

Financial Statements of

**FANSHAWE COLLEGE FOUNDATION**

And Independent Auditors' Report thereon

Year Ended March 31, 2023

Financial Statements

March 31, 2023

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fanshawe College Foundation

### ***Opinion***

We have audited the financial statements of Fanshawe College Foundation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedules to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

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 auditor's report.

We are independent of the Entity 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 public sector accounting standards, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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.



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- 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 Entity'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 Entity'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 Entity 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.
- 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.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 26, 2023

# FANSHAWE COLLEGE FOUNDATION

## Statement of Financial Position

As at March 31, 2023, with comparative information for 2022

	2023	2022
<b>Assets</b>		
Current assets		
Cash	\$ 1,680,582	\$ 1,504,669
Accounts receivable (Note 8)	35,062	19,739
	<u>1,715,644</u>	<u>1,524,408</u>
Investments (Note 3)	29,202,281	28,819,719
	<u>\$ 30,917,925</u>	<u>\$ 30,344,127</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 715,359	\$ 422,806
Deferred contributions		
Restricted contributions (Schedule 2)	2,706,879	2,375,906
Net assets		
Endowments (Note 5 and Schedule 2)	27,202,650	27,281,521
Unrestricted	293,037	263,894
	<u>27,495,687</u>	<u>27,545,415</u>
	<u>\$ 30,917,925</u>	<u>\$ 30,344,127</u>

See accompanying notes to financial statements.

# FANSHAWE COLLEGE FOUNDATION

## Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue		
Restricted contributions	\$ 531,771	\$ 365,972
Other revenue		
Investment income	162,344	171,231
	<u>694,115</u>	<u>537,203</u>
Expenditures		
Student service (Schedule 1)	664,972	510,505
	<u>664,972</u>	<u>510,505</u>
Excess of revenue over expenditures	\$ 29,143	\$ 26,698

See accompanying notes to financial statements.

# FANSHAWE COLLEGE FOUNDATION

## Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	2023		2022	
	Endowments	Unrestricted	Endowments	Unrestricted
Balance, beginning of year	\$ 27,281,521	\$ 263,894	\$ 27,545,415	
Excess of revenue over expenditures	-	29,143		29,143
Endowments				
Donations	119,926	-	119,926	
Investment income	1,036,094	-	1,036,094	
Realized gain and fair value loss	(729,833)	-	(729,833)	
Awards	(505,066)	-	(505,066)	
Net transfers from the College	8	-	8	
Balance, end of year	\$ 27,202,650	\$ 293,037	\$ 27,495,687	

See accompanying notes to financial statements.

	2023		2022	
	Endowments	Unrestricted	Endowments	Unrestricted
Balance, beginning of year	\$ 27,535,507	\$ 237,196	\$ 27,772,703	
Excess of revenue over expenditures	-	26,698		26,698
Endowments				
Donations	174,430	-	174,430	
Investment income	1,325,287	-	1,325,287	
Realized and fair value gains	(1,141,897)	-	(1,141,897)	
Awards	(625,865)	-	(625,865)	
Net transfers from the College	14,059	-	14,059	
Balance, end of year	\$ 27,281,521	\$ 263,894	\$ 27,545,415	

See accompanying notes to financial statements.



# FANSHAWE COLLEGE FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by:		
Cash flows from operating activities		
Excess of revenue over expenditures	\$ 29,143	\$ 26,698
Change in non-cash working capital items (Note 6)	277,229	(1,224,033)
Net increase in deferred contributions related to restricted contributions	330,973	667,115
	<u>637,345</u>	<u>(530,220)</u>
Cash flows from investing activities		
Net Investments	(382,561)	(291,564)
	<u>(382,561)</u>	<u>(291,564)</u>
Cash flows from financing activities		
Endowments		
Donations	119,926	174,430
Investment income	1,036,094	1,325,287
Realized gain and fair value gain	(729,833)	(1,141,897)
Awards	(505,066)	(625,865)
Net transfers from the College	8	14,059
	<u>(78,871)</u>	<u>(253,986)</u>
Increase (decrease) in cash	175,913	(1,075,770)
Cash, beginning of year	1,504,669	2,580,439
Cash, end of year	\$ 1,680,582	\$ 1,504,669

See accompanying notes to financial statements.

