

Brescia University College

Financial Statements

April 30, 2017



June 28, 2017

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, 2017 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.

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"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, 2017 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, 2017

	2017 \$ (note 1)	2016 \$ (note 1)
Assets		
Current assets		
Cash (note 3)	6,283,130	6,345,523
Accounts receivable	257,011	185,701
Prepaid expenses	230,695	239,099
Inventory	19,833	31,693
	<hr/>	<hr/>
	6,790,669	6,802,016
Long-term assets		
Investments (note 4)	11,514,734	9,092,200
Capital assets (note 5)	57,051,998	58,785,762
	<hr/>	<hr/>
Total assets	75,357,401	74,679,978
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (note 16)	1,716,871	1,564,557
Deferred revenue	439,145	455,185
Current portion of mortgage payable (note 10)	200,000	200,000
Current portion of bank debt (note 11)	518,416	491,273
	<hr/>	<hr/>
	2,874,432	2,711,015
Long-term liabilities		
Deferred contributions (note 7)	803,382	983,708
Deferred capital contributions (note 8)	10,214,597	10,813,909
Pension benefit obligation (note 9)	817,500	976,342
Mortgage payable (note 10)	1,800,000	2,000,000
Bank debt (note 11)	29,117,091	29,635,507
	<hr/>	<hr/>
	45,627,002	47,120,481
Net assets	29,730,399	27,559,497
	<hr/>	<hr/>
Total liabilities and net assets	75,357,401	74,679,978
	<hr/>	<hr/>

Commitments (note 15)

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, 2017

	2017 \$ (note 1)	2016 \$ (note 1)
Revenue		
Tuition and other student fees	12,342,599	11,558,845
Provincial government grants	8,342,528	8,233,157
Revenue for research grants	104,173	193,986
Investment income	541,416	441,460
Tuition and grant revenue for distribution as bursaries	457,796	426,493
Amortization of deferred capital contributions	1,057,675	1,043,314
Donations	209,666	344,229
Miscellaneous	85,549	111,063
Ancillary revenues (note 14)	5,079,423	4,592,050
	<hr/> 28,220,825	<hr/> 26,944,597
Expenses		
Faculty salaries and benefits	6,855,852	6,773,245
Staff salaries and benefits	6,795,141	6,542,206
Pension benefit guarantee (note 9)	(158,842)	(211,435)
Service fee to Western University	2,328,754	2,170,260
Academic and student services	1,048,641	994,647
Marketing and external relations	930,672	999,905
Facilities	976,532	926,484
General administration	630,763	849,195
Scholarships and bursaries	1,657,097	1,498,037
Amortization of capital assets	2,689,513	2,652,273
Ancillary expenses (note 14)	1,623,082	1,504,780
Interest on long-term bank debt (note 12)	1,616,286	1,643,352
	<hr/> 26,993,491	<hr/> 26,342,949
	<hr/> 1,227,334	<hr/> 601,648
Realized and unrealized gain (loss) on investments		
Change in unrealized appreciation in value of investments	450,311	(566,372)
Net realized gain on investments	22,009	121,584
	<hr/> 472,320	<hr/> (444,788)
Excess of revenue over expenses for the year	<hr/> 1,699,654	<hr/> 156,860

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, 2017

	Unrestricted \$	Endowments \$	2017 \$ (note 1)	2016 \$ (note 1)
Balance - Beginning of year	23,961,610	3,597,887	27,559,497	27,558,881
Excess of revenue over expenses for the year	1,699,654	-	1,699,654	156,860
Endowment contributions	(38,421)	118,055	79,634	27,095
Realized gains on endowments	-	15,629	15,629	110,374
Investment income earned on endowments and restricted for awards, net of fees	-	248,065	248,065	239,026
Change in unrealized gains/losses on endowment investments	-	269,621	269,621	(421,761)
Awards from endowments	-	(141,701)	(141,701)	(110,978)
Inter-fund transfers	(59,087)	59,087	-	-
Balance - End of year	<u>25,563,756</u>	<u>4,166,643</u>	<u>29,730,399</u>	<u>27,559,497</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, 2017

