Brescia University College

Financial statements
April 30, 2018

Building a better
working world

Independent auditors' report

To the Board of Trustees 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, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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.

Auditors' 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 auditors' 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 auditors consider 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Brescia University College** as at April 30, 2018, 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.

Other matter

The financial statements of **Brescia University College** for the year ended April 30, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 28, 2017.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with the preceding year.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
June 27, 2018

Brescia University College

Statement of financial position

As at April 30

	2018	2017
	$	$
Assets		
Current		
Cash	**5,309,888**	6,283,130
Short-term investments *[note 3]*	**1,517,219**	—
Accounts receivable	**207,012**	257,011
Prepaid expenses and inventory	**194,723**	250,529
Total current assets	**7,228,842**	6,790,669
Investments *[note 3]*	**11,817,922**	11,514,734
Capital assets *[note 4]*	**55,671,452**	57,051,998
	74,718,216	75,357,401
Liabilities		
Current		
Accounts payable and accrued liabilities	**1,880,729**	1,716,871
Deferred revenue	**500,991**	439,145
Current portion of mortgage payable *[note 9]*	**200,000**	200,000
Current portion of bank debt *[note 10]*	**547,059**	518,416
Total current liabilities	**3,128,779**	2,874,432
Deferred contributions *[note 6]*	**1,094,603**	803,382
Deferred capital contributions *[note 7]*	**8,958,021**	10,214,597
Pension benefit obligation *[note 8]*	**829,095**	817,500
Mortgage payable *[note 9]*	**1,600,000**	1,800,000
Bank debt *[note 10]*	**28,570,032**	29,117,091
Total liabilities	**44,180,530**	45,627,002
Net assets		
Unrestricted	**17,683,574**	19,218,889
Internally restricted *[note 5]*	**7,499,436**	6,344,866
Endowments	**5,354,676**	4,166,644
Total net assets	**30,537,686**	29,730,399
	74,718,216	75,357,401

Commitments *[note 8, 10, 14 and 15]*

See accompanying notes

Brescia University College

Statement of operations

Year ended April 30

	2018	2017
	$	$
Revenue		
Tuition and other student fees	**12,951,978**	12,342,599
Provincial government grants	**8,398,378**	8,342,528
Research and other grant revenue	**144,066**	104,173
Investment income *[note 3]*	**461,036**	1,155,437
Tuition revenue set aside for distribution as bursaries	**477,239**	457,796
Amortization of deferred capital contributions *[note 7]*	**1,535,359**	1,057,675
Donations	**325,412**	209,666
Miscellaneous	**84,797**	85,549
Ancillary revenues *[note 13]*	**5,053,080**	5,079,423
	29,431,345	28,834,846
Expenses		
Faculty salaries and benefits	**7,713,281**	6,855,852
Staff salaries and benefits	**7,127,811**	6,795,141
Service fee to Western University	**2,445,369**	2,328,754
Academic and student services	**1,139,326**	1,048,641
Marketing and external relations	**1,120,014**	930,672
Facilities	**1,012,102**	976,532
General administration	**664,281**	630,763
Scholarships and bursaries	**1,866,406**	1,798,798
Amortization of capital assets	**3,370,973**	2,689,513
Ancillary expenses *[note 13]*	**1,562,607**	1,623,082
Interest on long-term debt *[note 10]*	**1,591,876**	1,616,286
	29,614,046	27,294,034
(Deficiency) excess of revenues over expenses for the year	**(182,701)**	1,540,812

See accompanying notes

Brescia University College

Statement of changes in net assets

Year ended April 30

	Unrestricted	Internally restricted	Endowments	2018	2017
	$	$	$	$	$
Net assets, beginning of year	**19,218,889**	**6,344,866**	**4,166,644**	**29,730,399**	27,559,497
(Deficiency) excess of revenues over expenses for the year	**(182,701)**	**—**	**—**	**(182,701)**	1,540,812
Endowment contributions	**—**	**—**	**1,158,045**	**1,158,045**	79,634
Increase in accumulated investment income on endowments	**—**	**—**	**29,987**	**29,987**	391,614
Transfer of funds to deferred contributions	**(186,449)**	**—**	**—**	**(186,449)**	—
Remeasurements of pension obligation *[note 8]*	**(11,595)**	**—**	**—**	**(11,595)**	158,842
Inter-fund transfers	**(1,154,570)**	**1,154,570**	**—**	**—**	—
Balance, end of year	**17,683,574**	**7,499,436**	**5,354,676**	**30,537,686**	29,730,399

