

## **U.S. FOUNDATION FOR THE UNIVERSITY OF VICTORIA**

### **STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The University of Victoria is responsible for the preparation of the financial statements of the U.S. Foundation for the University of Victoria. The statements have been prepared in accordance with Canadian generally accepted accounting principles and present fairly the financial position of the Foundation as at March 31, 2011 and the results of its operations for the year then ended.

In fulfilling its responsibility and recognizing the limits inherent in all systems, the University's Administration has developed and maintains a system of internal control designed to provide reasonable assurance that the Foundation's assets are safeguarded from loss and that the accounting records are a reliable basis for preparation of the financial statements.

The financial statements have been examined by Green, Horwood, & Co LLP, Chartered Accountants, the independent auditors appointed by the Foundation's Board of Directors. The Auditors' Report outlines the nature of their examination and expresses an opinion on the financial statements of the Foundation for the year ended March 31, 2011.

Dr. David Turpin  
President

Kristi Simpson  
Treasurer

June 28, 2011

June 28, 2011

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
U.S. Foundation for the University of Victoria**

**Report on the Financial Statements**

**We have audited the accompanying financial statements of the U.S. Foundation for the University of Victoria, which comprise the Statement of Financial Position as at March 31, 2011, and the statements of Revenue and Expense and Changes in Fund Balances, Cash Flows, and Detailed Statements of Endowment Principal Transactions and Expendable Funds Transactions 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 audit opinion

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the U.S. Foundation for the University of Victoria as at March 31, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Green Horwood & Co LLP*

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Chartered Accountants

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PARTNERS • INCORPORATED PROFESSIONALS

RICHARD TUCKEY, CA • GEORGE FROBEEN, CA  
GEORGE WONG, CA, CPA (ILLINOIS) • KEITH SMITH, CA

ASSOCIATES

JOSEPH WEICKER, CGA • SUZANNE GILBERT, CA  
EDUARD MANN, CA, CPA (OREGON) • MICHAEL TUCKEY, CA, CFP

THIRD FLOOR  
1006 FORT STREET  
VICTORIA, BC V8V 3K4

T 250 · 386 · 3389  
F 250 · 386 · 5614  
[WWW.GREENHORWOOD.COM](http://WWW.GREENHORWOOD.COM)



**U.S. FOUNDATION FOR THE UNIVERSITY OF VICTORIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2011**  
**(in U.S. dollars)**

Note 1. Purpose and Status of U.S. Foundation for the University of Victoria

The purpose of the Foundation is to promote, encourage and foster an appreciation by the American public of the work being conducted by the University of Victoria in the various educational disciplines deemed to be of interest to the American public; to finance, in whole or in part, particular programs, projects and facilities of the University of Victoria deemed by the Foundation to be necessary to the University for the accomplishment of its charitable and educational mission and to be of significance and interest to the American public; to assist the University of Victoria in establishing liaisons in the United States; to make its cultural and educational programs more readily available and accessible to the American public, including defraying the costs, as appropriate, of meetings in the United States which will make the University's programs and services better known there; to encourage the participation of American students in the educational programs of the University of Victoria by providing scholarships and bursaries for American students for undergraduate and graduate study at the University; and to accept, hold, invest, reinvest and administer any gifts, legacies, bequests, devises, trusts, remainder trusts, funds, and property of any sort or nature, and to use, expend, or donate the income or principal thereof for, and to devote the same to, the foregoing purposes of the Foundation. The Foundation is incorporated in the District of Columbia under the Columbia Non-profit Corporation Act. It is a charitable organization registered with the Internal Revenue Service and as such is exempt from income tax.

Note 2. Significant Accounting Policies

- A. The Foundation follows the restricted fund method of accounting for donations to recognize restrictions placed on the use of funds by donors, the University, or the Board of Directors of the Foundation.

The endowment principal of funds is classified into two groups:

- (i) Endowment funds - where the principal is to be held intact in perpetuity,
- (ii) Quasi-endowment funds - where the terms of the endowment permit the principal to be expended under certain circumstances.

The expendable income of funds is classified as follows:

- (i) Restricted - by the donor to certain specific uses, e.g. scholarships, bursaries, library books, etc.,
- (ii) Designated - internally restricted by the Board of Directors of the Foundation for certain specific uses, usually at the time the gift or bequest is received,
- (iii) Unrestricted - where no direction is given by the donor and the Board of Directors of the Foundation decides not to direct that the income be used for any specific purposes.

- B. The accrual basis of accounting is followed.

**U.S. FOUNDATION FOR THE UNIVERSITY OF VICTORIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2011**  
**(in U.S. dollars)**

C. The assets underlying the principal and expendable funds are held in an investment pool. This investment pool is recorded at market value. The investment income is distributed to funds according to the opening quarterly balance of each fund. The principal share of each fund in the pool is expressed as a number of units. The value of each unit is calculated quarterly based on the market value of the investments, with new contributions assigned a number of units corresponding to their market value.

D. Pledges from donors are recorded as revenue when payment is received since their ultimate collection cannot be assured until that time.

E. Investments

Investments are classified as held for trading and stated at fair value. In determining fair values, adjustments have not been made for transaction costs. Fair values of investments are determined as follows: fixed income securities, equities and pooled funds are valued at year-end quoted closing market prices. Security acquisitions and disposals are recorded as of the date traded.

All investments were liquidated in March 2011 and transferred out of the investment account.

F. Capital Assets

Donated capital assets are recorded at their fair market value on the date of donation. Capital assets subject to depreciation in their value are depreciated on a straight-line basis over their estimated useful lives. Works of art and the Library's Special Collections are not depreciated as they are deemed to have permanent value. The cost and accumulated depreciation of equipment, furnishings and library holdings are removed from the accounts in the year following their becoming fully depreciated or disposition.

