

Huron University College

Financial Statements

April 30, 2008

June 17, 2008

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, 2008 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, 2008 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, 2008

	2008 \$	2007 \$
Assets		
Current assets		
Cash	1,610,022	155,052
Short-term investments	152,672	—
Accounts receivable	670,050	652,475
Prepaid expenses	36,613	—
Due from Huron University College Foundation	35,786	—
	2,505,143	807,527
Capital assets (note 3)		
	14,292,818	14,289,233
	16,797,961	15,096,760
Liabilities		
Current liabilities		
Demand loan (note 4)	178,629	365,237
Accounts payable and accrued liabilities	688,372	478,102
Advanced tuition and residence deposits	722,317	437,920
Deferred revenue	310,292	119,774
Due to Huron University College Foundation	—	1,265
Current portion of long-term debt (note 6)	40,303	37,697
	1,939,913	1,439,995
Long-term accrued liabilities		
	144,648	—
Deferred capital contributions (note 5)		
	3,989,846	3,824,622
Deferred revenue		
	171,201	316,691
Long-term debt (note 6)		
	1,695,214	1,735,531
Employee future benefits (note 7)		
	497,991	431,051
	8,438,813	7,747,890
Net Assets		
Invested in capital assets	8,675,503	8,729,317
Internally restricted (note 15)	103,117	373,329
Unrestricted	(419,472)	(1,753,776)
	8,359,148	7,348,870
	16,797,961	15,096,760
Approved by Board of Directors		

Huron University College

Statement of Operations

For the year ended April 30, 2008

	2008 \$	2007 \$
Revenue		
Student fees	6,006,605	5,744,168
Government grants	5,377,502	5,108,005
	<u>11,384,107</u>	<u>10,852,173</u>
Ancillary - net (note 9)	994,082	1,001,977
External trust	56,662	50,860
Foundation transfer (note 10)	950,234	670,597
	<u>2,000,978</u>	<u>1,723,434</u>
Other revenue (note 11)	1,016,510	901,594
	<u>14,401,595</u>	<u>13,477,201</u>
Expenditures		
Salaries and benefits - faculty	5,520,912	5,410,464
Salaries and benefits - staff	1,867,024	1,582,416
Registrarial	547,392	602,504
Academic instructional	684,701	820,176
UWO fees	849,209	825,844
	<u>9,469,238</u>	<u>9,241,404</u>
Scholarship and bursaries	1,069,868	957,258
Building costs - academic	557,969	483,979
General administration	794,788	637,130
Alumni development	427,207	398,017
	<u>2,849,832</u>	<u>2,476,384</u>
	<u>12,319,070</u>	<u>11,717,788</u>
Excess of revenues over expenditures before undernoted	2,082,525	1,759,413
Depreciation	1,072,247	1,072,116
Excess of revenues over expenditures	<u>1,010,278</u>	<u>687,297</u>

Huron University College

Statement of Changes in Net Assets

For the year ended April 30, 2008

	2008				2007			
	Invested in Capital Assets \$	Unrestricted \$	Internally Restricted \$	Total \$	Invested in Capital Assets \$	Unrestricted \$	Internally Restricted \$	Total \$
Balance, beginning of year	8,729,317	(1,753,776)	373,329	7,348,870	7,445,018	(1,458,445)	675,000	6,661,573
Excess of revenues over expenditures	–	1,010,278	–	1,010,278	–	687,297	–	687,297
Depreciation of capital assets	(1,072,247)	1,072,247	–	–	(1,072,116)	1,072,116	–	–
Amortization of deferred contributions	218,243	(218,243)	–	–	227,333	(227,333)	–	–
Capital assets acquired from own funds	563,264	(563,264)	–	–	454,443	(454,443)	–	–
Interfund transfer (note 15)	12,607	257,605	(270,212)	–	28,848	272,823	(301,671)	–
	(278,133)	1,558,623	(270,212)	1,010,278	(361,492)	1,350,460	(301,671)	687,297
Repayment of long-term debt (note 6)	37,711	(37,711)	–	–	574,695	(574,695)	–	–
Repayment of demand loan (note 4)	186,608	(186,608)	–	–	1,071,096	(1,071,096)	–	–
	(53,814)	1,334,304	(270,212)	1,010,278	1,284,299	(295,331)	(301,671)	687,297
Balance, end of year	8,675,503	(419,472)	103,117	8,359,148	8,729,317	(1,753,776)	373,329	7,348,870

