40,000
	412,232	344,562
Expenses		
Capital campaign:		
- Design fees	2,358	-
- Donor and volunteer recognition	3,632	-
- Meetings	9,338	220
- Office supplies	1,357	665
- Recruitment	59	282
- Salaries and benefits	180,298	102,509
- Software	2,734	8,615
Donations to Algoma University	28,842	26,735
Golf tournament	8,227	7,823
Other	2,891	2,865
Professional fees	15,982	10,118
Scholarships	145,416	160,653
Service dinner	16,380	-
	417,514	320,485
Excess (deficiency) of revenue over expenses	\$ (5,282)	\$ 24,077

Algoma University Foundation
Statement of Cash Flows

For the year ended April 30	2010	2009
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	\$ (5,282)	\$ 24,077
Changes in non-cash working capital balances		
Due to/from Algoma University College	166,214	92,313
Accounts payable and accrued liabilities	1,499	2
Scholarship funds held in trust	(1,131)	(7,405)
Deferred campaign contributions	74,114	-
	<u>235,414</u>	<u>108,987</u>
Cash flows from investing activities		
Increase in marketable securities	(243,704)	(195,418)
Change in unrealized gain on marketable securities	129,359	(165,865)
	<u>(114,345)</u>	<u>(361,283)</u>
Cash flows from financing activities		
Endowment contribution received	19,090	-
	<u>140,159</u>	<u>(252,296)</u>
Increase (decrease) in cash and cash equivalents for the year	140,159	(252,296)
Cash and cash equivalents, beginning of year	23,595	275,891
Cash and cash equivalents, end of year	\$ 163,754	\$ 23,595

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Algoma University Foundation Summary of Significant Accounting Policies

April 30, 2010

Nature of Operations	The Foundation is engaged in fundraising and related activities for the purpose of providing scholarships to students of Algoma University and other funding to Algoma University. The Foundation is registered as a charity under the Income Tax Act.
Other Assets	Other assets consists of donated paintings and other pieces of art. These assets are recorded at fair value at the date of contribution, being the appraised value.
Ontario Student Opportunities Trust Fund	The Ministry of Training, Colleges and Universities established this program whereby funds raised under this program were matched by the Ministry. Interest earned on the balance of unallocated funds will provide bursaries to qualifying students.
Revenue Recognition	The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
Restrictions on Net Assets	The net assets restricted for endowment purposes of \$ 2,615,134 is subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income earned annually is unrestricted and available for distribution.
Scholarships	Scholarships are recorded as an expenditure when the conditions of the award are satisfied.
Use of Estimates	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.
Capital Assets	Capital assets are not recorded on the balance sheet. Expenditures for capital assets in the year are recorded as expenses and disclosed in the statement of operations. Capital assets consist of furniture and equipment.

Algoma University Foundation Summary of Significant Accounting Policies

April 30, 2010

Financial Instruments

The Foundation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Foundation's accounting policy for each category is as follows:

a) Held-for-trading

Financial instruments are classified under this category if they are:

- i) acquired principally for the purpose of selling or repurchasing in the near term;
- ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- iii) a derivative, except for a derivative that is a financial guarantee contract or a designated effective hedging instrument; or
- iv) designated at fair value using the fair value option ("FVO")

Financial instruments cannot be transferred into or out of the held for trading category after inception. For designation at fair value using the FVO option, reliable fair values must be readily available.

Financial instruments included in this category are cash and short term deposits. These instruments are carried in the statement of financial position at fair value with changes in fair value recognized in the Statement of Operations. Transaction costs related to instruments classified as held for trading are expensed as incurred.

b) Loans and receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets. These financial instruments are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are included in the amount initially recognized. Currently no instruments have been classified as loans and receivables.

c) Available for sale

Available for sale assets are non-derivative financial assets that are designated as available for sale or are not categorized into any of the other categories described above. Marketable securities have been classified as available for sale. When they have a quoted market price in an active market, they are carried at fair value with changes in fair value recognized in the Statement of Changes in Net Assets. When they do not have a quoted market price in an active market, they are carried at cost. Where a decline in the fair value is determined to be other than temporary, the amount of the loss is removed from the fund balance and recognized in the Statement of Operations. Transaction costs related to available for sale investments are included in the amount initially recognized.

