

Brescia University College

Financial Statements

April 30, 2015



June 24, 2015

Independent Auditor's Report

To the Members of Brescia University College

We have audited the accompanying financial statements of Brescia University College, which comprise the statement of financial position as at April 30, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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 audit opinion.

PricewaterhouseCoopers LLP
465 Richmond Street, Suite 300, London, Ontario, Canada N6A 5P4
T: +1 519 640 8000, F: +1 519 640 8015

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brescia University College as at April 30, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Brescia University College

Statement of Financial Position

As at April 30, 2015

| | 2015 \$ | 2014 \$ |
|---|-------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash (note 3) | 3,599,087 | 5,334,816 |
| Accounts receivable | 2,663,134 | 142,195 |
| Prepaid expenses | 244,416 | 186,225 |
| Inventory | 20,935 | 20,841 |
| Due from related parties (note 13) | 253,100 | 384,716 |
| | <u>6,780,672</u> | <u>6,068,793</u> |
| Long-term assets | | |
| Investments (note 4) | 3,872,563 | 2,667,671 |
| Capital assets (note 5) | 60,804,947 | 63,042,181 |
| | <u>71,458,182</u> | <u>71,778,645</u> |
| Total assets | | |
| Liabilities and net assets | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 15) | 1,870,178 | 1,805,217 |
| Deferred revenue | 436,406 | 453,555 |
| Current portion of capital lease obligation (note 14) | 4,339 | 25,031 |
| Current portion of mortgage payable (note 9) | 200,000 | 200,000 |
| Current portion of bank debt (note 10) | 427,731 | 368,526 |
| | <u>2,938,654</u> | <u>2,852,329</u> |
| Long-term liabilities | | |
| Deferred grant funding (note 7) | 204,504 | 208,787 |
| Deferred contributions (note 7) | 11,729,955 | 12,501,355 |
| Pension benefit obligation (note 8) | 1,187,777 | 562,042 |
| Capital lease obligation (note 14) | - | 10,304 |
| Mortgage payable (note 9) | 2,200,000 | 2,400,000 |
| Bank debt (note 10) | 30,126,782 | 30,554,511 |
| | <u>48,387,672</u> | <u>49,089,328</u> |
| | <u>23,070,510</u> | <u>22,689,317</u> |
| Net assets | | |
| Total liabilities and net assets | | |
| | <u>71,458,182</u> | <u>71,778,645</u> |

Commitments (note 14)

Approved by the Board of Trustees

Trustee

Trustee

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

Brescia University College

Statement of Operations

For the year ended April 30, 2015

| | 2015 \$ | 2014 \$ |
|---|----------------------|------------------------|
| Revenue | | |
| Tuition and other student fees | 10,189,199 | 8,691,660 |
| Provincial government grants | 8,270,726 | 7,613,132 |
| Revenue for research grants | 180,257 | 138,043 |
| Investment income | 210,933 | 138,526 |
| Tuition and grant revenue for distribution as bursaries | 432,950 | 381,774 |
| Amortizations of deferred contributions | 1,041,330 | 1,022,263 |
| Miscellaneous | 265,518 | 89,457 |
| Ancillary revenues (note 12) | 4,470,491 | 3,270,315 |
| | <hr/> 25,061,404 | <hr/> 21,345,170 |
| Expenses | | |
| Faculty salaries and benefits | 6,389,218 | 6,007,308 |
| Staff salaries and benefits | 5,902,077 | 5,165,040 |
| Pension benefit guarantee (note 8) | 625,735 | (372,351) |
| Service fee to Western University | 1,750,323 | 1,549,522 |
| Academic and student services | 941,944 | 942,040 |
| Marketing and external relations | 720,234 | 621,871 |
| Facilities | 918,569 | 807,554 |
| General administration | 507,120 | 569,250 |
| Scholarships and bursaries | 1,294,093 | 1,138,377 |
| Amortization of capital assets | 2,632,870 | 2,019,449 |
| Donations in kind (note 13) | 80,352 | 250,000 |
| Ancillary expenses (note 12) | 1,339,873 | 1,026,940 |
| Interest on long-term bank debt (note 12) | 1,663,537 | 838,572 |
| | <hr/> 24,765,945 | <hr/> 20,563,572 |
| | <hr/> 295,459 | <hr/> 781,598 |
| Realized and unrealized gain (loss) on investments | | |
| Change in unrealized appreciation in value of investments | 84,904 | 36,061 |
| Net realized gain on investments | 830 | 155,679 |
| Unrealized gain on interest rate swap (note 11) | - | 79,566 |
| | <hr/> 85,734 | <hr/> 271,306 |
| Excess of revenue over expenses for the year | <hr/> 381,193 | <hr/> 1,052,904 |

