Huron University College

Financial Statements
April 30, 2007

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June 28, 2007

Auditors' Report

To the Executive Board of
Huron University College

We have audited the statement of financial position of **Huron University College** (the "University") as at April 30, 2007 and the statement of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the University's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2007 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

Huron University College

Statement of Financial Position

As at April 30, 2007

	2007 $	2006 $
Assets		
Current assets		
Cash	155,052	
Accounts receivable	652,475	480,293
Due from Huron University College Foundation	-	101,496
	807,527	581,789
Capital assets (Note 3)	14,289,233	14,702,320
	15,096,760	15,284,109
Liabilities		
Current liabilities		
Bank indebtedness (Note 4)	-	66,566
Demand loans (Note 4)	-	1,071,096
Accounts payable and accrued liabilities	507,814	450,600
Advanced tuition and residence deposits	437,920	328,730
Deferred revenue	119,774	39,172
Due to Huron University College Foundation	1,265	-
Current portion of long-term debt (Note 6)	402,934	638,052
	1,469,707	2,594,216
Deferred capital contributions (Note 5)	3,824,622	3,539,226
Deferred revenue	286,979	-
Long-term debt (Note 6)	1,735,531	2,075,108
Employee future benefits (Note 7)	431,051	413,986
	7,747,890	8,622,536
Net Assets		
Invested in capital assets	8,729,317	7,445,018
Internally restricted (Note 16)	373,329	675,000
Unrestricted	(1,753,776)	(1,458,445)
	7,348,870	6,661,573
	15,096,760	15,284,109

Huron University College
Statement of Operations
For the year ended April 30, 2007

	2007 $	2006 $
Revenue		
Student fees	5,744,168	5,734,405
Government grants	5,108,005	4,949,368
	10,852,173	10,683,773
Ancillary - net (Note 9)	1,001,977	773,576
External trust	50,860	55,110
Foundation transfer (Note 10)	670,597	608,256
	1,723,434	1,436,942
Other revenue (Note 11)	901,594	776,226
	13,477,201	12,896,941
Expenditures		
Salaries and benefits - faculty	5,410,464	5,341,705
Salaries and benefits - staff	1,582,416	1,409,985
Registrarial	602,504	542,110
Academic instructional	820,176	703,300
UWO fees	825,844	791,476
	9,241,404	8,788,576
Scholarship and bursaries	957,258	892,221
Building costs - academic	483,979	448,078
General administration	637,130	354,074
Alumni development	398,017	298,440
	2,476,384	1,992,813
	11,717,788	10,781,389
Excess of revenues over expenditures before undernoted	1,759,413	2,115,552
Depreciation	1,072,116	1,064,491
Excess of revenues over expenditures	687,297	1,051,061

Huron University College

Statement of Changes in Net Assets

For the year ended April 30, 2007

	2007				2006			
	Invested in Capital Assets $	**Unrestricted $**	**Internally Restricted $**	**Total $**	**Invested in Capital Assets $**	**Unrestricted $**	**Internally Restricted $**	**Total $**
Balance, beginning of year	7,445,018	(1,458,445)	675,000	6,661,573	7,483,800	(1,873,288)	-	5,610,512
Excess of revenues over expenditures	-	687,297	-	687,297	-	1,051,061	-	1,051,061
Depreciation of capital assets	(1,072,116)	1,072,116	-	-	(1,064,491)	1,064,491	-	-
Amortization of deferred contributions	227,333	(227,333)	-	-	244,935	(244,935)	-	-
Capital assets acquired from own funds	454,443	(454,443)	-	-	328,010	(328,010)	-	-
Interfund transfer (note 16)	28,848	272,823	(301,671)	-	-	(675,000)	675,000	-
	(361,492)	1,350,460	(301,671)	687,297	(491,546)	867,607	675,000	1,051,061
Repayment of long-term debt (Note 6)	574,695	(574,695)	-	-	256,297	(256,297)	-	-
Repayment of demand loan (Note 4)	1,071,096	(1,071,096)	-	-	196,467	(196,467)	-	-
	1,284,299	(295,331)	(301,671)	687,297	(38,782)	414,843	675,000	1,051,061
Balance, end of year	8,729,317	(1,753,776)	373,329	7,348,870	7,445,018	(1,458,445)	675,000	6,661,573