See accompanying notes

Brescia University College

Statement of cash flows

Year ended April 30

	2018	2017
	$	$
Operating activities		
(Deficiency) excess of revenues over expenses for the year	**(182,701)**	1,540,812
Add (deduct) non cash items		
Amortization of capital assets	**3,370,973**	2,689,513
Amortization of deferred capital contributions	**(1,535,359)**	(1,057,675)
Unrealized investment loss (income)	**303,161**	(681,511)
Net change in non-cash balances		
Decrease (increase) in accounts receivable	**49,999**	(71,310)
Decrease in prepaid expenses and inventory	**55,806**	20,264
Increase in accounts payable and accrued liabilities	**163,858**	152,314
Increase (decrease) in deferred contributions	**104,771**	(180,326)
Increase (decrease) in deferred revenue	**61,846**	(16,040)
Cash provided by operating activities	**2,392,354**	2,396,041
Financing activities		
Endowments contributions	**1,158,045**	79,634
Deferred capital contributions received	**278,783**	458,363
Repayment of mortgage payable	**(200,000)**	(200,000)
Repayment of bank debt	**(518,416)**	(491,273)
Cash provided by financing activities	**718,412**	(153,276)
Investing activities		
Purchases of capital assets	**(1,990,427)**	(955,749)
Net purchases of investments	**(2,093,581)**	(1,349,409)
Cash used in investing activities	**(4,084,008)**	(2,305,158)
Net decrease in cash during the year	**(973,242)**	(62,393)
Cash, beginning of year	**6,283,130**	6,345,523
Cash, end of year	**5,309,888**	6,283,130

See accompanying notes

Brescia University College

Notes to financial statements

April 30, 2018

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.

Brescia is incorporated without share capital under the *Corporations Act* (Ontario) and is a registered charity under the *Income Tax Act* (Canada). 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.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada [“GAAP”] and includes the significant accounting policies summarized below.

Use of estimates

The preparation of financial statements in conformity with GAAP 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 accounts for contributions, which includes government grants and donations, in accordance with the deferral method.

Externally restricted contributions received for:

- Purposes other than endowment or the acquisition of capital assets are initially recorded as deferred contributions and recognized as revenue in the year in which the related expenses are incurred.
- The acquisitions of capital assets having limited life are initially recorded as deferred contributions in the period in which they are received and recognized as revenue over the useful life of the related capital assets.
- The acquisition of unlimited life assets such as land and collections are recorded as direct increases in net assets in the period in which they are received.

Endowment contributions and related investment income (loss) allocated to endowment capital preservation and growth are recorded as direct increases or decreases in net assets in the period in which they are received or earned.

Unrestricted contributions are recognized as revenue when received.

Revenues received for the provision of goods and services are recognized in the period in which the goods or services are provided by Brescia. Revenues received for a future period are deferred until the goods or services are provided.

Tuition and other academic fees are recorded as revenue on the accrual basis of accounting. All fees that relate to an academic term occurring within the fiscal year are included as revenue. Fees collected that relate to academic terms commencing after the end of the fiscal year are included in deferred revenue.

Employee future benefits

Brescia recognizes the amount of the accrued benefit obligation net of the fair value of the assets of its defined pension plan [the “Plan”], adjusted for any valuation allowance, in the statement of financial position. Actuarial gains and losses and past service costs are recognized as a direct increase or decrease in net assets. The accrued benefit obligation is determined based on an actuarial valuation report prepared for funding purposes. This report is required to be prepared at least on a triennial basis by the applicable pension regulations. In the year where an actuarial valuation for funding purposes is not prepared, Brescia estimates the obligation.

Brescia has a defined contribution pension plan covering substantially all of its employees. Brescia’s contribution to the pension plan are expensed as incurred.