## FANSHAWE COLLEGE FOUNDATION

### Notes to Financial Statements

Year ended March 31, 2023

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Fanshawe College Foundation (“the Foundation”) is an incorporated entity that was established to support The Fanshawe College of Applied Arts and Technology (“the College”) with meeting its fundraising needs as specified by the College. The Foundation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. The Foundation was incorporated in December 2006, was granted charity status in June 2007, and became active in April 2008.

#### 1. Significant accounting policies:

##### (a) General:

The financial statements of the Foundation have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board (“PSAB for Government NPOs”).

##### (b) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions, which include donations.

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.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

Deferred restricted contributions represent unspent donations for bursaries and scholarships, programs and other purposes.

Endowment contributions, having externally imposed restrictions requiring that the principal be maintained intact, are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Restricted investment income that must be maintained as an endowment is credited to net assets. Unrestricted investment income is recognized as revenue when earned.

Materials and services donated to the Foundation are recognized as restricted contributions in the year received and are recorded at their fair value. In 2023, the value of these donations in kind amounted to \$226,173 (2022 - \$1,101,768).

Other revenue is recognized when the services are provided or the products are sold.

Year ended March 31, 2023

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**1. Significant accounting policies (continued):**

(c) Financial Instruments:

The Foundation recognizes its financial instruments as either fair value or amortized cost. The Foundation's accounting policy for each category is as follows:

Financial assets and financial liabilities are initially recognized at cost and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Foundation's designation of such instruments. Settlement date accounting is used.

Fair Value

This category includes instruments quoted in an active market.

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the Statement of Operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the Statement of Operations.

There are no accumulated remeasurement gains and losses for the fiscal year ended March 31, 2023 and as such, there is no Accumulated Remeasurement Gains and Losses statement.

Amortized Cost

This category includes Accounts receivable and Accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

**FANSHAWE COLLEGE FOUNDATION**  
Notes to Financial Statements (continued)

Year ended March 31, 2023

**1. Significant accounting policies (continued):**

(c) Financial Instruments (continued):  
Amortized Cost (continued)

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the Statement of Operations.

(d) Measurement uncertainty:

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates. Areas of estimation include the determination of fair value for investments as outlined in Note 2.

**2. Financial instrument classification:**

The following tables provide fair value and cost information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below:

	2023		
	Fair Value	Amortized Cost	Total
Cash	\$ 1,680,582	\$ -	\$ 1,680,582
Accounts receivable	-	35,062	35,062
Investments	29,202,281	-	29,202,281
Accounts payable and accrued liabilities	-	715,359	715,359
	<u>\$ 30,882,863</u>	<u>\$ 750,421</u>	<u>\$ 31,633,284</u>
	2022		
	Fair Value	Amortized Cost	Total
Cash	\$ 1,504,669	\$ -	\$ 1,504,669
Accounts receivable	-	19,739	19,739
Investments	28,819,719	-	28,819,719
Accounts payable and accrued liabilities	-	422,806	422,806
	<u>\$ 30,324,388</u>	<u>\$ 442,545</u>	<u>\$ 30,766,933</u>

The amortized cost of Accounts receivable and Accounts payable and accrued liabilities approximate fair value because of their short terms to maturity.

**FANSHAWE COLLEGE FOUNDATION**  
Notes to Financial Statements (continued)

Year ended March 31, 2023

**2. Financial instrument classification (continued):**

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2023			
	Level 1	Level 2	Level 3	Total
Cash	\$ 1,680,582	\$ -	\$ -	\$ 1,680,582
Investments	-	29,202,281	-	29,202,281
	\$ 1,680,582	\$ 29,202,281	\$ -	\$ 30,882,863

  

	2022			
	Level 1	Level 2	Level 3	Total
Cash	\$ 1,504,669	\$ -	\$ -	\$ 1,504,669
Investments	-	28,819,719	-	28,819,719
	\$ 1,504,669	\$ 28,819,719	\$ -	\$ 30,324,388

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2023 and March 31, 2022. There were also no transfers in or out of Level 3.

