

Brescia University College

Financial Statements

April 30, 2010

July 20, 2010

Auditors' Report

To the Members of Brescia University College

We have audited the statement of financial position of **Brescia University College** (the "College") as at April 30, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Brescia University College as at April 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

**Chartered Accountants
Licensed Public Accountants**

Brescia University College

Statement of Financial Position

As at April 30, 2010

	2010 \$	2009 \$
Assets		
Current assets		
Cash (note 4)	2,963,323	3,873,682
Accounts receivable	178,287	307,740
Prepaid expenses	34,516	24,332
Inventory	16,573	6,231
Due from related parties (note 10)	83,590	70,318
	<hr/>	<hr/>
	3,276,289	4,282,303
Long-term assets		
Investments (note 5)	1,228,580	931,992
Capital assets (note 6)	35,889,133	36,789,869
	<hr/>	<hr/>
Total assets	40,394,002	42,004,164
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	635,626	1,036,972
Deposits on residence	25,600	16,872
Deferred revenue	37,914	90,982
Current portion of capital lease obligations (note 11)	18,720	22,175
Current portion of mortgage payable (note 9)	200,000	200,000
	<hr/>	<hr/>
	917,860	1,367,001
Long-term liabilities		
Deferred grant funding (note 7)	96,685	113,325
Deferred contributions (note 7)	15,741,475	16,580,782
Pension benefit obligation (note 8)	650,419	280,474
Mortgage payable (note 9)	3,200,000	3,400,000
Capital lease obligation (note 11)	54,780	95,170
	<hr/>	<hr/>
	20,661,219	21,836,752
Net assets (note 3)	<hr/>	<hr/>
	19,732,783	20,167,412
Total liabilities and net assets	<hr/>	<hr/>
	40,394,002	42,004,164

Commitments (note 11)

Approved by the Council of Trustees

_____ Director

_____ Director

Brescia University College

Statement of Changes in Net Assets

For the year ended April 30, 2010

	2010 \$	2009 \$
Balance – beginning of year	20,167,412	20,547,372
Net loss for the year	(434,629)	(379,960)
Balance – end of year	<u>19,732,783</u>	<u>20,167,412</u>

Brescia University College

Statement of Operations

For the year ended April 30, 2010

	2010	2009
	\$	\$
Revenue		
Tuition fees	6,024,693	5,862,457
Provincial grants through Western	5,815,307	5,531,116
Residence	812,227	1,044,493
Food services (note 12)	615,380	-
Revenue for research grants	21,210	52,331
Miscellaneous	322,661	318,717
Student fees	219,302	237,356
Amortization of deferred contributions	956,560	1,233,254
Investment income	65,227	163,513
Grant revenue for distribution as bursaries	406,540	363,502
Brescia convent	30,000	30,000
	<u>15,289,107</u>	<u>14,836,739</u>
Expenses		
Faculty salaries and benefits	5,214,027	4,849,460
Staff salaries and benefits	3,395,296	2,669,974
Administrative salaries and benefits	772,519	832,016
Physical plant	500,768	616,200
Common facilities	39,083	42,775
Business office	21,231	32,006
Library	112,600	141,801
Education administration	90,235	101,452
Student residence	20,121	27,568
Alumnae relations	67,052	73,115
Academic services	164,191	235,330
Food services (note 12)	356,162	348,483
Automobile	12,441	12,108
Central services	1,232,786	1,133,909
Donations in Kind (note 10)	319,687	310,115
Amortization	1,342,959	1,289,185
Finance	178,227	156,383
College administration	158,401	199,359
Student services	195,197	234,101
Human resources	34,487	32,958
Scholarships	539,805	554,935
Bursaries	437,302	381,255
Information technology	86,160	83,527
Food and nutritional sciences	133,801	130,585
Student recruitment	423,816	508,087
	<u>15,848,354</u>	<u>14,996,687</u>
	<u>(559,247)</u>	<u>(159,948)</u>
Realized and unrealized gain (loss) on investments		
Change in unrealized appreciation in value of investments	128,268	(171,281)
Net realized loss on investments	(3,650)	(48,731)
	<u>124,618</u>	<u>(220,012)</u>
Net loss for the year	<u>(434,629)</u>	<u>(379,960)</u>