Investments and investment income

All investments are recorded at fair value. Fair value is the amount of consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act. Short-term investments are readily convertible to cash and are recorded at cost plus accrued income, which approximates fair value. Pooled funds are valued based on reported unit values.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income, comprised of interest, dividends, realized and unrealized gains (losses), is recorded as revenue in the Statement of Operations, except for investment income earned on endowments, for which only the amount made available for spending is recorded as revenue. Investment income earned in excess of the amount made available for spending is recorded as a direct increase in endowments. In years where the investment income earned is below the amount made available for spending, the shortfall is recorded as a direct decrease in endowments.

Derivative financial instruments

Brescia follows hedge accounting for its interest rate swap to manage the cash flow risk associated with its long-term debt obligation. In order for a derivative to qualify for hedge accounting, the hedge relationship must be identified, designated and formally documented at its inception. Change in the cash flows on the interest rate swaps must be highly effective in offsetting changes in the amount of cash flows on the hedged long-term debt. Interest rate swaps in qualifying hedging relationships are not recognized until their maturity.

Other financial instruments

Other financial instruments, including accounts receivable, accounts payable and accrued liabilities, mortgage payable and bank debt are recorded at amortized cost.

Capital assets

Capital assets are recorded at cost less accumulated amortization. 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 and software	3 years
Automotive	3 years

Construction in progress is not amortized until the asset is complete.

During the year, Brescia revised its estimate of the useful life of one of its buildings which is to be demolished as described in note 15.

Inventories

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

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, or other awards to further Brescia's mission, as stipulated by the donor. Brescia's endowment management policies follow the general principle of maintaining the purchasing power of all endowments 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.

3. Investments

[i] Total investments at fair value consist of the following:

	2018	2017
	$	$
Short-term income fund	1,517,219	—
Long-term Investments		
Equity pooled funds	6,212,101	6,467,515
Fixed income pooled funds	5,605,821	5,047,219
	11,817,922	11,514,734

[ii] Investment income consists of the following:

	2018			2017
	Operations	Endowment	Total	Total
	$	$	$	$
Net realized investment income	521,491	247,322	768,813	827,119
Net (decrease) increase in unrealized investment income	(230,514)	(47,276)	(277,790)	719,932
	290,977	200,046	491,023	1,547,051
Investment income made available for spending	170,059	(170,059)	—	—
Increase in accumulated investment income on endowments	—	(29,987)	(29,987)	(391,614)
	461,036	—	461,036	1,155,437

Notes to financial statements

April 30, 2018

4. Capital assets

		2018	
	Cost	**Accumulated amortization**	**Net**
	$	$	$
Land	**15,042,167**	**—**	**15,042,167**
Buildings	**48,948,585**	**14,981,363**	**33,967,222**
Leasehold improvements	**8,954,969**	**4,364,795**	**4,590,174**
Furniture and equipment	**3,116,532**	**1,554,216**	**1,562,316**
Computer hardware and software	**772,817**	**645,747**	**127,070**
Automotive	**23,366**	**11,683**	**11,683**
Parking lots	**552,372**	**181,552**	**370,820**
	77,410,808	**21,739,356**	**55,671,452**

		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
Computer hardware and software	1,119,027	1,011,130	107,897
Automotive	23,366	3,894	19,472
Parking lots	552,372	126,315	426,057
	76,589,558	19,537,560	57,051,998

5. Internally restricted net assets

Brescia's Board of Trustees maintains restrictions on net assets for purposes of future capital projects. This restricted amount of $7,499,436 [2017 – $6,344,866] is not available for other purposes without approval of the Board of Trustees.

6. Deferred contributions

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

	2018 $	2017 $
Balance – beginning of year	**803,382**	983,708
Contributions received during the year	**529,859**	184,072
Contributions recognized during the year	**(429,594)**	(205,311)
Add: net investment income	**4,507**	—
Transfers from (to) other funds	**186,449**	(159,087)
	1,094,603	803,382

Of the $429,594 [2017 – $205,311] in contributions recognized in revenue during the year $151,846 [2017 – $106,996] related to research grants.

