

Financial statements of

**Huron University College
Foundation**

December 31, 2018

Huron University College Foundation

December 31, 2018

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Independent Auditor's Report

To the Members of
Huron University College Foundation

Opinion

We have audited the financial statements of Huron University College Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 6, 2019

Huron University College Foundation

Statement of operations and changes in fund balances year ended December 31, 2018

	Huron University College Fund	Foundation Fund	December 31, 2018 Total	Huron University College Fund	Foundation Fund	December 31, 2017 Total
	\$	\$	\$	\$	\$	\$
Donation revenue						
For endowments	-	197,232	197,232	-	348,023	348,023
For Huron University College	-	818,814	818,814	-	900,311	900,311
Total donation revenue	-	1,016,046	1,016,046	-	1,248,334	1,248,334
Disbursed to Huron University College						
Facilities	-	36,055	36,055	-	598,101	598,101
Direct scholarships and bursaries	-	6,902	6,902	-	80,898	80,898
Special purposes	-	629,178	629,178	-	61,264	61,264
Operations	-	146,679	146,679	-	160,048	160,048
	-	818,814	818,814	-	900,311	900,311
Investment income						
Interest, dividends and other	118,353	671,592	789,945	69,343	387,537	456,880
Realized gains	26,622	151,065	177,687	180,337	1,007,850	1,188,187
Change in unrealized capital losses	(183,319)	(1,040,235)	(1,223,554)	(20,947)	(117,064)	(138,011)
Miscellaneous	577	599	1,176	396	2,364	2,760
	(37,767)	(216,979)	(254,746)	229,129	1,280,687	1,509,816
Expenditure						
Investment fees	11,595	65,798	77,393	11,701	65,391	77,092
Professional fees	2,549	14,467	17,016	2,574	14,387	16,961
Bank charges	781	4,429	5,210	519	2,900	3,419
Other	16	89	105	7,085	39,594	46,679
	14,941	84,783	99,724	21,879	122,272	144,151
Grants to Huron University College						
Operating (Note 6)	155,526	991,126	1,146,652	151,381	925,301	1,076,682
Excess of (expenses over revenue) revenue over expenses	(208,234)	(1,095,656)	(1,303,890)	55,869	581,137	637,006
Fund balances, beginning of year	3,190,896	18,127,969	21,318,865	3,135,027	17,546,832	20,681,859
Fund balances, end of year	2,982,662	17,032,313	20,014,975	3,190,896	18,127,969	21,318,865
Endowments	2,982,662	17,032,313	20,014,975	3,190,896	18,127,969	21,318,865
Fund balances, end of year	2,982,662	17,032,313	20,014,975	3,190,896	18,127,969	21,318,865

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, 2018

	2018	2017
	\$	\$
Assets		
Cash	331,762	526,069
Accounts receivable (Note 5)	22,750	24,445
Government remittances	10,390	6,600
Inventory	3,170	4,998
Cash surrender value of insurance policies (Note 3)	88,681	84,511
Investments (Note 4)	19,758,862	21,107,585
	20,215,615	21,754,208
Liabilities		
Accounts payable and accrued liabilities	35,795	35,196
Due to Huron University College (Note 6)	164,845	400,147
	200,640	435,343
Fund balances		
Huron University College Fund	2,982,662	3,190,896
Foundation Fund	17,032,313	18,127,969
	20,014,975	21,318,865
	20,215,615	21,754,208

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, 2018

	2018	2017
	\$	\$
Operating activities		
Excess of (expenses over revenues) revenues over expenses	(1,303,890)	637,006
Decrease (increase) in accounts receivable	1,696	(5,195)
(Increase) decrease in government remittances	(3,790)	1,731
Decrease in inventory	1,828	2,445
Increase (decrease) in accounts payable	599	(2,057)
(Decrease) increase in due to Huron University College	(235,303)	244,304
Increase in cash surrender value of life insurance policies	(4,170)	(3,009)
Gain from disposal of investments	(177,687)	(1,188,187)
Unrealized loss from investments	1,223,554	138,011
Net cash inflows from operating activities	(497,162)	(174,951)
Investing activities		
Proceeds from sale of investments	1,163,720	1,114,000
Acquisition of investments	(860,865)	(716,764)
Net cash outflows from investing activities	302,855	397,236
Decrease in cash	(194,307)	222,285
Cash, beginning of year	526,069	303,784
Cash, end of year	331,762	526,069

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, 2018

1. Purpose of the Foundation

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. Disbursements are made 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 may be imposed in a formal manner by the Foundation by resolution of the board of directors. External restrictions of funds are imposed from outside the Foundation, 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 Foundation initially measures its financial assets and financial liabilities at fair value. The Foundation 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, 2018

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. Contingent assets

Pledges receivable

Pledges receivable by the Foundation for which funds are still outstanding as of December 31, 2018 are \$1,838,723 (2017 - \$392,519). These pledges receivable have not been recorded in the financial statements.

Life insurance

The Foundation is the owner and beneficiary of the life insurance policies, which have a face value totaling \$243,209 (2017 - \$243,209). As at December 31, 2018 the cash surrender value of the life insurance policies is \$88,681 (2017 - \$84,511).

4. Investments

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

	2018		2017	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Pooled investment funds	18,770,454	19,758,862	18,895,640	21,107,585

At December 31, 2018, 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 – 41.73% (2017 - 39.38%); Canadian equities – 27.86% (2017 – 30.33%); and foreign equities - 30.41% (2017 – 30.29%).

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

Huron University College Foundation

Notes to the financial statements

December 31, 2018

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 2.7% (2017 - 1.8%).

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, 2018, a 5% increase or decrease in the underlying market price of the Foundation's investments held as at December 31, 2018, with all other variables held constant, would have increased or decreased net assets by 2.8% or \$547,227 (2017 - 2.9% or \$612,120).

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, 2018, the allowance for doubtful account balance is \$Nil (2017 - \$Nil).

As at December 31, 2018, the maximum credit risk exposure was \$33,139 (2017 - \$31,045).

6. Related party transactions

At year-end, the Foundation has a balance due to the University of \$164,845 (2017 - \$400,147). 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 2018 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, 2018, the commitment for the year has been expensed and paid to the University.

Huron University College Foundation

Notes to the financial statements

December 31, 2018

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:

	2018	2017
	\$	\$
Opening balance	478,500	469,655
Investment (loss) income	(7,489)	32,506
Expenses	(4,816)	(5,661)
Bursaries awarded	(18,000)	(18,000)
Closing balance	448,195	478,500

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, 2018 is \$22.87 (2017 - \$23.27).

	2018	2017
	Units	Units
Huron University College Endowment Fund	130,433	137,111
Foundation Fund	744,830	778,949
Total units allocated December 31	875,263	916,060