Brescia University College

Statement of Cash Flows

For the year ended April 30, 2010

	2010 \$	2009 \$
Cash provided by (used in)		
Operating Activities		
Net loss for the year	(434,629)	(379,960)
Add (deduct) non-cash items:		
Amortization	1,342,959	1,289,185
Amortization of deferred contributions	(956,560)	(1,233,254)
Change in unrealized appreciation of investments	(128,268)	171,281
Increase in pension obligation	369,945	109,016
Change in non-cash working capital items:		
Decrease in accounts receivable	129,453	226,919
(Increase) decrease in prepaid expenses	(10,184)	53
(Decrease) increase in accounts payable and accrued liabilities	(401,346)	238,758
(Increase) decrease in due from Foundation	(13,272)	109,158
Increase in deposits on residence	8,728	4,872
Increase in inventory	(10,342)	(417)
Decrease in deferred revenue	(53,068)	(20,611)
	<hr/>	<hr/>
	(156,584)	515,000
Financing activities		
Deferred contributions	117,253	491,955
(Decrease) increase in capital lease obligation	(43,845)	117,345
Mortgage payable	(200,000)	(200,000)
Deferred grant funding	(16,640)	(59,144)
	<hr/>	<hr/>
	(143,232)	350,156
Investing activities		
Additions to capital assets	(442,223)	(1,154,832)
(Purchase) sale of investments	(168,320)	66,158
	<hr/>	<hr/>
	(610,543)	(1,088,674)
Decrease in cash during the year	(910,359)	(223,518)
Cash – Beginning of year	3,873,682	4,097,200
Cash – End of year	<hr/>	<hr/>
	2,963,323	3,873,682

Brescia University College

Notes to Financial Statements

April 30, 2010

1 Purpose of the College

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

The College 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, the College is exempt from tax under the Income Tax Act pursuant to Section 149(1) (h.1) of the Act. The College is subject to Goods and Services Tax on its activities pursuant to provisions of the Excise Tax Act.

2 Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 life of capital assets and the future pension benefit obligation. Actual results could differ from those estimates.

Revenue recognition

The College follows the deferral method of accounting for contributions, which include 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, 2010

Capital assets

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

Buildings	20 years
Leasehold improvements	20 years
Furniture & equipment	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 the College 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 the College would receive or pay to terminate the instrument agreement at the reporting date. The following methods and assumptions were 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 investments account. These instruments are classified as held-for-trading. Carrying values approximate fair values for these instruments due to their 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 net earnings.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market including accounts receivable and due from related parties. After initial recognition, loans and receivable 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 loans

Brescia University College

Notes to Financial Statements

April 30, 2010

and receivable 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 receivable and due from related parties approximates their fair values due to the short-term maturity of these financial instruments.

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 and mortgage payable. 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 CICA 3855 - *Financial Instruments – Recognition and Measurement* and 3840 – *Related Party Transactions*. The balance at April 30, 2008 has been measured using amortized cost using the effective interest rate method as prescribed by CICA 3855.

Interest rate risk

The College's exposure to interest rate risk lies in its fixed income securities.

Credit risk

Management monitors its credit risk related to its accounts receivable balances, which are primarily from government sources.

Foreign exchange risk

The College has no significant exposure to fluctuations in the value of foreign currencies.

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, 2010

3 Change in accounting policy

Effective May 1, 2009, the College retroactively adopted the changes to the recommendations in CICA Handbook Section 4400 - *Financial Statement Presentation for Not-for-Profit Organizations* that eliminates the requirement to separately disclose the amount of net assets invested in capital assets. The College has eliminated from the financial statement details about the amount of net assets invested in capital assets and the calculation of this amount. As a result, the College has reclassified the prior year financial statements and included the amount of net assets invested in capital assets as at May 1, 2008 of \$16,338,972 and as at May 1, 2009 of \$16,609,088 in unrestricted net assets.

4 Cash

Included in cash are balances in the amount of \$138,502 (2009 - \$204,307) relating to deferred revenue, grants and contributions and other unspent amounts included in liabilities as follows:

	2010	2009
	\$	\$
Deferred tuition revenue	21,552	68,419
Other deferred revenue	12,862	14,055
Unspent research grant	35,188	40,271
Unspent amounts included in liabilities	68,900	81,562
	<hr/>	<hr/>
	138,502	204,307
	<hr/>	<hr/>

5 Investments

	2010		2009	
	Cost	Market value	Cost	Market value
	\$	\$	\$	\$
Common stocks and equivalents	578,429	603,105	680,761	569,484
Fixed income securities	630,835	625,475	360,183	362,508
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	1,209,264	1,228,580	1,040,944	931,992
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Fixed income securities have maturity dates ranging from May 2010 to December 2016 with fixed interest rates between 3.6% and 5.1% over the term.

