

Financial statements of

**Huron University College
Foundation**

December 31, 2017

Huron University College Foundation

December 31, 2017

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Independent Auditor's Report

To the Members of Huron University College Foundation

We have audited the accompanying financial statements of Huron University College Foundation, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and changes in fund balances and of 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.

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 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 Huron University College Foundation as at December 31, 2017, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 9, 2018

Huron University College Foundation

Statement of operations and changes in fund balances year ended December 31, 2017

	College Fund	Foundation Fund	December 31, 2017 Total	College Fund	Foundation Fund	December 31, 2016 Total
	\$	\$	\$	\$	\$	\$
Donation revenue						
For endowments	-	348,023	348,023	-	229,733	229,733
For Huron University College	-	900,311	900,311	-	560,537	560,537
Total donation revenue	-	1,248,334	1,248,334	-	790,270	790,270
Disbursed to Huron University College						
Facilities	-	598,101	598,101	-	15,915	15,915
Direct scholarships and bursaries	-	80,898	80,898	-	34,846	34,846
Special purposes	-	61,264	61,264	-	57,654	57,654
Operations	-	160,048	160,048	-	452,122	452,122
	-	900,311	900,311	-	560,537	560,537
Investment income						
Interest, dividends and other	69,343	387,537	456,880	91,957	509,611	601,568
Realized gains	180,337	1,007,850	1,188,187	32,813	181,578	214,391
Change in unrealized capital gains	(20,947)	(117,064)	(138,011)	52,923	292,860	345,783
Miscellaneous	396	2,364	2,760	(678)	(3,757)	(4,435)
	229,129	1,280,687	1,509,816	177,015	980,292	1,157,307
Expenditure						
Investment fees	11,701	65,391	77,092	11,368	62,999	74,367
Professional fees	2,574	14,387	16,961	2,320	12,858	15,178
Bank charges	519	2,900	3,419	513	2,841	3,354
Other	7,085	39,594	46,679	224	1,242	1,466
	21,879	122,272	144,151	14,425	79,940	94,365
Grants to Huron University College						
Operating	151,381	925,301	1,076,682	148,853	880,862	1,029,715
Excess of (expenses over revenue) revenue over expenses	55,869	581,137	637,006	13,737	249,223	262,960
Fund balances, beginning of year	3,135,027	17,546,832	20,681,859	3,121,290	17,297,609	20,418,899
Fund balances, end of year	3,190,896	18,127,969	21,318,865	3,135,027	17,546,832	20,681,859
Endowments	3,190,896	18,127,969	21,318,865	3,135,027	17,546,832	20,681,859
Fund balances, end of year	3,190,896	18,127,969	21,318,865	3,135,027	17,546,832	20,681,859

The accompanying notes to the financial statements are an integral part of this financial statement.

Huron University College Foundation

Statement of financial position as at December 31, 2017

	2017	2016
	\$	\$
Assets		
Cash	526,069	303,784
Accounts receivable (Note 5)	24,445	19,250
Government remittances	6,600	8,332
Inventory	4,998	7,443
Cash surrender value of insurance policies (Note 4)	84,511	81,502
Investments (Note 3)	21,107,585	20,454,644
	21,754,208	20,874,955
Liabilities		
Accounts payable and accrued liabilities	35,196	37,253
Due to Huron University College (Note 6)	400,147	155,843
	435,343	193,096
Fund balances		
Huron University College Fund	3,190,896	3,135,027
Foundation Fund	18,127,969	17,546,832
	21,318,865	20,681,859
	21,754,208	20,874,955

Approved by the Board

_____ Director

_____ Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Huron University College Foundation

Statement of cash flows

year ended December 31, 2017

	2017	2016
	\$	\$
Operating activities		
Excess of revenues over expenses	637,006	262,960
(Increase) decrease in accounts receivable	(5,195)	973
Decrease (increase) in government remittances	1,731	(71)
Decrease in inventory	2,445	4,057
(Decrease) increase in accounts payable	(2,057)	(18,575)
Increase in due to Huron University College	244,304	96,099
Increase in cash surrender value of life insurance policies	(3,009)	(4,164)
Gain from disposal of investments	(1,188,187)	(214,391)
Unrealized loss (gain) from investments	138,011	(345,783)
Net cash inflows from operating activities	(174,951)	(218,895)
Investing activities		
Proceeds from sale of investments	1,114,000	1,014,040
Acquisition of investments	(716,764)	(632,404)
Net cash outflows from investing activities	397,236	381,636
Increase in cash	222,285	162,741
Cash, beginning of year	303,784	141,043
Cash, end of year	526,069	303,784

The accompanying notes to the financial statements are an integral part of this financial statement.

Huron University College Foundation

Notes to the financial statements

December 31, 2017

1. Purpose of the organization

Huron University College Foundation (“the Foundation”) administers money received for the benefit of Huron University College (“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.

2. Significant accounting policies

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) and include the following significant accounting policies:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions.

The Huron University College Fund holds investments related to endowments established prior to 1979 and certain subsequent donations. Income from the fund is disbursed to the University for general and scholarship purposes.

The Foundation Fund reports donations received on behalf of the University and government grants, in addition to income earned on these amounts. Disbursements are made to the University for general and special projects in addition to scholarships and bursaries.

Internal restrictions of funds are imposed in a formal manner by the Foundation by resolution of the board of directors. External restrictions of funds are imposed from outside the organization, usually by the contributor of the resources. Unrestricted funds received from donors to be used generally for operating needs of the University are distributed directly to the University and are therefore included in the “For Huron University College” donation revenue line in the financial statements.