	2017 \$ (note 1)	2016 \$ (note 1)
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	1,699,654	156,860
Add (deduct) non-cash items		
Amortization of capital assets	2,689,513	2,652,273
Amortization of deferred capital contributions	(1,057,675)	(1,043,314)
Change in unrealized appreciation in value of investments	(450,311)	566,372
Decrease in pension benefit obligation	(158,842)	(211,435)
Loss on disposal of capital assets	-	22,609
	<hr/> 2,722,339	<hr/> 2,143,365
Change in non-cash working capital items		
(Increase) decrease in accounts receivable	(71,310)	2,478,711
Decrease in prepaid expenses	8,404	5,316
Decrease (increase) in inventory	11,860	(10,757)
Increase (decrease) in accounts payable and accrued liabilities	152,314	(318,581)
(Decrease) increase in deferred revenue	(16,040)	18,779
	<hr/> 2,807,567	<hr/> 4,316,833
Financing activities		
Endowment contributions	79,634	27,095
Realized gains on endowments	15,629	110,374
Net investment income earned on endowments	248,065	239,026
Increase in deferred capital contributions	458,363	127,268
Decrease in capital lease obligation	-	(4,339)
Decrease in mortgage payable	(200,000)	(200,000)
(Decrease) increase in deferred contributions	(180,326)	169,321
Decrease in bank debt	(491,273)	(427,733)
	<hr/> (69,908)	<hr/> 41,012
Investing activities		
Additions to capital assets	(955,749)	(655,697)
Increase in investments	(1,844,303)	(965,534)
	<hr/> (2,800,052)	<hr/> (1,621,231)
Net (decrease) increase in cash during the year	(62,393)	2,736,614
Cash - Beginning of year	<hr/> 6,345,523	<hr/> 3,608,909
Cash - End of year	<hr/> <hr/> 6,283,130	<hr/> <hr/> 6,345,523
Cash		
Cash	4,760,634	4,862,140
Restricted cash (note 3)	1,522,496	1,483,383
	<hr/> <hr/> 6,283,130	<hr/> <hr/> 6,345,523

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

Brescia University College

Notes to Financial Statements

April 30, 2017

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 graduate and undergraduate programs in Food and Nutritional Sciences.

On April 30, 2017, Brescia University College and Brescia University College Foundation (the Foundation), amalgamated under the Ontario Corporations Act as Brescia University College. This amalgamation effectively combines the academic operations of Brescia University College with the Foundation's endowed, externally restricted and unrestricted investments. The Foundation's investments comprise donated funds in support of student scholarships, bursaries and awards and in support of other gifts to Brescia for the furtherance of its objectives. For the purposes of these financial statements, the financial position and operations of the two corporations have been stated as if they had been amalgamated throughout the year ending April 30, 2017. The prior year comparatives for the year ending April 30, 2016 have also been reclassified to reflect amalgamation.

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, other than endowment 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.

Brescia University College

Notes to Financial Statements

April 30, 2017

Endowment contributions, and investment income generated from endowment assets and internally restricted for awards, are recognized as direct increases in endowment net assets.

Pledges are recorded as revenue on a cash-basis due to uncertainty of collections, and accordingly, pledges outstanding that have not been received at year-end are not recorded as assets.

Investment income earned on restricted and unrestricted investment funds is recognized as revenue when earned. Investment income earned on externally restricted donor funds may be internally restricted thereafter for the purpose of the underlying donor fund.

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.

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.

Brescia University College

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Cash

Cash consists primarily of cash on hand and cash held in the investment fund account. These instruments are classified as held-for-trading. Carrying values approximate fair values for these instruments due to their short-term maturity.

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.

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 receivables. After initial recognition, loans and receivables 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 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 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, 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 Chartered Professional Accountants (CPA) Canada 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 Canada Handbook Section 3856.

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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.

Inventory

Inventory is valued at the lower of cost and net realizable value on a first in, first out basis.