Algoma University Foundation Summary of Significant Accounting Policies

April 30, 2010

Financial Instruments

d) Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accrued liabilities, scholarship funds held in trust and due to Algoma University. These instruments are initially recognized at fair value including direct and incremental transaction costs. They are subsequently measured at amortized cost using the effective interest rate method.

Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Algoma University Foundation
Notes to Financial Statements

April 30, 2010

1. Ontario Student Opportunities Trust Fund

	2010	2009
Trust Fund I		
Balance, beginning of the year, as previously stated	\$ 406,630	\$ 487,976
Investment income	11,861	16,756
Bursaries awarded	(6,650)	(39,600)
Administrative expenses	(6,218)	(4,525)
Change in unrealized loss on marketable securities	39,274	(53,977)
	\$ 444,897	\$ 406,630
 Trust Fund II		
Balance, beginning of the year, as previously stated	\$ 1,121,492	\$ 984,842
Funds received	152,197	121,694
Investment income	41,464	32,522
Bursaries awarded	(20,200)	(17,566)
	\$ 1,294,953	\$ 1,121,492

2. Marketable securities

	Cost	Market Value
Cash at broker	\$ 4,104	\$ 4,104
GIC, 4.45%, maturing May 18, 2010	41,374	41,374
GIC, 4.55%, maturing June 22, 2010	79,600	79,600
GIC, 4.30%, maturing February 25, 2011	100,000	100,000
GIC, 4.35%, maturing February 25, 2011	100,000	100,000
GIC, 2.15%, maturing June 10, 2011	89,147	89,147
GIC, 4.55%, maturing June 20, 2011	100,000	100,000
GIC, 4.50%, maturing February 27, 2012	110,650	110,650
GIC, 4.50%, maturing February 27, 2012	100,000	100,000
GIC, 4.50%, maturing February 27, 2012	85,235	85,235
GIC, 3.65%, maturing January 23, 2013	90,000	90,000
GIC, 3.30%, maturing March 26, 2013	62,194	62,194
GIC, 3.30%, maturing March 26, 2013	62,194	62,194
GIC, 4.57%, maturing June 11, 2013	83,206	83,206
GIC, 4.00%, maturing January 23, 2014	50,000	50,000
GIC, 3.77%, maturing January 23, 2014	90,000	90,000
GIC, 3.75%, maturing January 23, 2014	67,977	67,977
Altamira High Interest Cash Performer (100)	132,785	132,785
Scotia Money Market Fund	18,576	18,725
Scotia Money Market Fund	107,564	107,790
Accrued Interest	20,952	20,952
Bonavista Asset Management Balanced Fund	1,171,935	1,092,622
	\$ 2,767,493	\$ 2,688,555

Marketable securities include investments with a market value of \$42,947 related to scholarship funds held by the foundation on behalf of others.

Algoma University Foundation Notes to Financial Statements

April 30, 2010

3. Related party transactions

Amounts due to/from Algoma University result from Algoma University paying expenses and Scholarships on behalf of the Foundation. These amounts are due on demand and not subject to interest.

4. Deferred campaign contributions

	<u>2010</u>	<u>2009</u>
Bioscience Centre	\$ 13,544	\$ -
Fine Arts & Music Wing	20,667	-
Other	<u>39,903</u>	-
	<u>\$ 74,114</u>	<u>\$ -</u>

5. Capital disclosure

The Foundation considers its capital to be its net assets, restricted and unrestricted. Its restricted net assets consist of amounts restricted for student purposes and amounts invested in other assets. The Foundation's objectives when managing its capital are to safeguard its ability to continue as a going concern and to continue to provide scholarships and bursaries to students. Annual budgets are developed and compared to actual results as the year unfolds to ensure the organization's capital is maintained at an appropriate level.

6. Error correction

During the year, it was determined that a contribution which had been recognized as an endowment contribution in the prior year was actually a contribution to Ontario Student Opportunities Trust Fund (Ontario Trust for Student Support). As a result, donation revenue was understated, excess (deficiency) of revenue over expenses was understated, net assets in endowment funds were overstated and net assets in non-endowment funds were understated. The financial statement amounts that are presented for comparative purposes have been restated to correct this error as follows:

Increase in cash donation revenue	19,215
Increase in non-endowment funds	19,215
Decrease in endowment funds	(19,215)