Huron University College

Statement of Cash Flows

For the year ended April 30, 2007

	2007 $	2006 $
Cash flows from operating activities		
Excess of revenues over expenditures	687,297	1,051,061
Items not involving cash:		
Depreciation of capital assets	1,072,116	1,064,491
Amortization of deferred capital contributions	(227,333)	(244,935)
Employee future benefits	17,065	116,768
Change in non-cash working capital items (note 12)	177,585	845,483
	1,726,730	2,832,868
Cash flows from investing activities		
Additions to capital assets	(659,029)	(756,239)
Increase in deferred capital contributions	512,729	224,744
	(146,300)	(531,495)
Cash flows from financing activities		
Increase (decrease) in deferred revenue	286,979	(91,909)
Repayment of long-term debt	(574,695)	(256,297)
Repayment of demand loans	(1,071,096)	(288,647)
	(1,358,812)	(636,853)
Increase in net cash for the year	221,618	1,644,520
Bank indebtedness, beginning of year	(66,566)	(1,731,086)
Cash (bank indebtedness), end of year	155,052	(66,566)

1 Purpose of the organization

Huron University College ("the University") is a university institution with undergraduate programs in Arts and Social Sciences, and graduate programs in Theology. The University is affiliated with the University of Western Ontario ("UWO") and closely associated with the Anglican Church of Canada. The University is incorporated under the statutes of the Province of Ontario. The University is a not-for-profit organization under the Income Tax Act.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with the Canadian generally accepted accounting principles and include the following significant accounting policies.

Revenue recognition

The University follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount received can be reasonably estimated and collection is reasonably assured.

Capital assets

Capital assets are carried at cost. When an asset is sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recognized in operations for the year.

The carrying amount of a capital asset not being depreciated because it is under construction or development is classified as work-in-progress. Depreciation expense is calculated upon completion of construction and allocation of the asset to its appropriate capital asset account.

Depreciation expense is calculated on all depreciable assets based on the following methods, utilizing estimated lives according to Canadian Association of University Business Officers guidelines for Canadian colleges and universities as follows:

Buildings	5% declining balance
Equipment and furniture	10 years straight line
Computer equipment	4 years straight line
Library books	5 years straight line
Food court	5% declining balance

Deferred capital contributions

Effective May 1, 1997 contributions received for capital assets are deferred and amortized over the same term and on the same basis as the related capital assets. Contributions related to capital assets acquired prior to fiscal 1998 are not reasonably determined and therefore, the change in policy was applied prospectively.

Employee future benefits

The University provides a Retirement Gratuity Plan, which is a defined benefit plan. Benefits from the Gratuity Plan are provided only to participants who had benefits under the Standard Life Group Annuity plan as of December 31, 1986, only if the participant invests his/her defined contribution account in accordance with plan provisions and meets all other conditions necessary for receiving such benefits. The service cost and accrued benefit obligation of the Gratuity Plan is actuarially determined by using a modified form of the projected unit credit actuarial cost method pro-rated on services. The employees of the University are also eligible to be members of the UWO Academic and Staff/Management Pension Plan, which is a defined contribution plan.

Use of estimates

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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3 Capital Assets

			2007	2006
	Cost $	Accumulated Depreciation $	Net Book Value $	Net Value Book $
Land	325,458	-	325,458	325,458
Building	20,976,308	9,322,323	11,653,985	11,971,213
Equipment and furniture	3,883,299	3,174,143	709,156	817,920
Computer equipment	654,218	492,186	162,032	143,839
Library books	1,610,219	1,223,047	387,172	373,992
Food court	2,101,757	1,050,327	1,051,430	1,069,898
	29,551,259	15,262,026	14,289,233	14,702,320

4 Bank indebtedness and demand loans

	2007 $	2006 $
Bank indebtedness		
	-	66,566
	-	66,566

	2007 $	2006 $
Demand loans		
Unsecured demand loan bearing interest at prime less 0.25% - Superbuild	-	150,000
Unsecured demand loan bearing interest at prime less 0.25% - New residence	-	921,096
	-	1,071,096

Of the demand loan repayment made, $52,893 was funded through external contributions and $1,018,203 was repaid using the University's own funds.

