

**Algoma University Foundation**  
**Financial Statements**  
For the year ended April 30, 2012

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## Independent Auditor's Report

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### To the Board of Directors of Algoma University Foundation

We have audited the accompanying financial statements of Algoma University Foundation, which comprise the statement of financial position as at April 30, 2012 and the statements of operations, change in net assets and cash flows for the year then ended, and 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 generally accepted accounting principles, 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.

#### **Auditor's 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 the auditor's 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, the auditor considers 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.

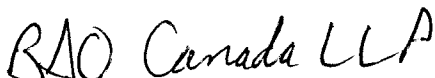
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### **Basis for Qualified Opinion**

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.

#### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Algoma University Foundation as at April 30, 2012 and the results of its operations, change in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



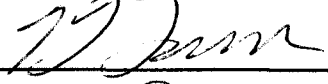

Chartered Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario  
November 29, 2012

**Algoma University Foundation**  
**Statement of Financial Position**

April 30	2012	2011
<b>Assets</b>		
Cash	\$ 400,825	\$ 134,106
Investments (Note 2)	3,118,075	3,130,352
Prepaid expenses	219	5,353
Other assets	355,649	355,649
	<b>\$ 3,874,768</b>	<b>\$ 3,625,460</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 6,398	\$ 4,996
Due to Algoma University (Note 3)	236,637	197,472
Scholarship funds held in trust	34,081	39,133
Deferred golf tournament revenue	3,250	11,650
Deferred campaign contributions (Note 4)	474,979	169,657
	<b>755,345</b>	<b>422,908</b>
<b>Net Assets</b>		
Invested in other assets	355,649	355,649
Endowment funds	3,249,180	3,139,497
Non-endowment funds	(485,406)	(292,594)
	<b>3,119,423</b>	<b>3,202,552</b>
	<b>\$ 3,874,768</b>	<b>\$ 3,625,460</b>

On behalf of the Board:

 <hr style="border: 0.5px solid black;"/>	Director
 <hr style="border: 0.5px solid black;"/>	Director

## Algoma University Foundation Statement of Changes in Net Assets

**For the year ended April 30, 2012**

	Invested in other assets	Endowment funds	Non-endowment funds	Total
Balance at April 30, 2010	\$ 355,649	\$ 2,615,134	\$ (136,679)	\$ 2,834,104
Endowment contributions	-	76,676	-	76,676
Change in unrealized loss on marketable securities	-	(79,146)	(4,555)	(83,701)
Excess (deficiency) of revenues over expenses	-	526,833	(151,360)	375,473
<b>Balance at April 30, 2011</b>	<b>355,649</b>	<b>3,139,497</b>	<b>(292,594)</b>	<b>3,202,552</b>
<b>Endowment contributions</b>	<b>-</b>	<b>72,126</b>	<b>-</b>	<b>72,126</b>
<b>Change in unrealized loss on marketable securities</b>	<b>-</b>	<b>(115,174)</b>	<b>(5,276)</b>	<b>(120,450)</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>-</b>	<b>152,731</b>	<b>(187,536)</b>	<b>(34,805)</b>
<b>Balance at April 30, 2012</b>	<b>\$ 355,649</b>	<b>\$ 3,249,180</b>	<b>\$ (485,406)</b>	<b>\$ 3,119,423</b>

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

**Algoma University Foundation**  
**Statement of Operations**

<b>For the year ended April 30</b>	<b>2012</b>	<b>2011</b>
<b>Revenue</b>		
Income		
Donations	\$ 263,315	\$ 464,211
Service dinner	51,225	45,500
Golf tournament	44,941	40,410
Alumni council fundraising	5	1,167
	<u>359,486</u>	551,288
Investment income	67,201	78,548
Capital gain on investments	58,271	182,198
Municipal grant	40,000	40,000
	<u>524,958</u>	852,034
<b>Expenses</b>		
Advertising	672	-
Alumni Council Fund	218	794
Capital campaign:		
- Advertising and promotion	7,486	13,007
- Design fees	9,359	2,728
- Donor and volunteer recognition	5,142	8,242
- Furniture and equipment	769	3,864
- Meetings	1,007	2,209
- Office supplies	1,482	6,734
- Professional development	2,869	3,466
- Recruitment	1,541	7,073
- Salaries and benefits	105,873	134,373
- Software	5,353	-
Donations to Algoma University	97,864	32,600
Golf tournament	10,282	8,973
Other	7,337	6,364
Professional fees	16,768	21,611
Scholarships	268,987	206,600
Service dinner	16,754	17,923
	<u>559,763</u>	476,561
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (34,805)</b>	<b>\$ 375,473</b>