Huron University College

Statement of Cash Flows

For the year ended April 30, 2008

	2008 \$	2007 \$
Cash flows from operating activities		
Excess of revenues over expenditures	1,010,278	687,297
Items not involving cash:		
Depreciation of capital assets	1,072,247	1,072,116
Amortization of deferred capital contributions	(218,243)	(227,333)
Employee future benefits	66,940	17,065
Increase in long-term accrued liabilities	144,648	—
Change in non-cash working capital items (note 12)	593,946	177,585
	<u>2,669,816</u>	<u>1,726,730</u>
Cash flows from investing activities		
Additions to capital assets	(1,075,832)	(659,029)
Increase in short-term investment	(152,672)	—
Increase in deferred capital contributions	383,467	512,729
	<u>(845,037)</u>	<u>(146,300)</u>
Cash flows from financing activities		
Decrease (increase) in deferred revenue	(145,490)	286,979
Repayment of long-term debt	(37,711)	(574,695)
Repayment of demand loans	(186,608)	(1,071,096)
	<u>(369,809)</u>	<u>(1,358,812)</u>
Increase in net cash for the year	1,454,970	221,618
Cash (bank indebtedness) - beginning of year	<u>155,052</u>	<u>(66,566)</u>
Cash - end of year	<u>1,610,022</u>	<u>155,052</u>

Huron University College

Notes to Financial Statements

April 30, 2008

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

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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.

Financial instruments

On May 1, 2007, the University adopted CICA Section 3855, *Financial Instruments – Recognition and Measurements*. This standard establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related-party transactions.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial instruments are recognized as soon as the University becomes a party to the contractual provisions of the financial instrument. Upon initial recognition financial instruments are measured at fair value. The fair value of a financial instrument is the estimated amount that the University 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.

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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 and short-term investments

Cash and short-term investments consist primarily of cash on hand and certificates of deposits with an original term of up to twelve months. These instruments have been accounted for using the cost basis. Carrying values approximate fair values for these instruments due to their short-term maturity.

Loans and receivables

Loans and receivables are non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market including accounts receivable, due from/to related parties, accounts payable and accrued liabilities, demand loans and long-term debt. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses, if necessary. Gains and losses are recognized in the statement of operations when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in the statement of operations.

- The carrying value of accounts receivable, due from/to related parties, accounts payable and accrued liabilities approximates their fair values due to the short-term maturity of these financial instruments.
- The carrying value of the demand loan approximates its fair value given its variable interest rate and short-term maturity.
- Long term debt is recorded at amortized cost. The fair value of the long-term debt at year-end, based on an estimate of the University’s borrowing rate as at April 30, 2008 for debt with similar terms and maturity is \$1,688,509.

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.

Foreign exchange risk

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

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Notes to Financial Statements

April 30, 2008

3 Capital Assets

	2008		
	Cost	Accumulated	Net Book
	\$	Depreciation	Value
		\$	\$
Land	325,458	—	325,458
Building	21,505,861	9,931,500	11,574,361
Equipment and furniture	4,032,183	3,338,441	693,742
Computer equipment	779,892	595,396	184,496
Library books	1,730,860	1,358,483	372,377
Food court	2,252,837	1,110,453	1,142,384
	<u>30,627,091</u>	<u>16,334,273</u>	<u>14,292,818</u>

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

4 Demand Loan

	2008	2007
	\$	\$
Unsecured demand loan bearing interest at prime (Food Court)	178,629	365,237

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

The company has a credit facility in the amount of \$1,800,000 from Scotiabank. All borrowings are payable on demand and bear interest at a rate of Prime minus .25% per annum interest payable monthly. The credit facility is secured by a general security agreement constituting a first ranking security interest in all personal property of the University.