Security

No specific security has been pledged, but the University agrees not to encumber any real estate assets without the bank's prior written consent.

5 Deferred Capital Contributions

	2007 $	2006 $
Deferred Capital Contributions		
Balance – beginning of year	2,145,190	1,839,943
Facility renewal/infrastructure capital grant	56,665	66,221
Facility renewal applied from prior year	-	295,664
Huron University College Foundation capital contribution	-	36,374
Other capital contributions	-	29,969
Total contributions received	56,665	428,228
Amortized to operations	(119,737)	(122,981)
	2,082,118	2,145,190

Unapplied deferred capital contributions	**2007** **$**	**2006** **$**
Balance – Beginning of year	-	295,664
Facility renewal	403,171	-
Contributions expended during the year	-	(295,664)
Balance – End of year	403,171	-

Deferred Superbuild capital contributions	**2007** **$**	**2006** **$**
Balance – Beginning of year	1,394,036	1,423,810
Contributions	52,893	92,180
Amortized to operations	(107,596)	(121,954)
Balance – End of year	1,339,333	1,394,036
Total deferred capital contributions	3,824,622	3,539,226

Deferred contributions related to capital assets represent restricted contributions to fund capital projects.

6 Long-term debt

	2007 $	2006 $
Food court loan Non-revolving term bank loan bearing interest at 5.3% due December 31, 2006 with blended principal and interest payments of $16,873 required monthly until the maturity date, with a payment of the balance of principal and interest outstanding due on the maturity date. Security as described in Note 4. As at January 1, 2007, the food court loan was converted to a demand loan bearing interest at prime.	365,237	546,200
O'Neil/Ridley residence loan Non-revolving term bank loan bearing interest at prime due August 31, 2007. Security as described in Note 4.	-	358,236
Southwest residence loan Non-revolving term bank loan bearing interest at 5.98% due January 31, 2015 with blended principal and interest payments of $11,916 required until the maturity date, with a final payment of the balance of principal and interest outstanding due on the maturity date. Security as described in Note 4.	1,773,228	1,808,724
	2,138,465	2,713,160
Less: Current portion	402,934	638,052
	1,735,531	2,075,108

Principal repayments during the year were as follows:

	2007 $	2006 $
Food court loan	180,963	168,624
O'Neil/Ridley residence loan	358,236	54,225
Southwest residence loan	35,496	33,448
	574,695	256,297

The principal repayments over the remaining term of the loans are as follows:

	$
2008	402,934
2009	40,023
2010	42,490
2011	45,109
2012	47,888
Thereafter	1,560,021
	2,138,465

7 Employee Future Benefits

The University operates a defined benefit plan and participates in a defined contribution pension plan operated by the University of Western Ontario. The University does not provide any other material post retirement non-pension benefits or post-employment benefits to its employees.

Employer contributions made to the defined contribution plan during the year amounted to $416,360 (2006 - $404,842)

Retirement Gratuity Plan

The Retirement Gratuity Plan (the "Plan") is a defined benefit type of pension plan. Benefits under the Plan are not funded in advance, but are paid from operating revenues as benefits come due.

The accrued benefit obligation was measured as at May 1, 2006 and was extrapolated for the estimated balance at April 30, 2007. The effective date of the most recent valuation is May 1, 2006 and the effective date of the next required valuation is May 1, 2009.

Information about the University's retirement gratuity plan as at April 30, is as follows:

	2007 **$**	**2006** **$**
Funded Status		
Funded status – deficit	892,386	609,734
Unamortized experience losses	(492,890)	(240,312)
Unamortized transition asset	31,555	44,564
Net accrued benefit liability	431,051	413,986

The Retirement Gratuity Plan has no assets. There were no contributions made during the year and no benefit payments were paid out of the Plan. Settlement payments of $71,084 were paid during the year by the University.