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

**Algoma University Foundation**  
**Statement of Cash Flows**

<b>For the year ended April 30</b>	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ (34,805)	\$ 375,473
Changes in non-cash working capital balances		
Due to/from Algoma University College	39,165	(54,326)
Prepaid expenses	5,134	(5,353)
Accounts payable and accrued liabilities	1,402	1
Deferred golf tournament revenue	(8,400)	11,650
Scholarship funds held in trust	(5,052)	(3,814)
Deferred campaign contributions	305,322	95,543
	<u>302,766</u>	<u>419,174</u>
<b>Cash flows from investing activities</b>		
Decrease (increase) in investments	12,277	(441,797)
Change in unrealized gain on investments	(120,450)	(83,701)
	<u>(108,173)</u>	<u>(525,498)</u>
<b>Cash flows from financing activities</b>		
Endowment contribution received	72,126	76,676
	<u>72,126</u>	<u>76,676</u>
<b>Increase (decrease) in cash for the year</b>	<b>266,719</b>	<b>(29,648)</b>
<b>Cash, beginning of year</b>	<b>134,106</b>	<b>163,754</b>
	<u>134,106</u>	<u>163,754</u>
<b>Cash, end of year</b>	<b>\$ 400,825</b>	<b>\$ 134,106</b>

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

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## Algoma University Foundation Summary of Significant Accounting Policies

**April 30, 2012**

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<b>Nature of Operations</b>	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.
<b>Other Assets</b>	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.
<b>Ontario Student Opportunities Trust Fund</b>	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.
<b>Revenue Recognition</b>	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.
<b>Restrictions on Net Assets</b>	Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income earned annually is unrestricted and available for distribution.
<b>Scholarships</b>	Scholarships are recorded as an expenditure when the conditions of the award are satisfied.
<b>Use of Estimates</b>	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.
<b>Capital Assets</b>	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.
<b>New Accounting Pronouncements</b>	Recent accounting pronouncements that have been issued but are not yet effective and have potential implication for the Foundation are:  a) Accounting principles for Non-Profit Organizations (NPOs) The CICA has reviewed accounting for Non-Profit Organizations (NPOs) and has recommended that NPO's be allowed to choose between International Financial Reporting Standards, Accounting Standards for Private Enterprises with specific guidance for NPOs or Public Sector Accounting Standards with specific guidance for NPOs. The choice for each NPO will depend on the needs of the users of its financial statements. The revised requirements are effective for annual financial statements beginning on or after January 1, 2012.

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## Algoma University Foundation Summary of Significant Accounting Policies

**April 30, 2012**

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### **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:

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. Investments 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.



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## Algoma University Foundation Summary of Significant Accounting Policies

**April 30, 2012**

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### **Financial Instruments**

d) **Other financial liabilities**

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprise 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, 2012**

**1. Ontario Student Opportunities Trust Fund**

Included in endowment funds on the statement of financial position are the following:

	2012	2011
<b>Trust Fund I</b>		
Balance, beginning of the year, as previously stated	\$ 466,790	\$ 444,897
Investment income	16,834	40,503
Bursaries awarded	(17,100)	(750)
Administrative expenses	(3,608)	(4,440)
Change in unrealized loss on marketable securities	(17,459)	(13,420)
Balance, end of year	\$ 445,457	\$ 466,790
 <b>Trust Fund II</b>		
Balance, beginning of the year, as previously stated	\$ 1,708,096	\$ 1,294,953
Funds received	141,860	378,841
Investment income	61,482	117,881
Bursaries awarded	(50,500)	(31,600)
Administrative expenses	(13,202)	(12,921)
Change in unrealized gain (loss) on marketable securities	(63,882)	(39,058)
Balance, end of year	\$ 1,783,854	\$ 1,708,096

**2. Investments**

	Cost	Market Value
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
Accrued Interest	6,620	6,620
Bonavista Asset Management Balanced Fund	2,891,735	2,605,885
	\$ 3,403,926	\$ 3,118,076

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## Algoma University Foundation Notes to Financial Statements

**April 30, 2012**

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### 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.

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### 4. Deferred campaign contributions

	<u>2012</u>		<u>2011</u>
Bioscience Centre	\$ 7,798	\$	24,310
Fine Arts & Music Wing	42,235		22,510
Other	<u>424,946</u>		<u>122,837</u>
	<u>\$ 474,979</u>	\$	<u>169,657</u>

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### 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.

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### 6. Contingent liabilities

The Foundation is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of the administration, a liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the Foundation. Losses, if any, arising from these matters will be accounted for in the year in which they are resolved.