

**The Huron University
College Corporation**
(operating as Huron University College)

Financial Statements
April 30, 2021



Independent auditor's report

To the Executive Board of The Huron University College Corporation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Huron University College Corporation (the University) as at April 30, 2021 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.

What we have audited

The University's financial statements comprise:

- the statement of financial position as at April 30, 2021;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the University'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 University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 University'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 University'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 University 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario
June 29, 2021

The Huron University College Corporation

(operating as Huron University College)

Statement of Financial Position

As at April 30, 2021

	2021 \$	2020 \$ (restated – note 3)
Assets (note 8)		
Current assets		
Cash	-	805,674
Accounts receivable (net of allowance of \$231,464 (2020 – \$171,142))	356,596	401,786
Prepaid expenses	14,392	32,688
Due from Huron University College Foundation	69,559	28,428
	<u>440,547</u>	<u>1,268,576</u>
Intangible assets (note 4)	102,477	114,324
Capital assets (note 5)	<u>37,711,528</u>	<u>24,868,065</u>
	<u>38,254,552</u>	<u>26,250,965</u>
Liabilities		
Current liabilities		
Bank indebtedness (note 8)	3,610,551	-
Accounts payable and accrued liabilities (note 6)	3,578,646	3,996,981
Advanced tuition and residence deposits	411,295	523,824
Current portion of employee future benefits (note 9)	1,232,828	117,947
Deferred contributions	2,272,055	1,185,677
Construction loan (note 8)	-	6,197,878
	<u>11,105,375</u>	<u>12,022,307</u>
Long-term debt (note 8)	17,700,000	-
Deferred capital contributions (note 7)	6,438,352	5,675,026
Employee future benefits (note 9)	3,689,854	5,088,782
Financial derivative (note 17)	108,036	1,244,200
	<u>39,041,617</u>	<u>24,030,315</u>
Net Assets		
Invested in capital and intangible assets	33,458,011	21,389,721
Unrestricted	<u>(34,245,076)</u>	<u>(19,169,071)</u>
	<u>(787,065)</u>	<u>2,220,650</u>
	<u>38,254,552</u>	<u>26,250,965</u>

Commitments (note 15)

Approved by the Executive Board

Director



Director

The Huron University College Corporation

(operating as Huron University College)

Statement of Operations

For the year ended April 30, 2021

	2021 \$	2020 \$ (restated – note 3)
Revenue		
Student fees	22,023,574	17,726,697
Government grants	5,110,416	4,892,651
	<u>27,133,990</u>	<u>22,619,348</u>
Ancillary (note 10)	67,695	3,170,669
Foundation transfer (note 11)	1,571,944	1,377,529
Research fund	145,018	287,020
External trust	50,912	52,607
	<u>1,835,569</u>	<u>4,887,825</u>
Other (note 12)	809,011	1,088,285
	<u>29,778,570</u>	<u>28,595,458</u>
Expenditures		
Salaries and benefits – faculty (note 9)	10,962,718	12,610,377
Salaries and benefits – staff	8,026,265	6,915,984
Registrarial	731,306	1,105,600
Academic instructional	1,119,694	1,089,027
UWO fees	2,257,386	1,998,026
	<u>23,097,369</u>	<u>23,719,014</u>
Scholarship and bursaries	4,086,546	2,904,537
Ancillary (note 10)	1,534,709	2,432,053
General administration	2,495,926	1,942,841
Building costs – academic	421,166	712,907
Research grants	145,018	287,020
Alumni development	121,919	199,896
Amortization of intangible assets	44,657	38,127
Amortization of capital assets	2,029,757	1,209,473
	<u>10,879,698</u>	<u>9,726,854</u>
	33,977,067	33,445,868
Operating deficiency of revenues over expenditures	(4,198,497)	(4,850,410)
Gain (loss) on derivative financial instrument	1,136,164	(1,244,200)
Deficiency of revenues over expenditures	<u>(3,062,333)</u>	<u>(6,094,610)</u>

The accompanying notes are an integral part of these financial statements.

The Huron University College Corporation

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Statement of Changes in Net Assets

For the year ended April 30, 2021

	2021		2020			
	Invested in capital and intangible assets \$	Unrestricted \$	Total \$	Invested in capital and intangible assets \$	Unrestricted \$ (restated – note 3)	Total \$
Balance – Beginning of year as previously reported	21,389,721	(17,924,871)	3,464,850	13,546,534	(5,149,403)	8,397,131
Restatement (note 3)	-	(1,244,200)	(1,244,200)	-	-	-
Balance – Beginning of year as restated	21,389,721	(19,169,071)	2,220,650	13,546,534	(5,149,403)	8,397,131
Deficiency of revenue over expenditures	(1,735,554)	(1,326,779)	(3,062,333)	(1,046,981)	(5,047,629)	(6,094,610)
Capital and intangible assets acquired from own funds	13,803,844	(13,803,844)	-	8,890,168	(8,890,168)	-
Remeasurements on employee future benefits (note 9)	-	54,618	54,618	-	(81,871)	(81,871)
	12,068,290	(15,076,005)	(3,007,715)	7,843,187	(14,019,668)	(6,176,481)
Balance – End of year	<u>33,458,011</u>	<u>(34,245,076)</u>	<u>(787,065)</u>	<u>21,389,721</u>	<u>(19,169,071)</u>	<u>2,220,650</u>

The accompanying notes are an integral part of these financial statements.