Change in accrued benefit obligation	**2007 $**	**2006 $**
Accrued benefit obligation – May 1	609,734	988,618
Current service cost	19,023	37,117
Interest cost	29,146	47,740
Actuarial loss (gain)	305,567	(423,813)
Benefits paid	-	(39,928)
Settlement	(71,084)	-
Accrued benefit obligation – April 30	892,386	609,734

The University's net benefit plan expense includes the following components:

	2007 $	**2006 $**
Current service cost	19,023	37,117
Interest cost	29,146	47,470
Actuarial loss (gain)	305,567	(423,813)
Settlement loss	27,075	-
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	380,811	(339,226)
Adjustment to recognize the long-term nature of employee future benefit cost:		
Difference between actuarial (gain) loss recognized and actual actuarial loss (gain) on accrued benefit obligation	(279,653)	504,565
Amortization of transitional asset	(13,009)	(8,913)
Net pension costs recognized	88,149	156,426

The significant weighted-average assumptions used are as follows:

	2007 %	**2006 %**
Accrued benefit obligation as at April 30		
Discount rate	4.8	5.1
Rate of compensation increase	3.5	3.5
Expected rate of return on plan assets	5.0	5.0
Benefit costs for the year ended April 30		
Discount rate	5.1	4.7
Rate of compensation increase	3.5	3.5

8 Commitments

Lease obligation

The University is obligated to make a series of payments on leases with respect to certain office equipment. The minimum lease payments are as follows:

	$
2008	51,294
2009	51,294
2010	42,030
2011	39,305
2012	31,507

9 Ancillary Operations

Ancillary operations include the operations of residence, conference facilities and parking facilities. The operations of these facilities are included in the Statement of Operations and are summarized as follows:

	2007 $	2006 $
Ancillary revenue		
Residence fees and rentals	1,780,014	1,666,041
Conference	495,253	471,277
Parking	302,004	285,009
Food court	218,625	218,025
	2,795,896	2,640,352
Ancillary expenditures		
Interest on long-term debt	159,951	171,855
Residence salary and benefits	429,828	388,893
Conference salary and benefits	65,160	57,726
Building costs	802,006	888,542
Conference food costs	256,022	247,377
Other costs	80,952	112,383
	1,793,919	1,866,776
Ancillary excess of revenue over expenditures	1,001,977	773,576

10 Transactions with Huron University College Foundation

The purpose of Huron University College Foundation ("the Foundation") is to administer money received for the benefit of the University. The Foundation was incorporated in Ontario on June 12, 1979 as a not-for-profit organization and is a registered charity under the Income Tax Act. The Foundation administers certain Trust and Endowment Funds on behalf of the University for the purposes of pooling investment funds to maximize return and minimize costs. The decision-making as to the use of the University Trust and Endowment income

The Board of Directors of the Foundation approved the transfer to Huron University College of $723,490 (2006 - $736,810) for the year ended April 30, which can be detailed as follows:

	2007 **$**	**2006** **$**
Huron University College Foundation		
Trust and Endowment Fund	136,538	62,899
Foundation Fund	534,059	545,357
Capital Contributions	-	36,374
Foundation Superbuild	52,893	92,180
	723,490	736,810
Deferred Capital Contributions	(52,893)	(128,554)
	670,597	608,256

The University has a significant economic interest in the Foundation in that the Foundation solicits funds in the name of and with the expressed or implied approval of the University and substantially all of the funds solicited are intended by the contributor to be to the University.