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5 Deferred Capital Contributions

	2008 \$	2007 \$
Deferred Capital Contributions		
Balance – beginning of year	2,082,118	2,145,190
Facility renewal/infrastructure capital grant	56,665	56,665
Facility renewal applied from prior year	403,171	–
Total contributions received	459,836	56,665
Amortized to operations	(158,389)	(119,737)
	2,383,565	2,082,118

	2008 \$	2007 \$
Unapplied deferred capital contributions		
Balance – Beginning of year	403,171	–
Facility renewal	286,677	403,171
Contributions expended during the year	(403,171)	–
Balance – End of year	286,677	403,171

	2008 \$	2007 \$
Deferred Superbuild capital contributions		
Balance – Beginning of year	1,339,333	1,394,036
Contributions	40,125	52,893
Amortized to operations	(59,854)	(107,596)
Balance – End of year	1,319,604	1,339,333
Total deferred capital contributions	3,989,846	3,824,622

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

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Notes to Financial Statements

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6 Long-term debt

	2008 \$	2007 \$
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. No specific security has been pledged but the university agrees not to encumber any real estate assets without the bank's prior written consent.	1,735,517	1,773,228
Less: Current portion	40,303	37,697
	<u>1,695,214</u>	<u>1,735,531</u>

Principal repayments on the Southwest residence loan during the year were as follows:

	2008 \$	2007 \$
Southwest residence loan	<u>37,711</u>	<u>35,496</u>

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

	\$
2009	40,303
2010	44,333
2011	46,913
2012	49,643
2013	52,532
Thereafter	<u>1,501,793</u>
	<u>1,735,517</u>

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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 \$449,653 (2007 - \$416,360)

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, 2008. 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:

	2008 \$	2007 \$
Funded Status		
Funded status – deficit	871,113	892,386
Unamortized experience losses	(396,788)	(492,890)
Unamortized transition asset	23,666	31,555
Net accrued benefit liability	497,991	431,051

The Retirement Gratuity Plan has no assets. There were no contributions made during the year and no settlement payments were paid out of the Plan. Benefit payments of \$59,270 were paid during the year by the University.

	2008 \$	2007 \$
Change in accrued benefit obligation		
Accrued benefit obligation – May 1	892,386	609,734
Current service cost	25,626	19,023
Interest cost	42,300	29,146
Actuarial loss (gain)	(29,929)	305,567
Benefits paid	(59,270)	-
Settlement	-	(71,084)
Accrued benefit obligation – April 30	871,113	892,386

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

	2008 \$	2007 \$
Current service cost	25,626	19,023
Interest cost	42,300	29,146
Actuarial loss (gain)	(29,929)	305,567
Settlement loss	—	27,075
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	37,997	380,811
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	96,102	(279,653)
Amortization of transitional asset	(7,889)	(13,009)
Net pension costs recognized	126,210	88,149

The significant weighted-average assumptions used are as follows:

	2008 %	2007 %
Accrued benefit obligation as at April 30		
Discount rate	5.25	4.75
Rate of compensation increase	3.25	3.50
Benefit costs for the year ended April 30		
Discount rate	4.75	5.10
Rate of compensation increase	3.50	3.50

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Notes to Financial Statements

April 30, 2008

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 over the next five years are as follows:

	\$
2009	51,294
2010	42,030
2011	39,305
2012	31,507
2013	—

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:

	2008 \$	2007 \$
Ancillary revenue		
Residence fees and rentals	1,872,081	1,780,014
Conference	504,482	495,253
Parking	296,607	302,004
Food court	222,919	218,625
	2,896,089	2,795,896
Ancillary expenditures		
Interest on long-term debt	123,283	159,951
Residence salary and benefits	418,584	429,828
Conference salary and benefits	62,524	65,160
Building costs	972,030	802,006
Conference food costs	229,408	256,022
Other costs	96,178	80,952
	1,902,007	1,793,919
Excess of revenue over expenditures for Ancillary Operations		
	994,082	1,001,977

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Notes to Financial Statements

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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 rests with the Executive Board of the University.