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

Brescia University College

Statement of Changes in Net Assets

For the year ended April 30, 2015

| | 2015 \$ | 2014 \$ |
|--|-------------------|-------------------|
| Balance - Beginning of year | 22,689,317 | 21,636,413 |
| Excess of revenue over expenses for the year | 381,193 | 1,052,904 |
| Balance - End of year | <u>23,070,510</u> | <u>22,689,317</u> |

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

Brescia University College

Statement of Cash Flows

For the year ended April 30, 2015

| | 2015 \$ | 2014 \$ |
|---|--------------------|---------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of revenue over expenses for the year | 381,193 | 1,052,904 |
| Add (deduct) non-cash items: | | |
| Amortization | 2,632,870 | 2,019,449 |
| Amortization of deferred contributions | (1,041,330) | (1,022,263) |
| Change in unrealized appreciation of investments | (84,904) | (36,061) |
| Increase (decrease) in pension benefit obligation | 625,735 | (596,432) |
| Unrealized (gain) on interest rate swap | - | (79,566) |
| Loss on disposal of capital assets | - | 29,104 |
| Change in non-cash working capital items: | | |
| (Increase) decrease in accounts receivable | (2,520,939) | 2,362,101 |
| (Increase) in prepaid expenses | (58,191) | (77,710) |
| Decrease (increase) in due from Foundation | 131,616 | (88,470) |
| (Increase) in inventory | (94) | (9,043) |
| Increase (decrease) in accounts payable and accrued liabilities | 64,961 | (1,620,153) |
| (Decrease) increase in deferred revenue | (17,149) | 198,779 |
| | <u>113,768</u> | <u>2,132,639</u> |
| Financing activities | | |
| Increase in deferred contributions | 269,930 | 207,007 |
| (Decrease) in capital lease obligation | (30,996) | (36,622) |
| (Decrease) in mortgage payable | (200,000) | (200,000) |
| (Decrease) increase in deferred grant funding | (4,283) | 131,211 |
| (Decrease) increase in bank debt | (368,524) | 10,423,037 |
| | <u>(333,873)</u> | <u>10,524,633</u> |
| Investing activities | | |
| Additions to capital assets | (395,636) | (9,802,915) |
| Purchase of investments | (1,119,988) | (1,152,768) |
| | <u>(1,515,624)</u> | <u>(10,955,683)</u> |
| Net (decrease) increase in cash during the year | (1,735,729) | 1,701,589 |
| Cash - Beginning of year | <u>5,334,816</u> | <u>3,633,227</u> |
| Cash - End of year | <u>3,599,087</u> | <u>5,334,816</u> |
| Cash | | |
| Cash | 2,046,079 | 3,702,446 |
| Restricted cash (note 3) | 1,553,008 | 1,632,370 |
| | <u>3,599,087</u> | <u>5,334,816</u> |

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

Brescia University College

Notes to Financial Statements

April 30, 2015

1 Purpose of Brescia

Brescia University College (Brescia) is a Catholic university college for women, affiliated with Western University. Brescia offers undergraduate students a full range of liberal arts academic programming as well as specialist programs in Food and Nutritional Sciences.

Brescia was registered as a corporation without share capital under Part II of the Canada Corporations Act on August 16, 1999. As a not-for-profit registered charity, Brescia is exempt from tax under the Income Tax Act pursuant to Section 149(1) (h.1) of the Act. Brescia is subject to Harmonized Sales Tax on its activities pursuant to provisions of the Excise Tax Act.

2 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Measurement uncertainty

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of estimates include the valuation of donated land and buildings, the useful lives of capital assets and the pension benefit obligation. Actual results could differ from those estimates.