The Huron University College Corporation

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Statement of Cash Flows

For the year ended April 30, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures	(3,062,333)	(6,094,610)
Items not involving cash		
Amortization of intangible assets	44,657	38,127
Amortization of capital assets	2,029,757	1,209,473
Amortization of deferred capital contributions	(338,860)	(200,619)
Change in employee future benefits, net of remeasurements	(229,429)	2,722,462
(Gain) loss on derivative financial instrument	(1,136,164)	1,244,200
	(2,692,372)	(1,080,967)
Change in non-cash working capital items	181,564	729,838
	(2,510,808)	(351,129)
Investing activities		
Purchase of intangible assets	(32,810)	-
Purchase of capital assets	(14,476,915)	(9,507,615)
Deferred capital contributions received	1,102,186	1,106,986
	(13,407,539)	(8,400,629)
Financing activities		
Proceeds from construction loan	-	6,197,878
Repayment of construction loan	(6,197,878)	-
Proceeds from long-term debt	17,700,000	-
	11,502,122	6,197,878
Change in cash during the year	(4,416,225)	(2,553,880)
Cash – Beginning of year	805,674	3,359,554
(Bank indebtedness) cash – End of year	(3,610,551)	805,674

The accompanying notes are an integral part of these financial statements.

The Huron University College Corporation

(operating as Huron University College)

Notes to Financial Statements

April 30, 2021

1 Purpose of the University

The Huron University College Corporation, operating as Huron University College, (the University) is a university institution with undergraduate programs in Arts and Social Sciences, and both undergraduate and graduate programs in theology. The University is affiliated with the University of Western Ontario (UWO). The University's mission is to offer elite, yet accessible, university education and to produce leaders with heart. The University is incorporated under the statutes of the Province of Ontario. The University is a registered charity under the Income Tax Act (Canada).

2 Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board and include the following significant accounting policies.

Revenue recognition

The University follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue in the year in which the related expenditures 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.

Grants approved but not yet received at the end of the year are accrued if the amount to be received can be reasonably estimated and collection is reasonably assured. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period. Grants are received for the purposes of funding student education.

Cash and bank indebtedness

Cash consists primarily of cash on hand and deposits held with banks. Bank indebtedness consists of drawn amounts on operating facilities.

Intangible assets

Finite useful life intangible assets are accounted for at cost less amortization and are comprised of computer software that is amortized on a straight-line basis over five years. Amortization on intangible assets commences when the asset is put in use.

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Capital assets

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

Amortization of capital assets is calculated on all amortizable assets based on the following methods:

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

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

Deferred capital contributions

Contributions received for capital assets are deferred and amortized over the same term and basis as the related capital assets.

Employee future benefits

The University provides a Retirement Gratuity Plan (the DB plan), which is a defined benefit type plan. Benefits from the DB plan are provided only to participants who had benefits under the London Life and/or Standard Life Group or 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 DB plan is actuarially determined 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 (the DC plan), which is a defined contribution plan. The University also provides an administrative leave to its president and other faculty members to be taken at the end of their respective terms.

Use of estimates

The preparation of financial statements in conformity with ASNPO 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 expenditures during the reporting period. Actual results could differ from those estimates.

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Notes to Financial Statements

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Related party transactions

Transactions with related parties are measured at the exchange amount when the transactions are either (a) in the normal course of business; or (b) not in the normal course of business but with commercial substance and where the exchange amount can be supported. All other related party transactions are recorded at the carrying amount.

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.

Cash and bank indebtedness

Cash and bank indebtedness are measured at amortized cost.

Loans and receivables

Loans and receivables are non-derivative financial assets that represent amounts due from others with fixed or determinable payments that are not quoted in an active market, including accounts receivable and due from Huron University College Foundation. 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 and due from Huron University College Foundation approximates their fair values due to the short-term maturity of these financial instruments.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at each statement of financial position date. Changes in fair value are recorded in deficiency of revenue over expenditures.

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The University enters into interest rate swap contracts to manage its exposure to fluctuations in interest rates. These contracts are classified as derivative instruments and are measured at fair value. The Company has not adopted hedge accounting; accordingly, any outstanding contracts are recorded at their fair value.

Other financial liabilities

Other financial liabilities are non-derivative financial liabilities with fixed payments or determinable payments that are not quoted in an active market, including accounts payable and accrued liabilities and long-term debt. After initial recognition, other financial liabilities are subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of operations when other financial liabilities 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 payable and accrued liabilities approximates their fair values due to the short-term maturity of these financial instruments.

3 Correction of error

During the year, the University determined that there were errors related to financial derivative as at April 30, 2020 and loss on derivative financial instrument for the year ended April 30, 2020 related to an interest rate swap entered into on September 11, 2019. As a result, financial derivative as at April 30, 2020 was increased by \$1,244,200 and loss on derivative financial instrument for the year ended April 30, 2020 was increased by \$1,244,200.