7. 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:

	2018 $	2017 $
Balance – beginning of year	**10,214,597**	10,813,909
Add: contributions received and not spent during the year	**—**	71,098
Add: contributions received and spent during the year	**278,783**	287,265
Add: transfer from deferred contributions	**—**	100,000
Less: amounts amortized to revenue	**(1,535,359)**	(1,057,675)
	8,958,021	10,214,597

Balance end of year includes $150,587 [2017 – $150,587] in contributions received in prior years and unspent.

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.

The DB plan has no assets. Cash contributions are made upon benefits becoming payable.

	2018 $	2017 $
Change in accrued benefit obligation		
Accrued benefit obligation – May 1	**817,500**	976,342
Net benefit cost (gain)	**11,595**	(158,842)
Benefits paid	**—**	—
Accrued benefit obligation – April 30	**829,095**	817,500

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

	2018 $	2017 $
Current service cost	**29,155**	33,465
Interest cost	**18,626**	25,245
Actuarial gain	**(36,186)**	(217,552)
Net pension cost (gain) recognized	**11,595**	(158,842)

The significant assumptions used for the benefit obligation are as follows:

	2018 %	2017 %
Discount rate	**2.95**	2.20
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 nil. The purchase agreement was completed February 15, 2008.

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

	$
2019	200,000
2020	200,000
2021	200,000
2022	200,000
2023	200,000
thereafter	800,000
	1,800,000

10. Bank debt

Bank debt consists of the following:

[i] 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 [2018 – 3.45%; 2017 – 2.7%]. As at April 30, 2018, $1,880,000 of the facility was available to Brescia as $120,000 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 construction of a new Academic Pavilion.

[ii] A $31,100,000 long-term non-revolving loan to finance the Clare Hall residence , bearing interest at 1-month Bankers' Acceptances [2018 – 1.57%; 2017 – 0.75%] 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. As at April 30, 2018, $29,117,091 [2017 – $29,635,507] was outstanding.

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

	$
2019	547,059
2020	577,286
2021	609,182
2022	642,839
2023	678,358
Thereafter	26,062,367
	29,117,091

[iii] A $8,500,000 non-revolving construction loan to assist in financing construction of a new Academic Pavilion, bearing interest payable monthly at Prime minus 0.5% per annum or 1-month Bankers' Acceptances plus Fee of 0.7% per annum. As at April 30, 2018, $nil of the facility had been drawn. Initial drawdown is to occur by November 30, 2018. This construction loan will be replaced upon the earlier of construction completion and August 31, 2019 with the following:

A $4,000,000 non-revolving loan to partially repay the construction loan noted above, bearing interest payable monthly at Prime minus 0.5% per annum or 1-month Bankers' Acceptances plus Fee of 0.7% per annum, repayable in 60 equal monthly blended installments of principal and interest., amortized over 25 years.

A $4,500,000 non-revolving loan to partially repay the construction loan noted above, bearing interest payable monthly at Prime minus 0.5% per annum or 1-month Bankers' Acceptances plus Fee of 0.7% per annum, repayable in full on or before 60 months from drawdown.

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, 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.

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.

To manage the exposure to fluctuating prime interest rates on its variable interest rate debt, Brescia has entered into interest rate swap contracts, the terms of which are as follows:

	Swap Contract 1	**Swap Contract 2**
Term of agreement	October 29, 2013 – October 29, 2043	October 1, 2019 – October 1, 2044
Notional amount	$29,117,091	$4,000,000
Interest rate	4.41%	2.87%

All-in interest rate for both swap contracts includes a 1% stamping fee in addition to the interest rates noted above.

Swap Contract 1: Hedge accounting has been applied to the Swap 1 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, 2018, the unrealized loss related to this swap agreement was $6,097,746 [2017 – $9,231,074].

Swap Contract 2: The underlying loan related to this forward interest rate swap has yet to be drawn down. Start date for this derivative financial instrument is October 1, 2019. 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, 2018, the unrealized loss related to this swap agreement was $38,486 [2017 – nil].

12. 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.