Revenue recognition

Brescia follows the deferral method of accounting for contributions, which includes donations and government grants. 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 are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue using the straight-line method, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from student fees and from the sale of services and products is recognized at the time the products are delivered or services provided. Operating grants are recorded as revenue in the period to which they relate.

Grants approved but not received at the end of an accounting period are accrued if the amount to be received can be reasonably estimated and collection is reasonably assured. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Brescia University College

Notes to Financial Statements

April 30, 2015

Capital assets

Capital assets are recorded at cost. Amortization is provided using the straight-line method at the following rates:

| | |
|-------------------------------|----------|
| Buildings | 20 years |
| Buildings - newly constructed | 30 years |
| Leasehold improvements | 20 years |
| Furniture and equipment | 10 years |
| Parking lots | 10 years |
| Computer hardware | 3 years |
| Automotive | 3 years |

Construction in progress is not amortized until the asset is complete.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial instruments are recognized as soon as Brescia becomes a party to the contractual provisions of the financial instrument. Upon initial recognition, financial instruments are measured at fair value. The fair value of a financial instrument is the estimated amount that Brescia would receive or pay to terminate the instrument agreement at the reporting date. The following methods and assumptions have been used to estimate the fair value of each type of financial instrument by reference to various market value data and other valuation techniques as appropriate.

Measurement in subsequent periods depends on whether the financial instrument has been classified as “held-for-trading”, “available for sale”, “held-to-maturity”, “loans and receivable” or “other financial liabilities” as defined by the standard.

Cash

Cash consists primarily of cash on hand and cash held in the investment fund account.

Accounts receivable

Accounts receivable is recorded at its carrying value which is considered to approximate its fair value due to its short-term maturity.

Investments

Investments are designated as held-for-trading under the standard and measured at fair value. Changes in fair value are recorded in the statement of operations.

Brescia University College

Notes to Financial Statements

April 30, 2015

Other financial liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market including accounts payable and accrued liabilities, mortgage payable and bank debt. After initial recognition, other financial liabilities are subsequently carried at amortized cost using the effective interest method less any impairment losses, if necessary. Gains and losses are recognized in the statement of operations when the other liabilities are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in the statement of operations.

The carrying value of accounts payable and accrued liabilities approximates their fair values due to the short-term maturity of these financial instruments.

The mortgage payable was initially recorded at the exchange amount in accordance with Canadian Institute of Chartered Professional Accountants (CPA) Handbook Section 3856 - Financial Instruments - Recognition and Measurement and Section 3840 - Related Party Transactions. The balance has been measured using amortized cost using the effective interest rate method as prescribed by CPA Handbook Section 3856.

Derivative financial instruments

From time to time, Brescia uses derivative financial instruments in their hedging strategies to manage their exposure to interest rate risk. Where hedge accounting can be applied, a hedge relationship is designated and documented at inception to detail the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the specific asset, liability or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used and how effectiveness will be assessed. The hedging instrument must be highly effective in accomplishing the objective of offsetting changes in the anticipated cash flows attributable to the risk being hedged both at inception and throughout the life of the hedge. Hedge accounting is discontinued prospectively when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, or upon the sale or early termination of the hedged item.

For derivatives where hedge accounting has been applied, the change in fair value has been disclosed in the notes to the financial statements. For derivatives where hedge accounting has not been applied, the change in fair value has been recognized directly in the statement of operations in the current year.

Brescia does not use derivative financial instruments for trading or speculative purposes.

Inventories

Inventories are valued at the lower of cost and net realizable value on a FIFO basis.

Brescia University College

Notes to Financial Statements

April 30, 2015

Accounting policy changes

Effective April 1, 2014, Brescia transitioned to Section 3462 - Employee Future Benefits of the CPA Handbook - Accounting. Given Brescia's existing policies under Section 3461 - Employee Future Benefits, no prior period adjustments were required on account of this transition.

Refer to note 8 for further detail on Brescia's pension benefit obligation.