Expenses are allocated to each endowment within the fund therefore a general fund was not utilized.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund. Unrestricted contributions are recognized as revenue of the Foundation Fund in the year received.

Contributions for endowment are recognized as revenue in the appropriate Fund.

Investment income earned on fund resources is recognized as revenue of the appropriate fund.

Realized and unrealized gains or losses are recognized as revenue of the appropriate fund.

Pledges

Pledges are not recorded as donation revenue until the cash is received.

Financial instruments

The organization initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost except for investments, which are designated to be measured at fair value. Changes in fair value are recognized in the statement of operations and changes in fund balances.

Financial assets measured at amortized cost include cash, accounts receivable and cash surrender value of life insurance policies.

Huron University College Foundation

Notes to the financial statements

December 31, 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets measured at fair value include investments, which are designated to be measured at fair value upon conversion of ASNPO.

Financial liabilities measured at amortized cost include accounts payable and due to Huron University College.

Transaction costs

Transaction costs related to financial assets measured at fair value are expensed as incurred.

Transaction costs related to other financial assets and financial liabilities are included or deducted in the initial measurement of the asset or liability.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates relate to the assessment of collectability of accounts receivable. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Investments

The cost and fair values of investments are summarized as follows:

	2017		2016	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Pooled investment funds	18,895,640	21,107,585	18,104,642	20,454,644

At December 31, 2017, the pooled investment fund is comprised of units in the Guardian Canadian Bond Fund, Guardian Short Duration Bond Fund, Guardian Canadian Growth Equity Fund, Guardian Fundamental Global Equity Fund and Guardian Global Dividend Growth Equity Fund. The combined asset breakdown of these funds was: bonds - 39.38% (2016 - 39.03%); Canadian equities - 30.33% (2016 - 30.49%); and foreign equities - 30.29% (2016 - 30.47%).

The combined asset breakdown of these funds is in accordance with the investment policies.

4. Contingent assets

Pledges receivable

Pledges receivable by the Foundation for which funds are still outstanding as of December 31, 2017 are \$392,519 (2016 - \$192,307). These pledges receivable have not been recorded in the financial statements.

Life insurance

The Foundation is the beneficiary of the life insurance policies, which have a face value totaling \$243,209 (2016 - \$243,209). As at December 31, 2017 the cash surrender value of the life insurance policies is \$84,511 (2016 - \$81,502).

Huron University College Foundation

Notes to the financial statements

December 31, 2017

5. Financial instruments

Interest rate risk

Interest rate risk refers to the consequences of interest rate changes on the value of the fund. Interest rate changes directly impact the market value of fixed income securities held. Interest rate changes will also have an indirect impact on the remaining securities. The effective rate on the bonds referred to above is 1.8% (2016 - 1.9%).

Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual investment or its issuer or by factors affecting all securities traded in the market. The Foundation's policy is to invest in a diversified portfolio of investments to mitigate the impact of market risk. At December 31, 2017, a 5% increase or decrease in the underlying market price of the Foundation's investments held as at December 31, 2017, with all other variables held constant, would have increased or decreased net assets by 2.9% or \$612,120 (2016 - 3.0% or \$613,639).

Credit risk

Credit risk is the potential for financial loss to the Foundation if a counterparty in a transaction fails to meet its obligations. The Foundation's accounts receivable are subject to credit risk.

The Foundation regularly reviews its credit exposure to monitor credit risk. As part of this review, the Foundation assesses collectability of accounts receivable. As at December 31, 2016, the allowance for doubtful account balance is \$Nil (2016 - \$Nil).

As at December 31, 2017, the maximum credit risk exposure was \$31,045 (2016 - \$27,582).

6. Related party transactions

At year-end, the Foundation has a balance due to the University of \$400,147 (2016 - \$155,843). This amount is part of the endowment payout and is non-interest bearing.

The Foundation receives personnel and technical support from the University in the areas of fundraising and administration. Included in Grants to Huron University College in 2017 is an amount based on 1% of a five year rolling average of the assets of the Foundation to defray a portion of the cost of this support, which does not include an allocation for salaries of employees.

In addition to the above, the Foundation has committed to \$200,000 annually for five years to support capital campaigns at the University beginning in 2016. This amount is subject to review and approval on an annual basis by the board of directors. At December 31, 2017, the commitment for the year has been expensed and paid to the University.

Huron University College Foundation

Notes to the financial statements

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7. Ontario Student Opportunity Trust Funds

The Ontario Student Opportunity Trust Fund ("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 of donations of this phase ceased as of March 31, 2000. A new phase was introduced in 2004, Phase II. Phase II was renamed the Ontario Trust for Student Support ("OTSS") during the 2006 year.

The University allocates investment income to the fund based on its annual opening balance.

Activity in this fund related to the original OSOTF program which is included in the Foundation Fund for the current year, is as follows:

	2017	2016
	\$	\$
Opening balance	469,655	466,915
Investment income	32,506	24,896
Expenses	(5,661)	(4,461)
Bursaries awarded	(18,000)	(17,695)
Closing balance	478,500	469,655

8. Unitization

Effective January 1, 2002, the Foundation determined that it will unitize its fund balances based on the value of the underlying investment portfolio. The purpose of the unitization is to facilitate improved reporting of fund performance to interested stakeholders. The initial unit value was deemed to be \$10 per unit.

The unit value at December 31, 2017 is \$23.27 (2016 - \$21.78).

	2017	2016
	Units	Units
Huron University College Endowment Fund	137,111	143,930
Foundation Fund	778,949	805,582
Total units allocated December 31	916,060	949,512