

**Brescia University College
Foundation**

Financial Statements
April 30, 2016



June 21, 2016

Independent Auditor's Report

To the Directors of the Brescia University College Foundation

We have audited the accompanying financial statements of Brescia University College Foundation, which comprise the statement of financial position as at April 30, 2016 and the statements of operations and changes in fund balances 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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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brescia University College Foundation as at April 30, 2016 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 Foundation

Statement of Financial Position

As at April 30, 2016

	Unrestricted \$	Externally restricted \$	Endowments \$	2016 \$	2015 \$
Assets					
Current assets					
Cash	918	749	1,225	2,892	9,822
Accounts receivable	1,341	33,875	-	35,216	1,278
Prepaid expenses	715	4,250	-	4,965	-
Due from Brescia University College (note 6)	-	-	122,646	122,646	94,827
	2,974	38,874	123,871	165,719	105,927
Investments (note 3)	788,861	1,381,886	3,085,586	5,256,333	5,353,214
	791,835	1,420,760	3,209,457	5,422,052	5,459,141
Liabilities and fund balances					
Current liabilities					
Accounts payable and accrued liabilities (note 7)	6,515	-	-	6,515	12,960
Due to Brescia University College (note 6)	216,883	341,832	-	558,715	347,927
	223,398	341,832	-	565,230	360,887
Fund balances					
Unrestricted	568,437	-	-	568,437	772,117
Externally restricted	-	1,078,928	-	1,078,928	860,792
Endowments (note 4)	-	-	3,209,457	3,209,457	3,465,345
	568,437	1,078,928	3,209,457	4,856,822	5,098,254
	791,835	1,420,760	3,209,457	5,422,052	5,459,141

Approved by the Board of Directors

_____ Director _____ Director

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

Brescia University College Foundation
Statement of Operations and Changes in Fund Balances
For the year ended April 30, 2016

	Unrestricted \$	Externally restricted \$	Endowments \$	2016 \$	2015 \$
Revenue					
Donations in-kind from Brescia (note 6)	-	-	-	-	80,352
Investment income	53,369	317,696	-	371,065	199,790
Contributions	-	410,375	26,121	436,496	251,167
	<u>53,369</u>	<u>728,071</u>	<u>26,121</u>	<u>807,561</u>	<u>531,309</u>
Expenses					
Salaries and benefits	-	-	-	-	63,156
Administrative	411	-	-	411	7,406
Other fundraising expenses	172,402	3,000	-	175,402	52,718
Professional fees	15,700	25,372	-	41,072	44,545
Transfer to Brescia for payment of awards	-	380,533	-	380,533	330,450
	<u>188,513</u>	<u>408,905</u>	<u>-</u>	<u>597,418</u>	<u>498,275</u>
Excess (deficiency) of revenue over expenses before undernoted	(135,144)	319,166	26,121	210,143	33,034
Realized and unrealized gain (loss) on investments					
Realized gain on investments	32,579	24,292	103,309	160,180	79,803
Increase in unrealized (loss) gain on investment	(101,115)	(125,322)	(385,318)	(611,755)	135,688
(Deficiency) excess of revenue over expenses	(203,680)	218,136	(255,888)	(241,432)	248,525
Fund balances - Beginning of year	<u>772,117</u>	<u>860,792</u>	<u>3,465,345</u>	<u>5,098,254</u>	<u>4,849,729</u>
Fund balances - End of year	<u>568,437</u>	<u>1,078,928</u>	<u>3,209,457</u>	<u>4,856,822</u>	<u>5,098,254</u>

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

Brescia University College Foundation

Statement of Cash Flows

For the year ended April 30, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenue over expenses	(241,432)	248,525
Add (deduct) non-cash items:		
Change in unrealized loss (gain) on investment	611,755	(135,688)
Change in non-cash working capital items:		
(Increase) decrease in accounts receivable	(33,938)	1,924
(Increase) decrease in prepaid expenses	(4,965)	4,436
Decrease in accounts payable and accrued liabilities	(6,445)	(3,921)
Increase (decrease) in due to Brescia University College	182,969	(131,616)
	<hr/> 507,944	<hr/> (16,340)
Investing activities		
Net increase in investments	<hr/> (514,874)	<hr/> (346,465)
Net decrease in cash during the year	(6,930)	(362,805)
Cash - Beginning of year	<hr/> 9,822	<hr/> 372,627
Cash - End of year	<hr/> <hr/> 2,892	<hr/> <hr/> 9,822

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

Brescia University College Foundation

Notes to Financial Statements

April 30, 2016

1 Purpose of the Foundation

Brescia University College Foundation's (the Foundation) purpose is to receive and maintain funds for the purpose of providing scholarships, bursaries and other financial assistance to students enrolled at Brescia University College (Brescia) and for the purpose of providing gifts to Brescia University College for the furtherance of its objectives.

The Foundation was incorporated on June 4, 1986 as Brescia College Alumnae Foundation. An application for Supplementary Letters Patent was filed by the Ministry of Consumer and Business Services on April 28, 2005. The corporation name changed to Brescia University College Foundation and certain objects and special provisions were amended. As a not-for-profit registered charity, the Foundation is exempt from tax under the Income Tax Act (Canada).