3 Cash

Included in cash are balances in the amount of \$1,553,008 (2014 - \$1,632,370) relating to deferred revenue, grants, contributions and a capital reserve as follows:

| | 2015 \$ | 2014 \$ |
|---|------------------|------------------|
| Capital reserve (note 6) | 850,000 | 850,000 |
| Deferred tuition revenue | 83,599 | 108,351 |
| Other deferred revenue | 298,890 | 297,204 |
| Unspent research grant | 205,418 | 212,066 |
| Unspent amounts included in liabilities | 115,101 | 164,749 |
| | <u>1,553,008</u> | <u>1,632,370</u> |

4 Investments

| | <u>2015</u> | | <u>2014</u> | |
|----------------------------------|------------------|--------------------|------------------|--------------------|
| | Cost \$ | Market value \$ | Cost \$ | Market value \$ |
| Common stocks and equivalents | 1,736,410 | 1,933,949 | 1,171,983 | 1,333,371 |
| Fixed income securities | 1,857,853 | 1,938,614 | 1,302,292 | 1,334,300 |
| | <u>3,594,263</u> | <u>3,872,563</u> | <u>2,474,275</u> | <u>2,667,671</u> |

Fixed income securities have average maturities in April 2023 with average coupons between 1.05% and 12.2% over the term.

Brescia University College

Notes to Financial Statements

April 30, 2015

5 Capital assets

| | 2015 | | |
|-------------------------|-------------------|-----------------------------------|-------------------|
| | Cost \$ | Accumulated amortization \$ | Net \$ |
| Land | 15,042,167 | - | 15,042,167 |
| Buildings | 48,435,235 | 8,572,104 | 39,863,130 |
| Leasehold improvements | 7,057,506 | 3,432,675 | 3,624,830 |
| Furniture and equipment | 3,286,808 | 1,377,334 | 1,909,475 |
| Computer hardware | 1,043,436 | 926,264 | 117,173 |
| Automotive | 19,267 | 19,267 | - |
| Parking lots | 280,766 | 32,594 | 248,172 |
| | <u>75,165,185</u> | <u>14,360,238</u> | <u>60,804,947</u> |
| | 2014 | | |
| | Cost \$ | Accumulated amortization \$ | Net \$ |
| Land | 15,042,167 | - | 15,042,167 |
| Buildings | 48,367,515 | 6,648,578 | 41,718,937 |
| Leasehold improvements | 6,986,681 | 3,110,134 | 3,876,547 |
| Furniture and equipment | 3,340,142 | 1,214,329 | 2,125,813 |
| Computer hardware | 934,274 | 861,988 | 72,286 |
| Automotive | 19,267 | 19,267 | - |
| Parking lots | 217,295 | 10,864 | 206,431 |
| | <u>74,907,341</u> | <u>11,865,160</u> | <u>63,042,181</u> |

6 Restrictions on net assets

Brescia's Board of Trustees has maintained a restriction of \$850,000 of net assets for purposes of future capital projects. This restricted amount is not available for other purposes without approval of the Board of Trustees. This internal restriction has been recorded as restricted cash as detailed in note 3.

| | 2015 \$ | 2014 \$ |
|-------------------------|----------------|----------------|
| Future capital projects | <u>850,000</u> | <u>850,000</u> |

Brescia University College

Notes to Financial Statements

April 30, 2015

7 Deferred contributions

| | 2015 \$ | 2014 \$ |
|--|------------|------------|
| Unamortized capital contributions | 11,658,650 | 12,430,050 |
| Unspent capital contributions | 71,305 | 71,305 |
| | <hr/> | <hr/> |
| Total deferred contributions (i) | 11,729,955 | 12,501,355 |
| | <hr/> | <hr/> |
| Unspent contributions to be distributed as grants (ii) | 204,504 | 208,787 |
| | <hr/> | <hr/> |

i) The balance of unamortized capital contributions consists of the following:

| | 2015 \$ | 2014 \$ |
|---|-------------|-------------|
| Balance - Beginning of year | 12,501,355 | 13,316,611 |
| Add: contributions received and not spent during the year | 71,305 | 71,305 |
| Add: contributions received and spent during the year | 198,625 | 135,702 |
| Less: amounts amortized to revenue | (1,041,330) | (1,022,263) |
| | <hr/> | <hr/> |
| | 11,729,955 | 12,501,355 |
| | <hr/> | <hr/> |

ii) The balance of unspent contributions to be distributed as grants consists of the following:

| | 2015 \$ | 2014 \$ |
|-----------------------------------|------------|------------|
| Balance - Beginning of year | 208,787 | 77,576 |
| Add: grant contributions received | 201,200 | 262,178 |
| Less: amounts expended | (205,483) | (130,967) |
| | <hr/> | <hr/> |
| | 204,504 | 208,787 |
| | <hr/> | <hr/> |