**FANSHAWE COLLEGE FOUNDATION**  
Notes to Financial Statements (continued)

Year ended March 31, 2023

**3. Investments:**

The estimated fair and book values, held indirectly through pooled funds, as at March 31 are:

	2023		2022	
	Estimated Fair Value	Book Value	Estimated Fair Value	Book Value
Bonds	\$ 12,192,457	\$ 13,600,082	\$ 11,850,174	\$ 12,697,397
Global equities	8,111,622	6,222,307	8,365,255	6,584,627
Canadian equities	8,897,353	9,271,008	8,588,706	8,571,029
Money market/short term	849	849	15,584	15,584
	\$ 29,202,281	\$ 29,094,246	\$ 28,819,719	\$ 27,868,637

**4. Related parties:**

The Foundation is a subsidiary corporation of the College. Specific donations of fundraising capital, equipment and other items may be initially recorded in the Foundation with a subsequent transfer to the College where the donation will be held or consumed over time as specified by the College. In 2023, the value of donations transferred to the College was \$882,197 (2022-\$1,542,841). At year end, the Foundation has a balance due to the College of \$ 715,358 (2022- \$422,806).

**5. Endowments:**

Endowments are externally restricted net assets including restricted donations received by the Foundation where the principal is required to be maintained intact. The investment income generated from these endowments must be used in accordance with the various purposes established by donors. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

**6. Supplemental cash flow information:**

	2023	2022
Change in non-cash working capital items:		
Accounts receivable	\$ (15,323)	\$ (935)
Accounts payable and accrued liabilities	292,552	(1,223,098)
	\$ 277,229	\$ (1,224,033)

**FANSHAWE COLLEGE FOUNDATION**  
Notes to Financial Statements (continued)

Year ended March 31, 2023

**7. Capital management:**

The Foundation's objectives when managing capital are to develop and maintain a financial model and a capital expenditure process which supports the strategic directions of the Foundation, and safeguards the Foundation's ability to continue to provide benefits to the College.

Capital at the Foundation is comprised of net assets. In order to maintain or adjust the capital structure, the Foundation must continue to accept donations.

**8. Financial instrument risk management:**

Credit risk

Credit risk is the risk of financial loss to the Foundation if a debtor fails to make payments of interest and principal when due. The Foundation is exposed to this risk relating to its cash and accounts receivable. The Foundation holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Foundation's cash accounts are insured up to \$100,000 (2022-\$100,000).

The maximum exposure to investment credit risk is outlined in Note 2.

Accounts receivable are balances due from our lead financial institution and from the government.

The Foundation measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Foundation's historical experience regarding collections. The amounts outstanding as at March 31, 2023 and March 31, 2022 were as follows:

	2023					
	Total	Current	Past Due			
			1-30 days	31-60 days	61-90 days	91-120 days
Other receivables	\$ 6,332	\$ 6,332	\$ -	\$ -	\$ -	\$ -
Government receivables	28,730	28,730	-	-	-	-
Less: impairment allowances	-	-	-	-	-	-
Net receivables	<u>\$35,062</u>	<u>\$35,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FANSHAWE COLLEGE FOUNDATION**  
Notes to Financial Statements (continued)

Year ended March 31, 2023

**8. Financial instrument risk management (continued):**  
Credit risk (continued)

	2022						
	Total	Current	Past Due				
			1-30 days	31-60 days	61-90 days	91-120 days	
Other receivables	\$ 1,422	\$ 1,422	\$ -	\$ -	\$ -	\$ -	-
Government receivables	18,317	18,317	-	-	-	-	-
Less: impairment allowances	-	-	-	-	-	-	-
Net receivables	\$ 19,739	\$ 19,739	\$ -	\$ -	\$ -	\$ -	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The Foundation's investment policy operates within the constraints of the investment guidelines issued by the Ministry of Colleges and Universities. The investment policy's application is monitored by management, the investment manager and the Board of Directors. Diversification techniques are utilized to minimize risk.