Notes to financial statements

April 30, 2018

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

	2018 $	2017 $
Balance – beginning of year	**415,077**	408,540
Recapitalization of capital gains	**1,802**	1,680
Recapitalization of restricted expendable funds	**5,330**	4,857
Balance – end of year	**422,209**	415,077

	2018 $	2017 $
Expendable funds available for awards – beginning of year	**28,542**	27,109
Investment income, net of management fees	**19,095**	26,753
Net capital gains	**112**	37
Recapitalization to capital portion	**(5,330)**	(4,857)
Bursaries	**(20,000)**	(20,500)
Expendable funds available for awards – end of year	**22,419**	28,542

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

	2018 $	2017 $
Balance – beginning of year	**220,735**	217,423
Recapitalization of capital gains	**975**	729
Recapitalization of restricted expendable funds	**11,089**	2,583
Balance – end of year	**232,799**	220,735

	2018 $	2017 $
Expendable funds available for awards – beginning of year	**21,227**	20,851
Investment income, net of management fees	**10,624**	14,907
Net capital gains	**78**	52
Recapitalization to capital portion	**(11,089)**	(2,583)
Bursaries	**(8,500)**	(12,000)
Expendable funds available for awards – end of year	**12,340**	21,227

OSOTF I and OSOTF II programs had approximate fair values of $454,818 [2017 – $464,974] and $250,758 [2017 – $253,610] respectively as at April 30, 2018.

Brescia has recorded the following amounts under the OTSS program:

	2018	2017
	$	$
Balance – beginning of year	**1,442,220**	1,419,280
Recapitalization of capital gains	**6,425**	6,066
Recapitalization of restricted expendable funds	**98,766**	16,874
Balance – end of year	**1,547,411**	1,442,220

	2018	2017
	$	$
Expendable funds available for awards – beginning of year	**148,873**	109,871
Investment income, net of management fees	**70,056**	96,246
Net capital gains	**515**	292
Recapitalization to capital portion	**(98,766)**	(16,874)
Bursaries	**(59,361)**	(40,662)
Expendable funds available for awards – end of year	**61,317**	148,873

Investments under the OTSS program had an approximate fair value of $1,645,602 [2017 – $1,667,687] as at April 30, 2018.

Notes to financial statements

April 30, 2018

13. Ancillary operations

	2018	2017
	$	$
Ancillary revenues		
Residence fees	**2,293,871**	2,316,196
Food services	**2,014,490**	1,995,064
Conference services	**227,932**	313,589
Parking	**202,949**	209,361
Other ancillary revenue	**313,838**	245,213
	5,053,080	5,079,423
Ancillary expenses		
Residence expenses	**447,507**	528,928
Food services expenses	**915,551**	919,756
Conference services expenses	**49,006**	48,615
Other ancillary costs	**150,543**	125,783
	1,562,607	1,623,082
Other ancillary expenses included in statement of operations:		
Direct ancillary salaries and benefits [i]	**1,575,356**	1,489,060
Interest on long-term bank debt [ii]	**1,591,876**	1,616,286
	4,729,839	4,728,428
Excess of ancillary revenue over expenses	**323,241**	350,995

[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 Clare Hall residence.

Notes to financial statements

April 30, 2018

14. Commitments

[a] Operating lease commitments

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

	$
2019	19,277
2020	10,066
2021	2,980
2022	2,980
2023	2,980
Thereafter	—
	38,283

[b] Canadian Universities Reciprocal Insurance Exchange

On May 1, 2013, Brescia entered into a 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.

15. Subsequent events

In May 2018, Brescia entered into a fixed price construction contract in the amount of $10,597,700 excluding HST with a general contractor for the construction of a 30,000 square foot new Academic Pavilion, comprising food preparation and food science laboratories, lecture-halls and other academic instruction spaces, and research and student study spaces. The project will involve demolition of an existing 10,000 square foot wing of a building as well as two portable buildings on Brescia's campus, which were vacant as at April 30, 2018. The total project cost is estimated to be approximately $14,000,000 and will be funded with a combination of internally restricted funds and new bank debt, see *note 10 [iii]*.

16. Comparative figures

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