

Brescia University College

Financial Statements

April 30, 2011

June 28, 2011

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, 2011 and the statement of changes in net assets and statement of operations for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brescia University College as at April 30, 2011 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, 2011

	2011 \$	2010 \$
Assets		
Current assets		
Cash (note 3)	3,131,243	2,963,323
Accounts receivable	578,581	178,287
Prepaid expenses	70,844	34,516
Inventory	10,783	16,573
Due from related parties (note 9)	212,095	83,590
	<hr/>	<hr/>
	4,003,546	3,276,289
Long-term assets		
Investments (note 4)	1,287,212	1,228,580
Capital assets (note 5)	34,921,699	35,889,133
	<hr/>	<hr/>
Total assets	40,212,457	40,394,002
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	1,149,820	635,626
Deposits on residence	20,400	25,600
Deferred revenue	155,908	37,914
Current portion of capital lease obligations (note 10)	20,462	18,720
Current portion of mortgage payable (note 8)	200,000	200,000
	<hr/>	<hr/>
	1,546,590	917,860
Long-term liabilities		
Deferred grant funding (note 6)	128,598	96,685
Deferred contributions (note 6)	14,873,538	15,741,475
Pension benefit obligation (note 7)	920,002	650,419
Mortgage payable (note 8)	3,000,000	3,200,000
Capital lease obligation (note 10)	34,318	54,780
	<hr/>	<hr/>
	20,503,046	20,661,219
Net assets	<hr/>	<hr/>
	19,709,411	19,732,783
Total liabilities and net assets	<hr/>	<hr/>
	40,212,457	40,394,002

Commitments (note 10)

Approved by the Council of Trustees

_____ Trustee

_____ Trustee

Brescia University College

Statement of Changes in Net Assets

For the year ended April 30, 2011

	2011 \$	2010 \$
Balance - Beginning of year	19,732,783	20,167,412
Deficiency of revenue over expenses for the year	<u>(23,372)</u>	<u>(434,629)</u>
Balance - End of year	<u>19,709,411</u>	<u>19,732,783</u>

Brescia University College

Statement of Operations

For the year ended April 30, 2011

	2011	2010
	\$	\$
Revenue		
Tuition fees	6,402,599	6,024,693
Provincial government grants	6,355,441	5,815,307
Residence	861,114	812,227
Food services	670,598	615,380
Revenue for research grants	46,728	21,210
Miscellaneous	341,561	322,661
Student fees	245,831	219,302
Amortization of deferred contributions	956,665	956,560
Investment income	89,379	65,227
Grant revenue for distribution as bursaries	306,162	406,540
Brescia convent	12,500	30,000
	<hr/> 16,288,578	<hr/> 15,289,107
Expenses		
Faculty salaries and benefits	5,559,816	5,214,027
Staff salaries and benefits	3,356,104	3,395,296
Administrative salaries and benefits	784,221	772,519
Physical plant	715,925	500,768
Common facilities	56,124	39,083
Business office	52,702	21,231
Library	116,842	112,600
Education administration	102,525	90,235
Student residence	27,681	20,121
Alumnae relations	25,596	67,052
Academic services	188,874	164,191
Food services	361,056	356,162
Automobile	9,557	12,441
Central services	1,135,839	1,232,786
Donations in Kind (note 9)	324,099	319,687
Amortization	1,362,585	1,342,959
Finance	196,006	178,227
College administration	109,677	158,401
Student services	221,158	195,197
Human resources	30,844	34,487
Scholarships	486,712	539,805
Bursaries	355,501	437,302
Information technology	160,396	86,160
Food and nutritional sciences	136,823	133,801
Student recruitment	501,617	423,816
	<hr/> 16,378,280	<hr/> 15,848,354
	(89,702)	(559,247)
Realized and unrealized gain (loss) on investments		
Change in unrealized appreciation in value of investments	53,496	128,268
Net realized gain (loss) on investments	12,834	(3,650)
	<hr/> 66,330	<hr/> 124,618
Deficiency of revenue over expenses for the year	<hr/> (23,372)	<hr/> (434,629)