(a) Currency risk:

Currency risk relates to the risk of operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency rates occur.

The Foundation does not have any material transactions or directly hold financial instruments denominated in foreign currencies.

(b) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Foundation does not have any material transactions or financial instruments subject to interest rate risk.



**FANSHAWE COLLEGE FOUNDATION**  
Notes to Financial Statements (continued)

Year ended March 31, 2023

**8. Financial instrument risk management (continued):**

Market risk (continued)

(c) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

The Foundation is exposed to this risk through its investments.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet all cash outflow obligations as they come due. The Foundation mitigates this risk by monitoring cash activities and expected outflows through budgeting and maintaining investments that may be converted to cash in the near term if unexpected cash outflows arise. The following tables set out the contractual maturities (representing undiscounted contractual cash flows of financial liabilities):

		2023			
		Within 6 months	6 months to 1 year	1-5 years	>5 years
Accounts payable and accrued liabilities	\$	715,359	\$ -	\$ -	\$ -
	\$	715,359	\$ -	\$ -	\$ -
		2022			
		Within 6 months	6 months to 1 year	1-5 years	>5 years
Accounts payable and accrued liabilities	\$	422,806	\$ -	\$ -	\$ -
	\$	422,806	\$ -	\$ -	\$ -

There have been no significant changes from the previous year in the exposure to all risk categories or policies, procedures and methods used to measure the risks.

# FANSHAWE COLLEGE FOUNDATION

Analysis of Expenditures

Schedule 1

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Expenditures		
Student assistance	\$ 531,771	\$ 365,972
Contract services	119,632	130,649
Other operating costs	13,569	13,884
	<u>\$ 664,972</u>	<u>\$ 510,505</u>

FANSHAWE COLLEGE FOUNDATION

Analysis of Restricted Contributions and Endowments

Schedule 2

Year ended March 31, 2023

	Balance, beginning of year	<u>Receipts</u>			<u>Disbursements</u>		Balance, end of year
		Donations	Investment Income	Realized Gain and Fair Value Loss	Awards	Transfers	
<b>Restricted contributions</b>							
Bursaries and scholarships	\$ 1,619,288	\$ 721,567	\$ 59,496	\$ -	\$ (531,771)	\$ 82,075	\$ 1,950,655
Fundraising campaigns	756,618	850,677	31,126	-	-	(882,197)	756,224
	<u>2,375,906</u>	<u>1,572,244</u>	<u>90,622</u>	<u>-</u>	<u>(531,771)</u>	<u>(800,122)</u>	<u>2,706,879</u>
<b>Endowments</b>	27,281,521	119,926	1,036,094	(729,833)	(505,066)	8	27,202,650
	<u>\$ 29,657,427</u>	<u>\$ 1,692,170</u>	<u>\$ 1,126,716</u>	<u>\$ (729,833)</u>	<u>\$ (1,036,837)</u>	<u>\$ (800,114)</u>	<u>\$ 29,909,529</u>

Year ended March 31, 2022

	Balance, beginning of year	<u>Receipts</u>			<u>Disbursements</u>		Balance, end of year
		Donations	Investment Income	Realized and Fair Value Gains	Awards	Transfers	
<b>Restricted contributions</b>							
Bursaries and scholarships	\$ 1,158,374	\$ 665,575	\$ 59,889	\$ -	\$ (365,972)	\$ 101,422	\$ 1,619,288
Fundraising campaigns	550,417	1,716,817	32,225	-	-	(1,542,841)	756,618
	<u>1,708,791</u>	<u>2,382,392</u>	<u>92,114</u>	<u>-</u>	<u>(365,972)</u>	<u>(1,441,419)</u>	<u>2,375,906</u>
<b>Endowments</b>	27,535,507	174,430	1,325,287	(1,141,897)	(625,865)	14,059	27,281,521
	<u>\$ 29,244,298</u>	<u>\$ 2,556,822</u>	<u>\$ 1,417,401</u>	<u>\$ (1,141,897)</u>	<u>\$ (991,837)</u>	<u>\$ (1,427,360)</u>	<u>\$ 29,657,427</u>