During the year, the Foundation did not receive any donated art, equipment or book collections (2010 - \$109,844) and no assets were transferred to the University of Victoria ( 2010 - \$184,671).

G. Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant items subject to such estimates and assumptions include the valuation and carrying amounts of donated capital assets and financial instruments.

**U.S. FOUNDATION FOR THE UNIVERSITY OF VICTORIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2011**  
**(in U.S. dollars)**

H. Financial Instruments

The Foundation's financial instruments consist of cash, accrued interest and other receivables, investments and accounts payable. The fair value of cash, accrued interest and other receivables, and accounts payable approximate the carrying amounts due to the short term maturity of these instruments. It is management's opinion that the Foundation is not exposed to significant interest, currency or credit risk arising from these instruments.

The Foundation has elected to apply Handbook 3861, *Financial Instruments - Disclosure and Presentation*, in lieu of Handbook Sections 3862, *Financial Instruments - Disclosures* and 3863, *Finance Instruments - Presentation*.

Note 3 Related Party Transaction

The University of Victoria may fund awards on behalf of the Foundation with no expectation of repayment in order to permit awards to be distributed during a period of adverse investment returns. In 2011 the amount of awards funded by the University of Victoria is zero (2010 - \$2,900).

The Foundation receives accounting and administration services at no charge from the University of Victoria.

Note 4 Endowment funds transferred to the University of Victoria Foundation

During the year, the US Foundation Board of Directors approved the transfer of endowment funds to the University of Victoria Foundation on the basis that each endowment is to be maintained as a separate fund and that the original purpose of the fund be maintained. As at March 31, 2011, six out of seven endowment funds received donors' approval for transfer resulting in the transfer of \$301,489 to the University of Victoria Foundation. The remaining \$53,663 is held on deposit pending transfer approval.

**U.S. FOUNDATION FOR THE UNIVERSITY OF VICTORIA**  
**STATEMENT OF FINANCIAL POSITION**  
**As at March 31, 2011**  
**(in U.S. dollars)**

<b>ASSETS</b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash on deposit (note 4)	\$ 53,663	\$ 1,002
Accrued interest and other receivables	-	4,243
Investments at market	<u>-</u>	<u>332,824</u>
	<b><u>\$ 53,663</u></b>	<b><u>\$ 338,069</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>  		
Accounts payable	\$ -	\$ 159
Endowment principal balance (Exhibit B):		
Restricted endowment (note 4)	49,238	325,611
Expendable fund balance (Exhibit B)	<u>4,425</u>	<u>12,299</u>
	<b><u>\$ 53,663</u></b>	<b><u>\$ 338,069</u></b>

On behalf of the Board of Directors:

President

Treasurer

See accompanying notes to the financial statements

**U.S. FOUNDATION FOR THE UNIVERSITY OF VICTORIA**  
**STATEMENT OF REVENUE AND EXPENSE AND CHANGES IN FUND BALANCES**  
For the Year ended March 31, 2011  
(in U.S. dollars)

	<u>Endowment Principal</u>		<u>Expendable Funds</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>REVENUE</b>				
Donations	\$ -	\$ 500	\$ 225,148	\$ 316,844
Interest and dividend income	-	-	9,933	10,029
Realized gains (losses)	-	-	24,355	(6,750)
Unrealized (losses) gains	(1,809)	60,845	-	-
	<u>(1,809)</u>	<u>61,345</u>	<u>259,436</u>	<u>320,123</u>
<b>EXPENSE</b>				
Scholarships, bursaries and other distributions	-	-	239,198	207,900
Transfer of gifts in kind to the University of Victoria	-	-	-	184,671
Investment management and administration fees	-	-	1,187	1,191
	<u>-</u>	<u>-</u>	<u>240,385</u>	<u>393,762</u>
<b>(Deficiency) excess of revenue over expense</b>	(1,809)	61,345	19,051	(73,639)
<b>Fund balances at beginning of year</b>	325,611	264,266	12,299	85,938
<b>Funds transferred to the University of Victoria Foundation (note 4)</b>	(274,564)	-	(26,925)	-
<b>Fund balances at end of year</b>	<u>\$ 49,238</u>	<u>\$ 325,611</u>	<u>\$ 4,425</u>	<u>\$ 12,299</u>

See accompanying notes to the financial statements

**U.S. FOUNDATION FOR THE UNIVERSITY OF VICTORIA**  
**STATEMENT OF CASH FLOW**  
For the Year ended March 31, 2011  
(in U.S. dollars)

	<u>2011</u>	<u>2010</u>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expense	\$ 17,242	\$ (12,294)
Items not involving cash		
Gift in kind donations	-	(109,844)
Unrealized gains, less losses on investment	1,809	(60,845)
Gift in kind transferred to University of Victoria	-	184,671
Realized gains/loss on investment	(24,355)	6,750
Changes in non-cash working capital balances		
Decrease (Increase) in current assets	4,243	(2,649)
Decrease in current liabilities	(159)	(743)
	<u>(1,220)</u>	<u>5,046</u>
<b>Investing activities</b>		
Funds transferred to the University of Victoria Foundation	(301,489)	-
Purchase of investments	(619,717)	(215,657)
Proceeds from sale of investments	975,087	210,325
	<u>53,881</u>	<u>(5,332)</u>
<b>Increase (decrease) in cash during the year</b>	52,661	(286)
<b>Cash, beginning of year</b>	<u>1,002</u>	<u>1,288</u>
<b>Cash, end of year</b>	<u>\$ 53,663</u>	<u>\$ 1,002</u>

See accompanying notes to the financial statements