

Holland College Foundation Inc.
Financial Statements
For the Year Ended March 31, 2021

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Independent Auditor's Report

To the Board of Directors of Holland College Foundation Inc.

Opinion

We have audited the financial statements of Holland College Foundation Inc. (the "Foundation"), which comprise the statement of financial position as at March 31, 2021, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2021, and its results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts reported in the records of the Foundation and we were not able to determine whether any adjustment might be necessary to donation revenue, excess of revenue over expenditures, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020 and fund balances as at April 1, 2021 and 2020 and March 31 for both 2021 and 2020. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Charlottetown, Prince Edward Island
June 23, 2021

Holland College Foundation Inc. Statement of Financial Position

March 31	Endowments	Trust Funds	2021 Total	2020 Total
Assets				
Current				
Cash	\$ 133,165	\$ 1,481,514	\$ 1,614,679	\$ 1,265,668
Accounts receivable	-	1,056	1,056	1,056
	133,165	1,482,570	1,615,735	1,266,724
Long-term investments	7,508,663	-	7,508,663	6,466,568
Due between funds (Note 2)	(179,329)	179,329	-	-
	\$ 7,462,499	\$ 1,661,899	\$ 9,124,398	\$ 7,733,292
Liabilities and Net Assets				
Current				
Accounts payable and accrued liabilities (Note 3)	\$ -	\$ 333,263	\$ 333,263	\$ 86,361
Payable to Holland College (Note 3)	-	130,852	130,852	130,852
	-	464,115	464,115	217,213
Net Assets				
Externally restricted	7,001,625	721,475	7,723,100	6,625,932
Internally restricted	460,874	-	460,874	404,870
Unrestricted	-	476,309	476,309	485,277
	7,462,499	1,197,784	8,660,283	7,516,079
	\$ 7,462,499	\$ 1,661,899	\$ 9,124,398	\$ 7,733,292

On behalf of the Board:  Director

 Director

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

**Holland College Foundation Inc.
Statement of Changes in Net Assets**

For the year ended March 31	Endowments	Trust Funds	2021 Total	2020 Total
Balance, beginning of the year	\$ 6,359,028	\$ 1,157,051	\$ 7,516,079	\$ 7,719,172
Excess of revenues over expenses	1,115,837	76,746	1,192,583	207,142
Change in unrealized gain (loss) on long-term investments	(48,379)	-	(48,379)	(410,235)
Interfund transfers (Note 2)	36,013	(36,013)	-	-
Balance, end of the year	\$ 7,462,499	\$ 1,197,784	\$ 8,660,283	\$ 7,516,079

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

Holland College Foundation Inc.
Statement of Operations

For the year ended March 31	Administrative	Endowments	Trust Funds	2021 Total	2020 Total
Revenue					
Grant - Holland College (Note 2)	\$ 346,782	\$ -	\$ -	\$ 346,782	\$ 377,607
Donation revenue	-	180,089	816,223	996,312	1,145,171
Investment income	-	1,194,180	9,181	1,203,361	352,260
	346,782	1,374,269	825,404	2,546,455	1,875,038
Expenses					
Expenditures (Note 5)	346,782	-	-	346,782	377,607
Projects	-	73,811	385,101	458,912	667,059
Student awards	-	184,621	363,557	548,178	623,230
	346,782	258,432	748,658	1,353,872	1,667,896
Excess of revenues over expenses	\$ -	\$ 1,115,837	\$ 76,746	\$ 1,192,583	\$ 207,142

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

Holland College Foundation Inc. Statement of Cash Flows

For the year ended March 31	2021	2020
Cash flows from operating activities		
Cash receipts from donations and grants	\$ 987,539	\$ 1,332,537
Cash paid to suppliers, employees and students	(760,189)	(1,380,449)
Interest received	107,331	195,248
	334,681	147,336
Cash flows from investing activities		
Purchase of investments	(388,277)	(802,511)
Proceeds on disposal of investments	402,607	644,752
	14,330	(157,759)
Net increase (decrease) in cash	349,011	(10,423)
Cash, beginning of the year	1,265,668	1,276,091
Cash, end of the year	\$ 1,614,679	\$ 1,265,668

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

Holland College Foundation Inc.

Notes to Financial Statements

March 31, 2021

1 .Significant Accounting Policies

Nature and Purpose of Organization	<p>The purpose of Holland College Foundation Inc. (the "Foundation") is to assist Holland College (the "College") in expanding its educational services by developing private sector financial support for College students, programs and facilities. Holland College Foundation Inc. is a registered charity incorporated under the laws of Prince Edward Island. The Foundation is exempt from tax under the Canadian Income Tax Act.</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
Fund Accounting	<p>The Foundation follows the restricted fund method of accounting for contributions.</p> <p>Endowments consist of restricted donations to the Foundation and internal allocations by the Board of Directors, the principal of which is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Directors. Foundation policy has been established with the objective of protecting the real value of the endowments by limiting the amount of income expended and reinvesting unexpended income.</p> <p>Trust funds consist of restricted donations to the Foundation and internal allocations by the Board of Directors with no restrictions on expending the principal of the fund. The use of such funds is anticipated to occur within a short period of time (usually within twelve months of receipt).</p> <p>The administration fund represents the basic operations of the Foundation.</p>
Cash and Short-term Investments	<p>Cash consist of cash balances held with banks and investment companies. Any income earned on these balances are reflected in investment income in the statement of operations and changes in fund balances.</p>
Long-term Investments	<p>Long-term investments are valued at fair market value. The income earned on these investments is reflected as revenue in the endowment funds. Unrealized gains and losses are recorded directly in the fund balances with the change in value since the previous year end reflected in the changes in fund balances.</p>

