Brescia University College

Financial Statements
April 30, 2012

June 26, 2012

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, 2012 and the statement of changes in net assets, statement of operations and statement of cash flows 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, 2012 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, 2012

	2012 $	2011 $
Assets		
Current assets		
Cash (note 3)	4,373,180	3,131,243
Accounts receivable	339,684	578,581
Prepaid expenses	84,940	70,844
Inventory	11,459	10,783
Due from related parties (note 12)	273,178	212,095
	5,082,441	4,003,546
Long-term assets		
Investments (note 4)	1,314,703	1,287,212
Capital assets (note 5)	37,341,110	34,921,699
Total assets	43,738,254	40,212,457
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	2,108,830	1,149,820
Deposits on residence	24,600	20,400
Deferred revenue	269,414	155,908
Current portion of capital lease obligations (note 13)	37,812	20,462
Current portion of mortgage payable (note 9)	200,000	200,000
Unrealized loss on interest rate swap (note 11)	106,633	-
	2,747,289	1,546,590
Long-term liabilities		
Deferred grant funding (note 7)	111,021	128,598
Deferred contributions (note 7)	14,016,798	14,873,538
Pension benefit obligation (note 8)	1,150,979	923,444
Mortgage payable (note 9)	2,800,000	3,000,000
Capital lease obligation (note 13)	52,033	34,318
Bank debt (note 10)	2,500,000	-
Unrealized loss on long-term interest rate swap (note 11)	5,848,227	-
	29,226,347	20,506,488
Net assets	14,511,907	19,705,969
Total liabilities and net assets	43,738,254	40,212,457

Commitments (note 13)

Approved by the Council of Trustees

_______________________________ Trustee   _______________________________ Trustee

Brescia University College

Statement of Changes in Net Assets

For the year ended April 30, 2012

	2012 $	2011 $
Balance - Beginning of year	19,705,969	19,732,783
Excess (deficiency) of revenue over expenses for the year	654,165	(26,814)
Unrealized (loss) on long-term interest rate swap (note 11)	(5,848,227)	-
Balance - End of year	14,511,907	19,705,969

Brescia University College

Statement of Operations

For the year ended April 30, 2012

	2012 $	2011 $
Revenue		
Tuition fees	7,178,097	6,402,599
Provincial government grants	7,074,390	6,355,441
Residence	941,206	861,114
Food services	741,044	670,598
Revenue for research grants	81,775	46,728
Miscellaneous	347,064	354,061
Student fees	283,850	245,831
Amortization of deferred contributions	972,958	956,665
Investment income	99,972	89,379
Grant revenue for distribution as bursaries	347,677	306,162
	18,068,033	16,288,578
Expenses		
Faculty salaries and benefits	6,081,791	5,563,258
Staff salaries and benefits	3,497,363	3,356,104
Administrative salaries and benefits	823,061	784,221
Physical plant	608,872	715,925
Common facilities	46,523	56,124
Business office	27,401	52,702
Library	122,163	116,842
Education administration	48,285	102,525
Student residence	65,314	27,681
Alumnae relations	53,125	25,596
Academic services	217,477	188,874
Food services	378,062	361,056
Automobile	13,716	9,557
Central services	1,210,678	1,135,839
Donations in Kind (note 12)	250,000	324,099
Amortization	1,365,677	1,362,585
Finance	161,258	196,006
College administration	126,057	109,677
Student services	294,639	221,158
Human resources	31,061	30,844
Scholarships	623,667	486,712
Bursaries	396,559	355,501
Information technology	144,416	160,396
Food and nutritional sciences	144,221	136,823
Student recruitment	573,296	501,617
	17,304,682	16,381,722
	763,351	(93,144)
Realized and unrealized (loss) gain on investments		
Change in unrealized (depreciation) appreciation in value of investments	(7,963)	53,496
Net realized gain on investments	5,410	12,834
Unrealized (loss) on interest rate swap	(106,633)	-
	(109,186)	66,330
Excess (deficiency) of revenue over expenses for the year	654,165	(26,814)