On July 1, 2014, the Foundation entered into a Memorandum of Agreement with Brescia (the 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 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 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 to be invested into these funds flow through Brescia to the Foundation. Pursuant to the terms of the Restructuring, the Foundation is to repay Brescia for all annual fundraising activity costs in excess of \$250,000.

2 Accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) within the framework of accounting policies summarized below.

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. Actual results could differ from those estimates.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. 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 and endowment contributions are recognized as revenue in the year in which they are received.

Restricted, endowment and unrestricted investment income is recognized as revenue when earned. Investment income earned on endowment investments is recorded as income of the restricted fund.

Brescia University College Foundation

Notes to Financial Statements

April 30, 2016

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 Foundation 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 Foundation 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 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 and due from related parties. 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, and due to related parties. 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.

Brescia University College Foundation

Notes to Financial Statements

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

Interest rate risk

The Foundation's exposure to interest rate risk lies in its fixed income securities and is considered to be an insignificant exposure since the securities are held indirectly through pooled funds.

Credit risk

The Foundation has no significant exposure to credit risk.

Foreign exchange risk

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

3 Investments

	2016		2015	
	Cost \$	Market value \$	Cost \$	Market value \$
Common stocks and equivalents	3,274,213	3,063,346	2,888,580	3,236,966
Fixed income securities	2,090,369	2,150,527	1,961,128	2,075,842
Cash surrender value of life insurance policy	-	42,460	-	40,406
	<u>5,364,582</u>	<u>5,256,333</u>	<u>4,849,708</u>	<u>5,353,214</u>

4 Endowments

All of the net assets for Endowments have externally imposed restrictions stipulating that the principal be maintained intact. The use of investment income is restricted to provide for scholarships for academic achievement and bursaries for financial need.

5 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 Foundation

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April 30, 2016

The Foundation has recorded the following amounts under the OSOTF I program:

	2016	2015
	\$	\$
Balance - Beginning of year	366,876	359,865
Recapitalization of capital gains	12,014	7,011
	<hr/>	<hr/>
Balance - End of year	378,890	366,876
	<hr/>	<hr/>
	2016	2015
	\$	\$
Expendable funds available for awards - Beginning of year	12,156	12,893
Investment income, net of management fees	26,820	11,744
Net capital gains	485	139
Bursaries	(13,450)	(12,620)
	<hr/>	<hr/>
Expendable funds available for awards - End of year	26,011	12,156
	<hr/>	<hr/>

The Foundation has recorded the following amounts under the OSOTF II program:

	2016	2015
	\$	\$
Balance - Beginning of year	190,534	186,911
Recapitalization of capital gains	6,342	3,623
	<hr/>	<hr/>
Balance - End of year	196,876	190,534
	<hr/>	<hr/>
	2016	2015
	\$	\$
Expendable funds available for awards - Beginning of year	16,516	16,311
Investment income, net of management fees	14,845	6,490
Net capital gains	522	150
Bursaries	(6,065)	(6,435)
	<hr/>	<hr/>
Expendable funds available for awards - End of year	25,818	16,516
	<hr/>	<hr/>

OSOTF I and OSOTF II programs had approximate market values of \$395,913 (2015 - \$417,512) and \$217,752 (2015 - \$228,070) respectively as at April 30, 2016.

Brescia University College Foundation

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The Foundation has recorded the following amounts under the OTSS program:

	2016 \$	2015 \$
Balance - Beginning of year	1,490,500	1,466,225
Recapitalization of capital gains	41,701	24,275
	<hr/>	<hr/>
Balance - End of year	1,532,201	1,490,500
	<hr/>	<hr/>
	2016 \$	2015 \$
Expendable funds available for awards - Beginning of year	49,082	49,133
Investment income, net of management fees	94,133	41,192
Net capital gains	2,131	581
Bursaries	(41,697)	(41,824)
	<hr/>	<hr/>
Expendable funds available for awards - End of year	103,649	49,082
	<hr/>	<hr/>

Investments under the OTSS program had an approximate market value of \$1,599,545 (2015 - \$1,695,889) as at April 30, 2016.

6 Related party transactions

Due to Brescia University College

Amount due to Brescia University College at April 30, 2016 for awards funded by the Foundation and for fundraising activity costs paid by Brescia in excess of \$250,000, net of donations received by Brescia and flowed through to be invested in the Foundation restricted and endowed funds, amount to \$436,069 (2015 - \$253,100 in excess of donation-in-kind of \$80,352).

During the May 1, 2014 to June 30, 2014 period prior to the Restructuring, Brescia paid \$80,352 for expenses on behalf of the Foundation. The amount was recorded as a donation in-kind in 2015 as Brescia was not reimbursed.

Planned amalgamation

The Board of Directors of the Foundation and the Board of Trustees of Brescia have mutually agreed to pursue a planned amalgamation of the two corporations at a date in the future, to be established with the further approval of both Boards.

Brescia University College Foundation

Notes to Financial Statements

April 30, 2016

7 Government remittances

Government remittances consist of amounts required to be paid to government authorities and are recognized when the amounts become due. No amounts were payable to government authorities for either 2016 or 2015.