Brescia University College

Notes to Financial Statements

April 30, 2015

8 Pension benefit obligation

As at January 1, 1994, Brescia changed from a defined benefit pension plan (the DB plan) to a defined contribution plan (the DC plan). For all employees who were under the DB plan, Brescia has provided a guarantee that the value of their defined contribution plan at retirement will not be less than it would have been under the previous DB plan.

Brescia measures its accrued benefit obligation for the DB plan as at April 30 each year for accounting purposes.

Information about Brescia's DB plan as at April 30, 2015 is as follows:

| | 2015 \$ | 2014 \$ |
|--|------------|------------|
| Funded status - amount included in the statement of financial position | 1,187,777 | 562,042 |

The DB plan has no assets. Cash contributions are made upon benefits becoming payable. During 2015, \$Nil (2014 - \$224,082) contributions were made.

| | 2015 \$ | 2014 \$ |
|---|------------|------------|
| Change in accrued benefit obligation | | |
| Accrued benefit obligation - May 1 | 562,042 | 1,158,474 |
| Net benefit cost (gain) | 625,735 | (372,351) |
| Benefits paid | - | (224,081) |
| Accrued benefit obligation - April 30 | 1,187,777 | 562,042 |

Brescia's net benefit plan cost includes the following components:

| | 2015 \$ | 2014 \$ |
|--------------------------------------|------------|------------|
| Current service cost | 19,654 | 41,615 |
| Interest cost | 17,451 | 27,745 |
| Actuarial loss (gain) | 588,630 | (441,711) |
| Net pension costs (gains) recognized | 625,735 | (372,351) |

Brescia University College

Notes to Financial Statements

April 30, 2015

The significant assumptions used are as follows:

| | 2015 | 2014 |
|-------------------|------|------|
| | % | % |
| Discount rate | 2.60 | 3.00 |
| Salary escalation | 3.00 | 3.00 |

In 2015, post-retirement mortality is assumed to be in accordance with the 2014 Canadian Pensioner Mortality (CPM) Table projected generationally using CPM Improvement Scale B on a unisex basis, blended 50% males, 50% females. In 2014, post-retirement mortality was assumed to be in accordance with the 1994 Uninsured Pensioner Mortality Table (UP94) projected generationally on a unisex basis.

9 Mortgage payable

During 2007, Brescia entered into an Agreement of Purchase and Sale with the Ursuline Religious of the Diocese of London in Ontario to purchase certain land and buildings at a negotiated exchange amount. Pursuant to the Agreement, Brescia has agreed to pay the vendor take-back mortgage in equal annual installments commencing on the first anniversary of the closing date and on each anniversary thereafter until paid in full. The mortgage has an interest rate of Nil. The purchase agreement was completed February 15, 2008.

The principal payments required over the next 5 years are as follows:

| | \$ |
|---------------------|-----------|
| 2016 | 200,000 |
| 2017 | 200,000 |
| 2018 | 200,000 |
| 2019 | 200,000 |
| 2020 and thereafter | 1,600,000 |

10 Bank debt

In a Commitment Letter dated April 27, 2011 (as further amended in fiscal 2014), Scotiabank agreed to lend Brescia the following credit facilities:

A \$2,000,000 operating line of credit to finance general operating requirements. Repayable upon demand, bearing interest payable monthly at Prime minus 0.5% per annum. As at April 30, 2015, \$1,585,000 of the facility was available to Brescia as \$415,000 has been set aside in Letters of Credit in favour of the City of London (the City) to support Brescia's responsibilities under its Development Agreements with the City in connection with the Residence Project and a parking lot construction project.