Brescia University College

Statement of Cash Flows

For the year ended April 30, 2012

	2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	654,165	(26,814)
Add (deduct) non-cash items:		
Amortization	1,365,677	1,362,585
Amortization of deferred contributions	(972,958)	(956,665)
Change in unrealized depreciation (appreciation) of investments	7,963	(53,496)
Increase in pension obligation	227,535	273,025
Unrealized loss on interest rate swap	106,633	-
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	238,897	(400,294)
(Increase) decrease in prepaid expenses	(14,096)	(36,328)
(Increase) decrease in due from Foundation	(61,083)	(128,505)
(Increase) decrease in inventory	(676)	5,790
Increase (decrease) in accounts payable and accrued liabilities	959,010	514,194
Increase (decrease) in deposits on residence	4,200	(5,200)
Increase (decrease) in deferred revenue	113,506	117,994
	2,628,773	666,286
Financing activities		
Deferred contributions	116,218	88,728
Increase (decrease) in capital lease obligation	35,065	(18,720)
Mortgage payable	(200,000)	(200,000)
(Decrease) increase in deferred grant funding	(17,577)	31,913
Bank debt	2,500,000	-
	2,433,706	(98,079)
Investing activities		
Additions to capital assets	(3,785,088)	(395,151)
(Purchase) of investments	(35,454)	(5,136)
	(3,820,542)	(400,287)
Net increase in cash during the year	1,241,937	167,920
Cash - Beginning of year	3,131,243	2,963,323
Cash - End of year	4,373,180	3,131,243

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.

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, mortgage payable and bank debt. After initial recognition, other financial liabilities are subsequently carried at amortized cost using the effective interest method less any impairment losses, if necessary. Gains and losses are recognized in the statement of operations when the other liabilities are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in the statement of operations.

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

The mortgage payable was initially recorded at the exchange amount in accordance with Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 - 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 CICA Handbook Section 3855.

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 recognized directly in fund balances on the statement of changes in net assets. For derivatives where hedge accounting has not been applied, the change in fair value has been recognized directly in the statement of operations in the current year.

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

Inventories

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

Accounting standards for not-for-profit organizations

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. Brescia is currently considering the impact of the adoption of these standards, but does not expect any material impact on the financial statements as a result of this change.

3 Cash

Included in cash are balances in the amount of $930,528 (2011 - $286,598) relating to deferred revenue, grants and contributions and other unspent amounts included in liabilities as follows:

	2012 $	2011 $
Capital reserve (note 6)	550,000	-
Deferred tuition revenue	108,531	67,235
Other deferred revenue	160,883	85,173
Unspent research grant	111,114	128,598
Unspent amounts included in liabilities	-	5,592
	930,528	286,598

4 Investments

	2012		2011	
	Cost $	Market value $	Cost $	Market value $
Common stocks and equivalents	593,474	684,802	558,030	626,808
Fixed income securities	656,384	629,901	656,384	660,404
	1,249,858	1,314,703	1,214,414	1,287,212

Fixed income securities have average maturity in September 2020 with average coupons between 4.56% and 5.02% over the term.

5 Capital assets

			2012
	Cost $	Accumulated amortization $	Net $
Land	15,042,167	-	15,042,167
Buildings	18,648,890	4,300,753	14,348,137
Leasehold improvements	6,262,851	2,500,409	3,762,442
Furniture and equipment	1,272,470	896,477	375,993
Computer hardware	825,820	736,732	89,088
Automotive	19,267	19,267	-
Residence construction in progress	3,723,283	-	3,723,283
	45,794,748	8,453,638	37,341,110

			2011
	Cost $	Accumulated amortization $	Net $
Land	15,042,167	-	15,042,167
Buildings	18,648,889	3,368,225	15,280,664
Leasehold improvements	6,158,015	2,210,214	3,947,801
Furniture and equipment	1,145,461	804,804	340,657
Computer hardware	767,818	685,450	82,368
Automotive	19,267	19,267	-
Residence construction in progress	228,042	-	228,042
	42,009,659	7,087,960	34,921,699

6 Restrictions on net assets

In 2012, Brescia's Council of Trustees restricted $550,000 of previously unrestricted net assets for purposes of future capital projects. This restricted amount is not available for other purposes without approval of the Council of Trustees. This internal restriction has been recorded as restricted cash as detailed in note 3.

	2012 $	2011 $
Future capital projects	550,000	-

7 Deferred contributions

	2012 $	2011 $
Unamortized capital contributions (i)	13,974,811	14,813,448
Unspent capital contributions:	41,987	60,090
Total deferred contributions	14,016,798	14,873,538
Unspent contributions to be distributed as grants (ii)	111,021	128,598
Total deferred grant funding	111,021	128,598

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

	2012 $	2011 $
Balance - Beginning of year	14,873,538	15,741,475
Add: contributions received and not spent during the year	41,987	60,090
Add: contributions received and spent during the year	74,231	28,638
Less: amounts amortized to revenue	(972,958)	(956,665)
	14,016,798	14,873,538

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

	2012 $	2011 $
Balance - Beginning of year	128,598	96,685
Add: grant contributions received	77,842	81,273
Less: amounts expended through statement of operations	(95,419)	(49,360)
	111,021	128,598

8 Pension benefit obligation

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

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

Information about Brescia's DB plan as at April 30, 2012 is as follows:

	2012 $	2011 $
Fund status		
Accrued benefit obligation	1,150,979	923,444
Fair value of plan assets	-	-
Funded status - deficit (surplus) and amount included in the statement of financial position	1,150,979	923,444

The DB plan has no assets. Cash contributions are made upon benefits becoming payable. During 2012, $40,995 (2011 - $Nil) contributions were made.