The Foundation has not been consolidated in the University's financial statements. A financial summary of the Foundation as at December 31, 2006 and December 31, 2005 and for the years then ended is as follows:

	2006 $	2005 $
Balance Sheet		
Assets		
Investments, at market	10,234,939	8,363,273
Other assets	54,157	136,656
	10,289,096	8,499,929
Liabilities	171,007	173,835
Fund balances		
Huron University College Trust and Endowment	2,600,327	2,401,092
Foundation	7,517,762	5,925,002
	10,118,089	8,326,094
	10,289,096	8,499,929
Statement of Operations		
Revenue	2,110,778	1,191,000
Expenditures	(63,590)	(62,669)
Excess of revenue over expenditures	2,047,188	1,128,331
Disbursed to Huron University College	(1,226,648)	(743,932)
Unrealized capital gain	971,455	926,955
Net increase in fund balances	1,791,995	1,311,354

11 Other Revenue

	2007 $	2006 $
Amortization of deferred contributions	227,333	244,935
Diocesan grant	101,065	102,757
Other academic revenue	188,918	127,014
Miscellaneous revenue	110,862	102,297
Summer course revenue	273,416	199,223
	901,594	776,226

12 Changes in non-cash working capital items

	2007 $	2006 $
Accounts receivable	(172,182)	778,887
Due from Huron University College Foundation	101,496	(39,774)
Accounts payable and accrued liabilities	57,214	163,168
Advance tuition and residence deposits	109,190	(86,062)
Deferred revenue	80,602	29,264
Due to Huron University College Foundation	1,265	-
	177,585	845,483
Interest paid on long-term debt	135,712	171,855
Other interest paid	36,353	34,765

13 Financial Instruments

Fair values

The University's short-term financial instruments comprised of bank indebtedness, demand loans, accounts receivable, accounts payable and accrued liabilities are carried at cost which, due to their short-term nature, approximate their fair value. The carrying value of the long-term debt does not necessarily approximate its fair value. It would not be cost effective to determine the fair value of the debt.

Interest rate risk

The University's exposure to interest rate risk lies in its debt obligations.

Credit risk

Management monitors its credit risk related to diversified sources.

14 Ontario Student Opportunity Trust Funds

The Ontario Student Opportunity Trust Funds ("OSOTF") program was established by the Government of Ontario during 1997 to encourage companies and individuals to contribute finds for Ontario's college and university students. Prior to March 31, 2000, all eligible donations made to the University were matched by the Province on a dollar for dollar basis as cash was received. The matching donations ceased as of March 31, 2000. The University allocates investment income to the fund based on its annual opening balance. Activity in this fund is included in the Huron University College Foundation.

The Ministry of Training, Colleges and Universities no longer requires institutions to submit a separate audit report with respect to the OSOTF program, however, it requires that the year-end OSOTF Report must be included in the institution's financial statements, Therefore, these OSOTF schedules have been included with the University's financial statements.

15 Trust Funds

The University is the beneficiary of the income from certain trusts administered on its behalf. The University equally shares the beneficiary of the Colonel Leonard Trust with another college.

	2007		2006	
	Cost $	Market Value $	Cost $	Market Value $
Colonel Leonard	506,957	562,230	509,064	550,735
Sarah Leonard	692,560	707,472	701,499	702,726
Diocese of Huron	170,696	247,210	170,696	226,077
Trusts administered on behalf of Huron University College	1,370,213	1,516,912	1,381,259	1,479,538

16 Restrictions on net assets

In 2006, the University's board of directors restricted $675,000 of unrestricted net assets of which $75,000 is to be used for facilities renewal and $600,000 is to be used for promotion costs. This restricted amount is not available for other purposes without approval of the board of directors. In 2007, $272,823 was spent on promotion and $28,848 was spent on facility renewal from the restricted fund.

17 Comparative figures

The financial statements of the University as of April 30, 2006 and for the year then ended were audited by other accountants whose report dated May 31, 2006 expressed an opinion without reservation on those statements.

Certain comparative figures have been reclassified to conform to the current year's presentation.

Schedule of Changes in Endowment Fund Balance
For the year ended December 31, 2006

	2006 $	2005 $
Fund balance – Beginning of year and end of year	549,192	549,192

Schedule of Changes in Expendable Funds Available for Awards
For the year ended December 31, 2006

	2006 $	2005 $
Balance – Beginning of year	46,003	10,107
Net return on investment	66,514	76,907
Bursaries awarded	(38,231)	(41,011)
Balance – End of year	74,286	46,003
Number of awards	22	30