3 Cash

Included in cash are balances in the amount of \$1,522,496 (2016 - \$1,483,383) relating to deferred revenue, grants, contributions and a capital reserve as follows:

	2017 \$	2016 \$
Capital reserve (note 6)	850,000	850,000
Deferred tuition revenue	112,477	103,677
Other deferred revenue	228,516	327,316
Unspent research grant	124,012	167,306
Amounts held in trust	207,491	35,084
	<hr/> 1,522,496	<hr/> 1,483,383

Brescia University College

Notes to Financial Statements

April 30, 2017

4 Investments

Total investments at cost and at fair value consist of the following:

	2017		2016	
	Cost \$	Market value \$	Cost \$	Market value \$
Capital fund				
Common stocks and equivalents	2,604,504	2,800,170	2,014,390	1,878,733
Fixed income securities	2,668,144	2,670,046	1,919,554	1,957,134
	<u>5,272,648</u>	<u>5,470,216</u>	<u>3,933,944</u>	<u>3,835,867</u>
Endowed, externally restricted and unrestricted investment funds				
Common stocks and equivalents	3,423,865	3,667,345	3,274,213	3,063,346
Fixed income securities	2,343,036	2,377,173	2,090,369	2,150,527
Cash surrender value of life insurance policy	-	-	-	42,460
	<u>5,766,901</u>	<u>6,044,518</u>	<u>5,364,582</u>	<u>5,256,333</u>
	<u>11,039,549</u>	<u>11,514,734</u>	<u>9,298,526</u>	<u>9,092,200</u>

Fixed income securities have average maturities in April 2026 with average coupons between 0.0% and 11.8% over the term.

Proceeds from paid up life insurance policy were realized in fiscal 2017 and converted from unrestricted to endowments.

Endowments

Endowed investments consist of donations with externally imposed restrictions stipulating that the principal be maintained intact in perpetuity. The use of investment income earned from endowments is restricted to provide for scholarships for academic achievement and bursaries for financial need as stipulated by the donor. Brescia's endowment management policies follow the general principle of maintaining the purchasing power of all endowment funds by limiting the amount made available for spending and reinvesting an amount commensurate with inflation into the principal portion of the endowment each year. Brescia ensures that all funds received for restricted purposes are expended for those purposes for which they were provided.

Brescia University College

Notes to Financial Statements

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Investment returns

	2017	2016
	\$	\$
Recorded in statement of operations		
Investment income on unrestricted and externally restricted funds	541,416	441,460
Realized gains on unrestricted and externally restricted funds	22,009	121,584
Change in unrealized gains/losses on unrestricted and externally restricted funds	450,311	(566,372)
	<u>1,013,736</u>	<u>(3,328)</u>
	2017	2016
	\$	\$
Recorded in statement of net assets		
Investment income earned on endowments	248,065	239,026
Realized gains on endowments	15,629	110,374
Change in unrealized gains/losses on endowed funds	269,621	(421,761)
	<u>533,315</u>	<u>(72,361)</u>

Brescia University College

Notes to Financial Statements

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5 Capital assets

	2017		
	Cost \$	Accumulated amortization \$	Net \$
Land	15,042,167	-	15,042,167
Buildings	48,435,234	12,421,526	36,013,708
Leasehold improvements	7,828,709	4,074,634	3,754,075
Furniture and equipment	3,588,683	1,900,061	1,688,622
Parking lots	552,372	126,315	426,057
Computer hardware	1,119,027	1,011,130	107,897
Automotive	23,366	3,894	19,472
	<u>76,589,558</u>	<u>19,537,560</u>	<u>57,051,998</u>
	2016		
	Cost \$	Accumulated amortization \$	Net \$
Land	15,042,167	-	15,042,167
Buildings	48,435,234	10,496,817	37,938,417
Leasehold improvements	7,220,564	3,724,546	3,496,018
Furniture and equipment	3,343,753	1,614,137	1,729,616
Parking lots	552,372	71,078	481,294
Computer hardware	1,090,940	992,690	98,250
Automotive	19,267	19,267	-
	<u>75,704,297</u>	<u>16,918,535</u>	<u>58,785,762</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.