	2012 $	2011 $
Change in accrued benefit obligation		
Accrued benefit obligation - May 1	923,444	650,419
Net benefit cost	268,530	273,025
Benefits paid	(40,995)	-
Accrued benefit obligation - April 30	1,150,979	923,444

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

	2012 $	2011 $
Current service cost	33,115	26,827
Interest cost	34,634	30,476
Actuarial loss (gain)	200,781	215,722
Net pension costs recognized	268,530	273,025

The significant assumptions used are as follows:

	2012 %	2011 %
Discount rate	3.15	3.70
Salary escalation	3.00	3.00

9 Mortgage payable

During 2007, Brescia entered into an Agreement of Purchase and Sale with the Ursuline Religious of the Diocese of London in Ontario to purchase certain land and buildings at a negotiated exchange amount. Pursuant to the Agreement, Brescia has agreed to pay the vendor take-back mortgage in equal annual installments commencing on the first anniversary of the closing date and on each anniversary thereafter until paid in full. The mortgage has an interest rate of 0%. The purchase agreement was completed February 15, 2008.

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

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

10 Bank debt

In a Commitment Letter dated April 27, 2011, 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, 2012, $1,750,000 of the facility was available to Brescia as $250,000 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 Agreement with the City in connection with the Residence Project.

A $31,100,000 non-revolving construction loan to finance residence project construction, bearing interest at Bankers' Acceptances plus Fee of 1%, repayable in full on or before September 30, 2013 from the proceeds of a long-term non-revolving construction take-out loan.

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 a fee of 1%, to be fully drawn down upon the earlier of construction completion and September 30, 2013, repayable in 89 monthly blended installments of principal and interest, with the balance of principal and interest due in the 90th month, amortized over 30 years. A $5,000,000 portion of the loan shall be interest-only until September 2015.

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

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

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

	2012 $	2011 $
Scotiabank non-revolving construction loan to finance residence project construction, repayable on or before September 30, 2013 from the proceeds of a long-term take-out loan, remaining terms described above	2,500,000	-

Based on the loan balance outstanding at April 30, 2012, the principal payments required over the next five years are as follows:

	$
2013	-
2014	2,500,000
2015 and thereafter	-
	2,500,000

11 Capital management

Credit risk

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

Market risk

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

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

Interest rate risk

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

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

Term of agreement	January 3, 2012- September 1, 2013	September 1, 2013- September 1, 2043
Notional amount	$7,464,000	$31,100,000
Interest rate	1.94%	4.39%

All in interest rate includes a 1% stamping fee.

Hedge accounting has not been applied to the derivative financial instrument maturing on September 1, 2013 as despite best efforts, the match in critical terms was not achieved. As such, the change in fair value has been recognized directly in the statement of operations in the current year. If Brescia had decided to unwind the interest rate swap at April 30, 2012, the cost of doing so would have been $106,633. This amount has been recognized as an unrealized loss in the statement of financial position.

Hedge accounting has been applied to the derivative financial instrument maturing on September 1, 2043; as such the change in the fair value has been recognized directly in the fund balance. As at April 30, 2012, the unrealized loss related to this swap agreement was $5,848,227, which has also been recorded in the statement of financial position.

12 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 (2011 - $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:

	2012 **$**	**2011** **$**
Brescia University College Foundation	273,178	212,095

b) The Circle Women's Centre (the Circle) is a resource centre to women in the London community, providing unique programming, workshops and events. Prior to 2012, the Circle operated independently from Brescia, with Brescia contributing to the Circle by providing certain payroll, facilities and other administrative support. In 2012, the Circle was merged into Brescia's operations for consideration of $Nil. All Circle revenues and expenses for 2012 are included in Brescia's statement of operations. During 2011, Brescia paid $74,099 for expenses on behalf of the Circle. The amount was recorded as a donation in kind as the amount was not reimbursed.

13 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:

	$
2013	10,984
2014	10,984
2015	6,201
2016	3,810
2017 and thereafter	5,079
	37,058

The minimum lease payments required under capital leases, with interest rates ranging from 1.00% to 9.00%, and terms of four to five years, is calculated as follows:

	$
2013	42,053
2014	29,743
2015	17,386
2016 and thereafter	4,347
Total obligation	93,529
Amount representing interest	(3,684)
	89,845

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”). Fees paid to the architectural firm will primarily comprise a percentage of the construction costs for the Residence Project.

On February 22, 2012, Brescia entered into a CCDC2-2008 stipulated price contract in the amount of $25,180,500, excluding HST, to construct the Residence Project with a general contractor. Financing for the Residence Project is disclosed in note 10.

14 Comparative figures

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