A \$31,100,000 long-term non-revolving construction take-out loan to repay the construction period loan, bearing interest at 1-month Bankers' Acceptances plus Fee of 1%, to be fully drawn down on October 29, 2013, repayable in 89 monthly blended installments of principal and interest, with the balance of principal and interest due in the 90th month, amortized over 30 years. A \$5,000,000 portion of the loan shall be interest-only until October 2015.

Brescia University College

Notes to Financial Statements

April 30, 2015

Security for the above credit facilities comprises a subordination and postponement agreement whereby the Ursuline Religious of the Diocese of London in Ontario agree to postpone principal repayments owing to it under the Mortgage Payable. However, Brescia is permitted to continue to make regularly scheduled payments on the Mortgage Payable as long as Brescia remains in good standing with the Scotiabank credit facilities.

The Scotiabank credit facilities require that Brescia maintain a ratio of EBITDA to interest expense plus the current portion of long-term debt and capital leases of 1.10 : 1 or better, calculated on a rolling four quarter basis. EBITDA is defined as Net income before extraordinary and other non-recurring items plus interest, income tax, depreciation and amortization plus unrestricted external contributions/donations received and otherwise available to be used to repay the Scotiabank loans.

Loans payable balances under the Scotiabank credit facilities are as follows:

| | 2015 | 2014 |
|---|------------|------------|
| | \$ | \$ |
| Scotiabank long-term non-revolving take-out loan, terms described above | 30,554,513 | 30,923,037 |

Based on the loan balance outstanding at April 30, 2015, the principal payments required over the next five years are as follows:

| | \$ |
|---------------------|-------------------|
| 2016 | 427,731 |
| 2017 | 491,273 |
| 2018 | 518,416 |
| 2019 | 547,060 |
| 2020 and thereafter | 28,570,033 |
| | <u>30,554,513</u> |

11 Capital management

Credit risk

Credit risk is the risk of potential loss to Brescia if a counterparty to a financial instrument fails to meet its contractual obligations. Brescia's credit risk is primarily attributable to its cash, investments and accounts receivable.

Brescia has assessed its exposure to credit risk and has determined that such risk is minimal. The majority of Brescia's cash and investments are held with major financial institutions.

Brescia University College

Notes to Financial Statements

April 30, 2015

Currency risk

Foreign currency risk is the risk that the fair value of, or future cash flows from Brescia's financial instruments will fluctuate because of the changes in foreign exchange rates.

Brescia's investments are denominated in Canadian dollars. Certain investments such as United States and other international equities include investments in foreign jurisdictions and are therefore subject to foreign currency fluctuations. Brescia mitigates the currency risk exposure of its foreign securities through diversification of its investments.

Market risk

Market risk is the risk that the value of an investment will decrease due to changes in market factors.

Equity and fixed income securities are held within pooled funds. Risk and volatility of investment returns are mitigated through diversification of investments in different countries, business sectors and corporation sizes.

Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on Brescia's financial instruments.

In fiscal 2012, Brescia entered into a new debt agreement that has a variable interest rate. To manage the exposure to fluctuating prime interest rates, Brescia entered into two interest rate swap contracts during 2012. The terms of these respective instruments are as follows:

| | | |
|--------------------------|-------------------------------------|------------------------------------|
| Term of agreement | October 29, 2013 - October 29, 2043 | January 3, 2012 - October 29, 2013 |
| Notional amount | \$30,554,513 | \$30,942,979 |
| Interest rate | 4.41% | 1.94% |

All in interest rate includes a 1% stamping fee.

Hedge accounting was not applied to the derivative financial instrument maturing on October 29, 2013 as the match in critical terms was not achieved. As such, the change in fair value was recognized directly in the statement of operations in fiscal 2013, with the cost of unwinding the interest rate swap at April 30, 2013 of \$79,566 recognized as an unrealized loss in the statement of financial position. This unrealized loss was reversed in fiscal 2014 with the maturity of the applicable derivative financial instrument on October 29, 2013.

Hedge accounting has been applied to the derivative financial instrument maturing on October 29, 2043. As such, the change in the fair value has not been recognized in the statement of operations or on the statement of financial position. As at April 30, 2015, the unrealized loss related to this swap agreement was \$8,729,034 (2014 - \$5,230,637) based on a mark-to-market valuation prepared by Scotia Capital Markets.