Brescia University College

Statement of Cash Flows

For the year ended April 30, 2011

	2011 \$	2010 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(23,372)	(434,629)
Add (deduct) non-cash items:		
Amortization	1,362,585	1,342,959
Amortization of deferred contributions	(956,665)	(956,560)
Change in unrealized appreciation of investments	(53,496)	(128,268)
Increase in pension obligation	269,583	369,945
Change in non-cash working capital items:		
(Increase) decrease in accounts receivable	(400,294)	129,453
(Increase) decrease in prepaid expenses	(36,328)	(10,184)
(Increase) decrease in due from Foundation	(128,505)	(13,272)
(Increase) decrease in inventory	5,790	(10,342)
Increase (decrease) in accounts payable and accrued liabilities	514,194	(401,346)
Increase (decrease) in deposits on residence	(5,200)	8,728
Increase (decrease) in deferred revenue	117,994	(53,068)
	<hr/>	<hr/>
	666,286	(156,584)
Financing activities		
Deferred contributions	88,728	117,253
Increase (decrease) in capital lease obligation	(18,720)	(43,845)
Mortgage payable	(200,000)	(200,000)
Deferred grant funding	31,913	(16,640)
	<hr/>	<hr/>
	(98,079)	(143,232)
Investing activities		
Additions to capital assets	(395,151)	(442,223)
(Purchase) sale of investments	(5,136)	(168,320)
	<hr/>	<hr/>
	(400,287)	(610,543)
Net increase (decrease) in cash during the year	167,920	(910,359)
Cash - Beginning of year	<hr/>	<hr/>
	2,963,323	3,873,682
Cash - End of year	<hr/>	<hr/>
	3,131,243	2,963,323

Brescia University College

Notes to Financial Statements

April 30, 2011

1 Purpose of Brescia

Brescia University College ("Brescia") is a Catholic university college for women, affiliated with The University of Western Ontario. 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 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

Brescia 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, 2011

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 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 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 investment fund account.

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.

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.

Brescia University College

Notes to Financial Statements

April 30, 2011

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 Handbook Section 3855 - Financial Instruments - Recognition and Measurement and Section 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 Handbook Section 3855.

Interest rate risk

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

Credit risk

Management monitors its credit risk related to diversified sources.

Foreign exchange risk

Brescia 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.

3 Cash

Included in cash are balances in the amount of \$286,598 (2010 - \$138,503) relating to deferred revenue, grants and contributions and other unspent amounts included in liabilities as follows:

	2011	2010
	\$	\$
Deferred tuition revenue	67,235	21,552
Other deferred revenue	85,173	12,862
Unspent research grant	128,598	96,685
Unspent amounts included in liabilities	5,592	7,404
	<hr/>	<hr/>
	286,598	138,503
	<hr/>	<hr/>

Brescia University College

Notes to Financial Statements

April 30, 2011

4 Investments

	2011		2010	
	Cost \$	Market value \$	Cost \$	Market value \$
Common stocks and equivalents	558,030	626,808	578,429	603,105
Fixed income securities	656,384	660,404	630,835	625,475
	<u>1,214,414</u>	<u>1,287,212</u>	<u>1,209,264</u>	<u>1,228,580</u>

Fixed income securities have average maturity in September 2019 with average coupons between 5.00% and 5.49% over the term.

5 Capital assets

	2011		
	Cost \$	Accumulated amortization \$	Net \$
Land	15,042,168	-	15,042,168
Buildings	18,876,932	3,368,225	15,508,707
Leasehold improvements	6,158,013	2,210,214	3,947,799
Furniture & equipment	1,145,461	804,804	340,657
Computer hardware	767,818	685,450	82,368
Automotive	19,267	19,267	-
	<u>42,009,659</u>	<u>7,087,960</u>	<u>34,921,699</u>

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

Brescia University College

Notes to Financial Statements

April 30, 2011

6 Deferred contributions

	2011	2010
	\$	\$
Unamortized capital contributions (i)	14,813,448	15,713,500
Unspent capital contributions:	60,090	27,975
	<hr/>	<hr/>
Total Deferred Contributions	14,873,538	15,741,475
	<hr/>	<hr/>
Unspent contributions to be distributed as grants (ii)	128,598	96,685
	<hr/>	<hr/>
Total Deferred Grant Funding	128,598	96,685
	<hr/>	<hr/>