The Board of Directors of the Foundation approved the transfer to Huron University College of \$990,359 (2007 - \$723,490) for the year ended April 30, which can be detailed as follows:

	2008 \$	2007 \$
Huron University College Foundation		
Trust and Endowment Fund	158,009	136,538
Foundation Fund	792,225	534,059
Foundation Superbuild	40,125	52,893
	990,359	723,490
Deferred Capital Contributions	(40,125)	(52,893)
	950,234	670,597

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.

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The Foundation has not been consolidated in the University's financial statements. A financial summary of the Foundation as at December 31, 2007 and December 31, 2006 and for the years then ended is as follows:

	2007 \$	2006 \$
Balance Sheet		
Assets		
Investments, at market	10,704,237	10,234,939
Other assets	170,744	54,157
	<u>10,874,981</u>	<u>10,289,096</u>
Liabilities	<u>94,873</u>	<u>171,007</u>
Fund balances		
Huron University College Trust and Endowment	2,448,259	2,600,327
Foundation	8,331,849	7,517,762
	<u>10,780,108</u>	<u>10,118,089</u>
	<u>10,874,981</u>	<u>10,289,096</u>
Statement of Operations		
Revenue	2,003,742	2,110,778
Expenditures	(67,488)	(63,590)
Excess of revenue over expenditures	<u>1,936,254</u>	<u>2,047,188</u>
Disbursed to Huron University College	(909,960)	(1,226,648)
Unrealized capital (loss) gain	<u>(364,275)</u>	<u>971,455</u>
Net increase in fund balances	<u>662,019</u>	<u>1,791,995</u>

11 Other Revenue

	2008 \$	2007 \$
Amortization of deferred contributions	218,243	227,333
Diocesan grant	99,374	101,065
Other academic revenue	181,944	188,918
Miscellaneous revenue	159,898	110,862
Summer course revenue	<u>357,051</u>	<u>273,416</u>
	<u>1,016,510</u>	<u>901,594</u>

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Notes to Financial Statements

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12 Changes in non-cash working capital items

	2008 \$	2007 \$
Accounts receivable	(17,575)	(172,182)
Prepaid expenses	(36,613)	
Due from Huron University College Foundation	(35,786)	101,496
Accounts payable and accrued liabilities	210,270	57,214
Advance tuition and residence deposits	284,397	109,190
Deferred revenue	190,518	80,602
Due to Huron University College Foundation	(1,265)	1,265
	593,946	177,585
Interest paid on long-term debt	123,283	135,712
Other interest paid	3,384	36,353

13 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 funds 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 Huron University College Foundation 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.

Schedule of Changes in Endowment Fund Balance For the year ended December 31, 2007

	2007 \$	2006 \$
Fund balance – Beginning of year and end of year	491,900	491,900

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Schedule of Changes in Expendable Funds Available for Awards For the year ended December 31, 2007	2007 \$	2006 \$
Balance – Beginning of year	74,286	46,003
Net return on investment	5,013	66,514
Bursaries awarded	(28,356)	(38,231)
Balance – End of year	50,943	74,286
Number of awards	20	22

14 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 Upper Canada College.

	2008		2007	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Colonel Leonard	514,030	565,976	506,957	562,230
Sarah Leonard	695,002	707,381	692,560	707,472
Diocese of Huron	170,696	236,355	170,696	247,210
Trusts administered on behalf of Huron University College	1,379,728	1,509,712	1,370,213	1,516,912

15 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 2008, \$257,605 (2007 - \$272,823) was spent on promotion and \$12,607 (2007 - \$28,848) was spent on facility renewal from the restricted fund.

16 Comparative figures

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