Brescia University College

Notes to Financial Statements

April 30, 2015

12 Ancillary operations

| | 2015 \$ | 2014 \$ |
|---|-----------------|-----------------|
| Ancillary revenues | | |
| Residence fees | 2,154,015 | 1,552,464 |
| Food services | 1,757,859 | 1,298,433 |
| Conference services | 177,157 | 71,701 |
| Parking | 176,017 | 171,409 |
| Other ancillary revenue | 205,443 | 176,308 |
| | <hr/> 4,470,491 | <hr/> 3,270,315 |
| Ancillary expenses | | |
| Residence expenses | 366,505 | 268,920 |
| Food services expenses | 853,910 | 659,427 |
| Conference services expenses | 42,926 | 16,245 |
| Other ancillary costs | 76,532 | 82,348 |
| | <hr/> 1,339,873 | <hr/> 1,026,940 |
| Other ancillary expenses included in statement of operations: | | |
| Direct ancillary salaries and benefits (i) | 1,374,773 | 895,759 |
| Interest on long-term bank debt (ii) | 1,663,537 | 838,572 |
| | <hr/> 4,378,183 | <hr/> 2,761,271 |
| | <hr/> 92,308 | <hr/> 509,044 |

- (i) Direct ancillary salaries and benefits are included in staff salaries and benefits expenses in the statement of operations.
- (ii) Interest on long-term bank debt is presented as a separate line item in the statement of operations but relates to the Residence Project.

Brescia University College

Notes to Financial Statements

April 30, 2015

13 Related parties

- a) The Brescia University College Foundation (the Foundation) is incorporated without share capital under the laws of Ontario. The Foundation relies on Brescia to provide payroll, facilities and other administrative support. The Foundation provides funds to Brescia for capital and student bursaries.

On July 1, 2014, Brescia entered into a Memorandum of Agreement with the Foundation (the Foundation Restructuring) whereby all fundraising operations of the Foundation ceased as at July 1, 2014 and are thereafter carried on as part of the operations of Brescia. The Foundation Restructuring further provided that the donation-in-kind from Brescia historically set at \$250,000 per annum, ceased as at July 1, 2014. Following the Foundation Restructuring, the primary business activities within the Foundation comprise the management of the investment portfolios and the granting of awards to Brescia out of the Foundation's unrestricted, restricted and endowed funds. New donations into these funds flow through Brescia to the Foundation.

During the year, Brescia paid \$80,352 (2014 - \$250,000) for expenses on behalf of the Foundation. The amount is a donation in-kind as Brescia will not be reimbursed. The balance due at year end represents Foundation expenditures in excess of \$80,352.

Amounts due from related parties are as follows:

| | 2015 | 2014 |
|---------------------------------------|---------|---------|
| | \$ | \$ |
| Brescia University College Foundation | 253,100 | 384,716 |

14 Commitments

- a) Operating and capital lease commitments

The minimum lease payments required under operating leases over the next five years and thereafter are as follows:

| | \$ |
|---------------------|---------------|
| 2016 | 25,476 |
| 2017 | 25,476 |
| 2018 | 18,282 |
| 2019 | 16,081 |
| 2020 and thereafter | 6,977 |
| | <u>92,292</u> |

Brescia University College

Notes to Financial Statements

April 30, 2015

The minimum lease payments required under capital leases, with an interest rate of 1.0% and a term of four years, is calculated as follows:

| | \$ |
|------------------------------|--------------|
| 2016 | 4,347 |
| 2017 and thereafter | <u>-</u> |
| Total obligation | 4,347 |
| Amount representing interest | <u>(8)</u> |
| | <u>4,339</u> |

b) Canadian Universities Reciprocal Insurance Exchange

On May 1, 2013, Brescia entered into a 5-year membership with Canadian Universities Reciprocal Insurance Exchange (CURIE). All members pay annual deposit premiums which are actuarially determined and may be subject to further assessment in the event members' premiums are insufficient to cover losses and expenses.

15 Government remittances

Government remittances consist of amounts required to be paid to government authorities and are recognized when the amounts become due. As at April 30, 2015, \$342,293 was payable to government authorities (2014 - \$179,468).