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6 Capital assets

	2010		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	15,042,168	-	15,042,168
Furniture & equipment	1,054,905	718,239	336,666
Leasehold improvements	6,103,675	1,924,046	4,179,629
Computer hardware	703,215	631,255	71,960
Automotive	19,267	16,056	3,211
Buildings	18,691,280	2,435,781	16,255,499
	<u>41,614,510</u>	<u>5,725,377</u>	<u>35,889,133</u>

	2009		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	15,042,168	-	15,042,168
Furniture & equipment	1,014,735	655,642	359,093
Leasehold improvements	5,791,181	1,649,977	4,141,204
Computer hardware	656,046	563,827	92,219
Automotive	19,267	9,633	9,634
Buildings	18,648,887	1,503,336	17,145,551
	<u>41,172,284</u>	<u>4,382,415</u>	<u>36,789,869</u>

7 Deferred contributions

	2010	2009
	\$	\$
Unamortized capital contributions (i)	15,713,500	16,580,782
Unspent capital contributions:	<u>27,975</u>	<u>-</u>
Total Deferred Contributions	<u>15,741,475</u>	<u>16,580,782</u>
Unspent contributions to be distributed as grants (ii)	<u>96,685</u>	<u>113,325</u>
Total Deferred Grant Funding	<u>96,685</u>	<u>113,325</u>

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Notes to Financial Statements

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

	2010	2009
	\$	\$
Balance - beginning of year	16,580,782	17,322,081
Add: contributions received and not spent during the year	27,975	-
Add: contributions received and spent during the year	89,278	491,955
Less: amounts amortized to revenue	(956,560)	(1,233,254)
	<u>15,741,475</u>	<u>16,580,782</u>

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

	2010	2009
	\$	\$
Balance - beginning of year	113,325	172,469
Add: grant contributions received	16,127	31,299
Less: amounts expended through Statement of Operations	(32,767)	(90,443)
	<u>96,685</u>	<u>113,325</u>

8 Pension benefit obligation

As at January 1, 1994, the College 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, the College 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.

The College measures its accrued benefit obligation for the DB plan as at April 30 each year for accounting purposes. Total cash payments to the DB plan for 2010 were \$Nil (2009 - \$152,995).

Information about the College's DB plan as at April 30, 2010 is as follows:

	2010	2009
	\$	\$
Fund status		
Accrued benefit obligation	650,419	280,474
Fair value of plan assets	-	-
	<u>650,419</u>	<u>280,474</u>
Funded status – deficit and amount included in the statement of financial position	<u>650,419</u>	<u>280,474</u>

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Notes to Financial Statements

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The DB plan has no assets. Cash contributions are made upon benefits becoming payable. During 2010, \$Nil (2009 - \$152,995) contributions were made.

	2010 \$	2009 \$
Change in accrued benefit obligation		
Accrued benefit obligation – May 1	280,474	171,458
Net benefit cost	369,945	262,011
Benefit payments	-	(152,995)
	<hr/>	<hr/>
Accrued benefit obligation – April 30	650,419	280,474
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The College's net benefit plan cost includes the following components:

	2010 \$	2009 \$
Current service cost	13,207	5,900
Interest cost	19,823	6,052
Actuarial loss	336,915	250,059
	<hr/>	<hr/>
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	369,945	262,011
Adjustment to recognize the long-term nature of employee future benefit cost: Difference between actuarial loss recognized and actual actuarial loss on accrued benefit obligation	-	-
	<hr/>	<hr/>
Net pension costs recognized	369,945	262,011
	<hr/>	<hr/>

The significant assumptions used are as follows:

	2010 %	2009 %
Discount rate	4.50	6.75
Salary escalation	3.00	3.00

Brescia University College

Notes to Financial Statements

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9 Mortgage payable

During 2007, the College 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, the College 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 0%. The purchase agreement was completed February 15, 2008.

	\$
2011	200,000
2012	200,000
2013	200,000
2014	200,000
2015	200,000
Thereafter	2,400,000

10 Related parties

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

During the year, the College paid \$250,000 (2009 - \$250,000) for expenses on behalf of the Foundation. The amount is a donation in-kind as the College will not be reimbursed. The balance due at year end represents Foundation expenditures in excess of \$250,000.

Amounts due from related parties are as follows:

	2010	2009
	\$	\$
Brescia University College Foundation	83,590	70,318

- b) The Circle Women's Centre (the "Circle") operates independently from the College as a resource centre to women in the London community. The Circle provides unique programming, workshops and events. The Circle relies on the College to provide payroll, facilities and other administrative support.

During the year, the College paid \$69,687 (2009 - \$60,115) for expenses on behalf of the Circle. The amount is a donation in-kind as the College will not be reimbursed.

Brescia University College

Notes to Financial Statements

April 30, 2010

11 Operating and capital lease commitments

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

	\$
2011	12,220
2012	6,888
2013	3,799
2014	19,000
2015 and thereafter	-

The minimum lease payments required under capital leases, with interest rates of 9.00%, and terms of five years, is calculated as follows:

	\$
2011	24,714
2012	24,714
2013	24,714
2014	12,358
2015 and thereafter	-
Total obligation	86,500
Amount representing interest	<u>(13,000)</u>
	<u>73,500</u>

12 Food services

The provision of food services was previously outsourced to a third party for a management fee. During the year, management made the decision to run the food services operation internally.

13 Comparative figures

Certain prior year figures have been restated to conform to the current period's financial statement presentation.