	2017 \$	2016 \$
Future capital projects	<u>850,000</u>	<u>850,000</u>

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7 Deferred contributions

Deferred contributions represent unspent externally restricted grants (including research grants), donations and other contributions. The balance consists of the following:

	2017 \$	2016 \$
Balance - Beginning of year	983,708	818,734
Add: grants received	51,823	166,729
Less: amounts expended against grants	(106,996)	(190,329)
Add: externally restricted donations received	132,249	694,104
Less: transfers of externally restricted donations to other funds	(159,087)	(46,572)
Less: awards of externally restricted donation funds	(98,315)	(458,958)
	<hr/>	<hr/>
	803,382	983,708

8 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The changes in the deferred capital contributions are as follows:

	2017 \$	2016 \$
Balance - Beginning of year	10,813,909	11,729,955
Add: contributions received and not spent during the year	71,098	71,305
Add: contributions received and spent during the year	287,265	55,963
Add: transfer from deferred contributions	100,000	-
Less: amounts amortized to revenue	(1,057,675)	(1,043,314)
	<hr/>	<hr/>
	10,214,597	10,813,909

9 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.

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Information about Brescia's DB plan as at April 30, 2017 is as follows:

	2017 \$	2016 \$
Funded status - amount included in the statement of financial position	817,500	976,342

The DB plan has no assets. Cash contributions are made upon benefits becoming payable. During 2017, \$nil (2016 - \$nil) contributions were made.

	2017 \$	2016 \$
Change in accrued benefit obligation		
Accrued benefit obligation - May 1	976,342	1,187,777
Net benefit gain	(158,842)	(211,435)
Accrued benefit obligation - April 30	817,500	976,342

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

	2017 \$	2016 \$
Current service cost	33,465	41,242
Interest cost	25,245	31,954
Actuarial gain	(217,552)	(284,631)
Net pension gain recognized	(158,842)	(211,435)

The significant assumptions used are as follows:

	2017 %	2016 %
Discount rate	2.20	2.50
Salary escalation	3.00	3.00

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.

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10 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 and thereafter are as follows:

	\$
2018	200,000
2019	200,000
2020	200,000
2021	200,000
2022	200,000
Thereafter	<u>1,000,000</u>
	<u>2,000,000</u>

11 Bank debt

In a Commitment Letter dated April 27, 2011 (as further amended in fiscal 2014 and reconfirmed in January 2016), 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, 2017, \$1,990,000 of the facility was available to Brescia as \$10,000 has been set aside in a Letter 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.

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%, 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 was interest-only until October 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,

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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:

	2017 \$	2016 \$
Scotiabank long-term non-revolving take-out loan, terms described above	29,635,507	30,126,780

Based on the loan balance outstanding at April 30, 2017, the principal payments required over the next five years and thereafter are as follows:

	\$
2018	518,416
2019	547,060
2020	577,286
2021	609,182
2022	642,840
Thereafter	<u>26,740,723</u>
	<u>29,635,507</u>

12 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.

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.

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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 an interest rate swap contract during the year, the terms of which are as follows (reflecting amendments in fiscal 2014):

Term of agreement	October 29, 2013 - October 29, 2043
Notional amount	\$29,635,507
Interest rate	4.41%

All in, interest rate includes a 1% stamping fee in addition to the interest rate noted above.

Hedge accounting has been applied to the derivative financial instrument. 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, 2017, the unrealized loss related to this swap agreement was \$9,231,074 (2016 - \$10,063,852) based on a mark-to-market valuation prepared by Scotia Capital Markets.

13 Ontario Student Opportunity Trust Fund

The net assets for endowments include the Ontario Student Opportunity Trust Fund (OSOTF I, OSOTF II and OTSS). The OSOTF program was established by the Government of Ontario whereby the Government of Ontario, on a dollar-for-dollar basis, matched all eligible donations made to the OSOTF. The Government completed its role in this program as of March 31, 2000 for OSOTF I and June 30, 2003 for OSOTF II. On April 1, 2006, the Government of Ontario introduced the Ontario Trust for Student Support (OTSS). Investment income from the funds must be used to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend university. The Government completed the OTSS program effective March 31, 2012. Any remaining unmatched donations received under the OTSS program as at March 31, 2012 will no longer be matched by the Government of Ontario.