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

	2011	2010
	\$	\$
Balance - Beginning of year	15,741,475	16,580,782
Add: contributions received and not spent during the year	60,090	27,975
Add: contributions received and spent during the year	28,638	89,278
Less: amounts amortized to revenue	(956,665)	(956,560)
	<hr/>	<hr/>
	14,873,538	15,741,475
	<hr/>	<hr/>

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

	2011	2010
	\$	\$
Balance - Beginning of year	96,685	113,325
Add: grant contributions received	81,273	16,127
Less: amounts expended through Statement of Operations	(49,360)	(32,767)
	<hr/>	<hr/>
	128,598	96,685
	<hr/>	<hr/>

7 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. Total cash payments to the DB plan for 2011 were \$Nil (2010 - \$Nil).

Brescia University College

Notes to Financial Statements

April 30, 2011

Information about Brescia's DB plan as at April 30, 2011 is as follows:

	2011 \$	2010 \$
Fund status		
Accrued benefit obligation	920,002	650,419
Fair value of plan assets	-	-
	<hr/>	<hr/>
	920,002	650,419
	<hr/>	<hr/>
Funded status - deficit (surplus) and amount included in the statement of financial position	920,002	650,419
	<hr/>	<hr/>

The DB plan has no assets. Cash contributions are made upon benefits becoming payable. During 2011, \$Nil (2010 - \$Nil) contributions were made.

	2011 \$	2010 \$
Change in accrued benefit obligation		
Accrued benefit obligation - May 1	650,419	280,474
Net benefit cost	273,025	369,945
Adjustment for prior period over-accrual	(3,442)	-
	<hr/>	<hr/>
Accrued benefit obligation - April 30	920,002	650,419
	<hr/>	<hr/>

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

	2011 \$	2010 \$
Current service cost	26,827	13,207
Interest cost	30,476	19,823
Actuarial loss (gain)	215,722	336,915
	<hr/>	<hr/>
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	273,025	369,945
Adjustment to recognize the long-term nature of employee future benefit cost: Difference between actuarial loss recognized and actual actuarial loss (gain) on accrued benefit obligation	-	-
	<hr/>	<hr/>
Net pension costs recognized	273,025	369,945
	<hr/>	<hr/>

Brescia University College

Notes to Financial Statements

April 30, 2011

The significant assumptions used are as follows:

	2011 %	2010 %
Discount rate	3.70	4.50
Salary escalation	3.00	3.00

8 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 0%. The purchase agreement was completed February 15, 2008.

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

	\$
2012	200,000
2013	200,000
2014	200,000
2015	200,000
2016	200,000
Thereafter	2,200,000

9 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.

During the year, Brescia paid \$250,000 (2010 - \$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 \$250,000.

Amounts due from related parties are as follows:

	2011 \$	2010 \$
Brescia University College Foundation	212,095	83,590

Brescia University College

Notes to Financial Statements

April 30, 2011

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

During the year, Brescia paid \$74,099 (2010 - \$69,687) for expenses on behalf of the Circle. The amount is a donation in-kind as Brescia will not be reimbursed.

10 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:

	\$
2012	6,688
2013	3,799
2014	1,900
2015 and thereafter	<u>-</u>
	<u>12,387</u>

The minimum lease payments required under capital leases, with interest rates of 9.00%, and terms of 5 years, is calculated as follows:

	\$
2012	24,714
2013	24,714
2014	12,357
2015 and thereafter	<u>-</u>
Total obligation	61,785
Amount representing interest	<u>(7,005)</u>
	<u>54,780</u>

Brescia University College

Notes to Financial Statements

April 30, 2011

b) Commitments regarding construction of new student residence and associated financing

On March 31, 2011, Brescia entered into a contract with an architectural firm providing for architectural services in relation to a Residence and Dining Pavilion construction project (the "Residence Project"). Construction of the Residence Project is anticipated to commence in fiscal 2012 pursuant to a Stipulated Price Contract with a General Contractor which will be tendered and negotiated in fiscal 2012. Fees paid to the architectural firm will primarily comprise a percentage of the construction costs for the Residence Project.

Subsequent to Brescia's fiscal year-end, on May 27, 2011, Brescia accepted a commitment from a Schedule A Canadian financial institution to lend up to \$31,100,000 which will substantially finance the construction of the Residence Project.

11 Comparative figures

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

