

Algoma University Foundation
Financial Statements
For the year ended April 30, 2014

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7



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Independent Auditor's Report

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, 2014 and the statements of operations, changes 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 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.

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, 2014, and the results of its operations, change in its net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
November 27, 2014

Algoma University Foundation
Statement of Financial Position

April 30 **2014** **2013**

Assets

Cash	\$ 700,480	\$ 218,328
Investments (Note 2)	4,547,779	3,571,863
Accounts receivable	2,550	-
Prepaid expenses	6,521	5,996
Other assets	355,649	355,649
	\$ 5,612,979	\$ 4,151,836

Liabilities

Accounts payable and accrued liabilities	\$ 4,995	\$ 4,995
Due to Algoma University (Note 3)	241,738	240,561
Funds held in trust	42,416	36,957
Deferred golf tournament revenue	-	5,000
Deferred campaign contributions (Note 4)	1,048,477	409,612
	1,337,626	697,125

Net Assets

Invested in other assets	355,649	355,649
Endowment funds	4,405,787	3,614,826
Non-endowment funds	(486,083)	(515,764)
	4,275,353	3,454,711
	\$ 5,612,979	\$ 4,151,836

On behalf of the Board:

 _____ Director

 _____ Director

Algoma University Foundation Statement of Changes in Net Assets

For the year ended April 30, 2014

	Invested in other assets	Endowment funds	Non-endowment funds	Total
Balance at April 30, 2012	\$ 355,649	\$ 3,249,180	\$ (485,406)	\$ 3,119,423
Endowment contributions	-	61,300	-	61,300
Change in unrealized loss on marketable securities	-	69,383	2,700	72,083
Excess (deficiency) of revenues over expenses	-	234,963	(33,058)	201,905
Balance at April 30, 2013	355,649	3,614,826	(515,764)	3,454,711
Endowment contributions	-	98,653	-	98,653
Change in unrealized loss on marketable securities	-	510,919	6,541	517,460
Excess of revenue over expenses	-	181,389	23,140	204,529
Balance at April 30, 2014	\$ 355,649	\$ 4,405,787	\$ (486,083)	\$ 4,275,353

The accompanying notes are an integral part of these financial statements.

Algoma University Foundation Statement of Operations

For the year ended April 30	2014	2013
Revenue		
Income		
Donations	\$ 465,650	\$ 781,909
Service dinner	62,385	31,750
Golf tournament	45,602	41,015
Other	1,364	135
	575,001	854,809
Investment income	84,533	119,414
Capital gain on investments	72,694	76,742
Municipal grant	40,000	40,000
	772,228	1,090,965
Expenses		
Capital campaign:		
- Advertising and promotion	723	450
- Donor and volunteer recognition	2,831	4,834
- Meetings	30	331
- Office supplies	661	12
- Professional development	6,658	8,450
- Recruitment	189	421
- Salaries and benefits	-	136
- Software	-	1,431
	11,092	16,065
Donations to Algoma University	295,041	646,539
Golf tournament	9,198	9,240
Other	2,509	4,438
Professional fees	27,260	15,620
Scholarships	197,303	184,041
Service dinner	25,296	13,117
	567,699	889,060
Excess of revenue over expenses	\$ 204,529	\$ 201,905

The accompanying notes are an integral part of these financial statements.

Algoma University Foundation Statement of Cash Flows

For the year ended April 30	2014	2013
Cash flows from operating activities		
Excess of revenue over expenses	\$ 204,529	\$ 201,905
Changes in non-cash working capital balances		
Accounts receivable	(2,550)	-
Due to/from Algoma University College	1,177	3,924
Prepaid expenses	(525)	(5,777)
Accounts payable and accrued liabilities	-	(1,403)
Deferred golf tournament revenue	(5,000)	1,750
Scholarship funds held in trust	5,459	2,876
Deferred campaign contributions	638,865	(65,367)
	841,955	137,908
Cash flows from investing activities		
Increase in investments	(975,916)	(453,788)
Change in unrealized gain on investments	517,460	72,083
	(458,456)	(381,705)
Cash flows from financing activities		
Endowment contribution received	98,653	61,300
Increase (decrease) in cash for the year	482,152	(182,497)
Cash, beginning of year	218,328	400,825
Cash, end of year	\$ 700,480	\$ 218,328

The accompanying notes are an integral part of these financial statements.

Algoma University Foundation

Notes to Financial Statements

April 30, 2014

1. Summary of significant accounting policies

- 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.
- Basis of Accounting** The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.
- 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.
- Endowment Funds** Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Net investment income earned is available for distribution according to the terms of the endowment.
- Scholarships** Scholarships are recorded as an expenditure when the conditions of the award are satisfied.
- 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.
- Other Assets** Other assets consist of 521 pieces of donated paintings and other pieces of art. These assets are recorded at fair value at the date of contribution, being the appraised value.
- 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.
- Financial Instruments** Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all balanced funds, and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Algoma University Foundation
Notes to Financial Statements

April 30, 2014

2. Investments

	Cost	Market Value
Bonavista Asset Management Balanced Fund	\$ 4,238,263	\$ 4,547,779

3. Due to Algoma University

Amounts due to or 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

	2014	2013
Essar Convergence Centre	\$ 294,591	\$ 75,233
Fine Arts & Music Wing	171,290	161,472
Other	582,596	172,907
	\$ 1,048,477	\$ 409,612

Changes in deferred campaign contributions during the year:

	2014	2013
Balance, beginning of the year	\$ 409,612	\$ 474,979
Donations	891,488	530,515
Withdrawals	(270,000)	(625,000)
Investment income	17,377	16,116
Other	-	13,002
	\$ 1,048,477	409,612

5. 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.

Algoma University Foundation Notes to Financial Statements

April 30, 2014

6. Ontario Student Opportunities Trust Fund

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

	2014	2013
Trust Fund I		
Balance, beginning of the year	\$ 478,198	\$ 445,457
Investment income	20,286	27,611
Bursaries awarded	(13,850)	(2,300)
Administrative expenses	(5,129)	(2,556)
Change in unrealized gain (loss) on marketable securities	67,499	9,986
	\$ 547,004	\$ 478,198
Trust Fund II		
Balance, beginning of the year	\$ 2,007,925	\$ 1,783,854
Funds received	161,081	117,146
Investment income	85,180	110,569
Bursaries awarded	(49,300)	(33,400)
Administrative expenses	(21,535)	(10,234)
Change in unrealized gain (loss) on marketable securities	283,423	39,990
	\$ 2,466,774	\$ 2,007,925

The Ministry of Training, Colleges and Universities established this program whereby funds raised under this program were matched by the Ministry. This program ended during 2013. Interest earned on the balance of unallocated funds will provide bursaries to qualifying students.

7. Operations

The Foundation is in the process of dissolution and will transfer all assets, liabilities and operations to Algoma University.

8. Financial instrument risks

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in the interest rates will affect the value of fixed income denominated investments.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The organization is exposed to fluctuations in equity markets on its long-term investments.

9. Subsequent event

The Foundation's board of directors plan to distribute all assets to Algoma University within the next fiscal period and afterward dissolve the Foundation.