Holland College Foundation Inc. Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

Financial Instruments	<p>Financial instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, equities traded in an active market are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost. Financial assets are tested for impairment when indicators of impairment exist.</p>
Donations in Kind	<p>The Foundation determines the fair value of donations in kind based on appraisals or estimates at the date of donation for the purpose of issuing charitable donation receipts. Donations in kind are not reflected in the financial statements. The fair value of donated materials received in the year was \$91,901 (2020-\$30,821). These goods have been donated to Holland College.</p>
Revenue Recognition	<p>Donations and pledges are recognized as revenue when received. The Foundation does not accrue donations receivable in the financial statements.</p> <p>Investment income is recognized as revenue when earned. This usually occurs at the time revenue is payable to the Foundation in accordance with the terms of the investment.</p> <p>Operating grants are recognized in the period when received. Operating grants received for a future period are reported as deferred income, until that future period, when they are transferred to revenue.</p>
Contributed Services	<p>Volunteers contribute many hours each year to assist the Foundation in carrying out its mandate. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.</p>
Collection	<p>The Foundation holds the Miriam Ramsay Holland collection consisting of various paintings, drawings, etchings and written artifacts. The collection has an original appraised value of \$41,000. The Foundation received the items as a donation; however, it does not reflect the collection as an asset in the statement of financial position.</p>

Holland College Foundation Inc. Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

Pension Costs

Employees of the Foundation belong to the Holland College pension plan providing pension benefits for certain employees. Holland College maintains a contributory defined benefit pension plan, and contributions are made on behalf of employees and are included in employee benefits expense. The benefits are determined using a career average formula for service accrued subsequent to January 1, 2007 and best average formula for service accrued prior to that date.

2. Interfund Transfers

Due between Funds represents funds due to be transferred between Endowments and Trust Funds.

3. Related Entities

Holland College controls the Foundation as referred to in Note 1. All of the Foundation's net assets must be provided to or used for the benefit of the College or its students. At year end, amounts owing of \$130,852 (2020- \$130,852) to the College relate to fundraising costs paid by the College associated with a capital campaign. Additional amounts owing at year end of \$333,263 (2020- \$86,361) to the College relate to support for programs and facilities. The College also provides an annual operating grant for the administrative costs of the Foundation as reported in the Statement of Operations in the amount of \$346,782 (2020- \$377,607).

4. Pension Plan

The Foundation through Holland College makes contributions on behalf of its employees to a contributory defined benefit plan. The plan specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. The Foundation accounts for the plan as a defined contribution plan because certain information is not available, including the accrued benefit obligation and the plan's funded position as it pertains to Foundation employees. The amount contributed to the pension plan on behalf of Foundation employees was \$16,199 (2020- \$15,159) and is included in employee benefits expense in the Statement of Operations.

Holland College Foundation Inc.
Notes to Financial Statements

March 31, 2021

5. Expenditures

Expenditures	<u>2021</u>	<u>2020</u>
Advertising	\$ 8,201	\$ 8,968
Audit	6,782	3,094
Consulting	7,856	14,136
Donor Recognition	483	431
Materials and supplies	16,170	20,452
Memberships	3,402	2,718
Printing and photocopying	276	250
Postage and miscellaneous	10,455	9,584
Software	10,374	-
Telephone	2,734	3,271
Travel	165	4,995
Wages and Benefits	279,884	309,708
	<u>\$ 346,782</u>	<u>\$ 377,607</u>

Holland College Foundation Inc. Notes to Financial Statements

March 31, 2021

6. 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 Foundation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the fair value of its investments. This risk has decreased over the prior year as long term investments have increased.

Market Risk

The Foundation is exposed to fluctuations in equity markets on its long-term investments which are invested in various marketable securities. This risk has increased over the prior year as long term investments have increased.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Foundation's financial instruments that are exposed to concentration of credit risk relate primarily to cash. Of the \$1,609,930 in cash, one financial institution held \$1,577,099 of the total cash assets. The total cash held with this financial institution exceeded the maximum insurable amount from the Canada Deposit Insurance Corporation by \$1,477,099. This risk has increased over the prior year as cash has increased.

7. Comparative Figures

The comparative figures have been restated to conform to the current year's presentation.

8. Uncertainty due to COVID-19

The COVID-19 global pandemic has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. The Foundation's ability to generate earnings and cash flows are dependant on the continued ability to obtain donations and hold events. The Foundation's investments include a mix of fixed income and equity. These investments are reported in these financial statements at their fair values on March 31, 2021. The Foundation receives monthly reporting on the performance of the investments and expects that the change in market values will not negatively impact the Foundation.