Brescia University College

Notes to Financial Statements

April 30, 2017

Brescia has recorded the following amounts under the OSOTF I program:

	2017	2016
	\$	\$
Balance - Beginning of year	378,890	366,876
Recapitalization of capital gains	1,680	12,014
Recapitalization of restricted expendable funds	4,857	-
	<hr/>	<hr/>
Balance - End of year	385,427	378,890
	<hr/>	<hr/>
	2017	2016
	\$	\$
Expendable funds available for awards - Beginning of year	26,011	12,156
Investment income, net of management fees	26,753	26,820
Net capital gains	37	485
Recapitalization to principal	(4,857)	-
Bursaries	(20,500)	(13,450)
	<hr/>	<hr/>
Expendable funds available for awards - End of year	27,444	26,011
	<hr/>	<hr/>

Brescia has recorded the following amounts under the OSOTF II program:

	2017	2016
	\$	\$
Balance - Beginning of year	196,876	190,534
Recapitalization of capital gains	729	6,342
Recapitalization of restricted expendable funds	2,583	-
	<hr/>	<hr/>
Balance - End of year	200,188	196,876
	<hr/>	<hr/>
	2017	2016
	\$	\$
Expendable funds available for awards - Beginning of year	25,818	16,516
Investment income, net of management fees	14,907	14,845
Net capital gains	52	522
Recapitalization to principal	(2,583)	-
Bursaries	(12,000)	(6,065)
	<hr/>	<hr/>
Expendable funds available for awards - End of year	26,194	25,818
	<hr/>	<hr/>

OSOTF I and OSOTF II programs had approximate market values of \$432,745 (2016 - \$395,913) and \$237,280 (2016 - \$217,752) respectively as at April 30, 2017.

Brescia University College

Notes to Financial Statements

April 30, 2017

Brescia has recorded the following amounts under the OTSS program:

	2017	2016
	\$	\$
Balance - Beginning of year	1,532,201	1,490,500
Recapitalization of capital gains	6,066	41,701
Recapitalization of restricted expendable funds	16,874	-
	<hr/>	<hr/>
Balance - End of year	1,555,141	1,532,201
	<hr/>	<hr/>
	2017	2016
	\$	\$
Expendable funds available for awards - Beginning of year	103,649	49,082
Investment income, net of management fees	96,246	94,133
Net capital gains	292	2,131
Recapitalization to principal	(16,874)	-
Bursaries	(40,662)	(41,697)
	<hr/>	<hr/>
Expendable funds available for awards - End of year	142,651	103,649
	<hr/>	<hr/>

Investments under the OTSS program had an approximate market value of \$1,779,523 (2016 - \$1,599,545) as at April 30, 2017.

Brescia University College

Notes to Financial Statements

April 30, 2017

14 Ancillary operations

	2017 \$	2016 \$
Ancillary revenues		
Residence fees	2,316,196	2,143,034
Food services	1,995,064	1,820,846
Conference services	313,589	197,804
Parking	209,361	193,459
Other ancillary revenue	245,213	236,907
	<hr/> 5,079,423	<hr/> 4,592,050
Ancillary expenses		
Residence expenses	528,928	476,599
Food services expenses	919,756	887,471
Conference services expenses	48,615	33,588
Other ancillary costs	125,783	107,122
	<hr/> 1,623,082	<hr/> 1,504,780
Other ancillary expenses included in statement of operations:		
Direct ancillary salaries and benefits (i)	1,489,060	1,394,701
Interest on long-term bank debt (ii)	1,616,286	1,643,352
	<hr/> 4,728,428	<hr/> 4,542,833
	<hr/> 350,995	<hr/> 49,217

- (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, 2017

15 Commitments

a) Operating lease commitments

The minimum lease payments required under operating leases are as follows:

	\$
2018	17,568
2019	16,298
2020	7,086
Thereafter	-
	<hr/>
	40,952
	<hr/>

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.

16 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, 2017, \$19,974 was payable to government authorities (2016 - \$nil).

17 Comparative figures

Certain prior year figures have been reclassified to conform to the current period's financial statement presentation, including a reclassification to reflect amalgamated financial position and operations of both Brescia University College and the Foundation for the years ended April 30, 2017 and 2016.