	2020	
	Financial derivative	Loss on derivative financial instrument
	\$	\$
As previously stated	-	-
Correction of error	1,244,200	1,244,200
As restated	<u>1,244,200</u>	<u>1,244,200</u>

4 Intangible assets

	2021		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Software	<u>223,374</u>	<u>120,897</u>	<u>102,477</u>

The Huron University College Corporation

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Notes to Financial Statements

April 30, 2021

	2020		
	Cost	Accumulated	Net book
	\$	amortization	value
		\$	\$
Software	190,564	76,240	114,324

5 Capital assets

	2021		
	Cost	Accumulated	Net book
	\$	amortization	value
		\$	\$
Land	325,459	-	325,459
Buildings	49,197,425	18,316,598	30,880,827
Equipment and furniture	9,612,428	6,927,335	2,685,093
Computer equipment	2,351,003	1,684,609	666,394
Library books	3,139,584	2,864,804	274,780
Food court	3,420,867	1,871,463	1,549,404
Construction-in-process	1,329,571	-	1,329,571
	69,376,337	31,664,809	37,711,528

	2020		
	Cost	Accumulated	Net book
	\$	amortization	value
		\$	\$
Land	325,459	-	325,459
Buildings	29,022,458	17,123,508	11,898,950
Equipment and furniture	8,203,941	6,502,192	1,701,749
Computer equipment	1,638,083	1,447,330	190,753
Library books	3,078,531	2,772,125	306,406
Food court	3,409,297	1,789,897	1,619,400
Construction-in-process	8,825,348	-	8,825,348
	54,503,117	29,635,052	24,868,065

Construction-in progress relates to a building in progress, thus, has yet to commence amortization. Amortization of these amounts will commence once the construction is complete and the building is put into use.

6 Government remittances payable

Included in accounts payable and accrued liabilities is \$171,055 (2020 – \$140,704) of government remittances, which consist of employee payroll deductions required to be paid to government authorities.

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Notes to Financial Statements

April 30, 2021

7 Deferred capital contributions

	2021 \$	2020 \$
Deferred capital contributions		
Balance – Beginning of year	2,849,893	2,817,828
Facility renewal/infrastructure capital grant	132,477	103,300
Huron University College Foundation capital contribution	15,564	32,625
Capital contributions related to academic building	2,990,200	55,229
Total contributions received	3,138,241	191,154
Amortized to operations (note 12)	(299,407)	(159,089)
Balance – End of year	5,688,727	2,849,893
Unapplied deferred capital contributions	2021 \$	2020 \$
Balance – Beginning of year	2,036,055	1,120,223
Huron University College Foundation capital contribution	-	915,832
Contributions expended during the year	(2,036,055)	-
Balance – End of year	-	2,036,055
Deferred Superbuild capital contributions	2021 \$	2020 \$
Balance – Beginning of year	789,078	830,608
Amortized to operations (note 12)	(39,453)	(41,530)
Balance – End of year	749,625	789,078
Total deferred capital contributions	6,438,352	5,675,026

Unapplied deferred capital contributions represent restricted contributions to fund capital projects. As at April 30, 2021, \$nil (2020 – \$2,036,055) of total deferred capital contribution are unspent. During the year, the University funded a portion of the academic building project with these unapplied deferred capital contributions.

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April 30, 2021

8 Credit facilities

The University has the following credit facilities:

- a) Credit facility in the amount of \$8,000,000 from Scotiabank. All borrowings are payable on demand and bear interest at a rate of prime minus 0.00% per annum, interest payable monthly. This credit facility is secured by a general security agreement constituting a first ranking security interest in all personal property of the University. As at April 30, 2021, \$2,950,000 (2020 – \$nil) was drawn on this credit facility and is included in bank indebtedness;
- b) Non-revolving construction take-out (the take-out loan) of \$nil (2020 – \$6,197,878) bearing interest at bankers' acceptance rate of 1.50% (2020 – 1.50%) per annum; and
- c) Term loan in the amount of \$17,700,000 bearing interest at bankers' acceptance rate of 1.75% per annum (2020 – not applicable) with interest only payments for 12 months commencing May 1, 2021. On May 1, 2022, 11 monthly installments of principal plus interest commence with the balance of the loan coming due April 30, 2023. The term of the loan is two years with a 25-year amortization period. Security includes a general security agreement over all of the present and future personal property with replacement cost fire insurance coverage and any other insurance coverage Scotiabank may reasonably require, with loss, if any, payable to Scotiabank.

9 Employee future benefits

The University operates a retirement gratuity plan and participates in a defined contribution pension plan operated by UWO. The University does not provide any other material post retirement non-pension benefits or post-employment benefits to its employees, aside from the administrative leave compensation and voluntary retirement incentives that will be provided based on individual employment contracts as described below.

Employer contributions made to the DC plan during the year amounted to \$972,571 (2020 – \$853,287), which are included within salaries and benefits – faculty.

Retirement Gratuity Plan

Benefits under the DB plan are not funded in advance, but are paid from operating revenues as benefits come due. Individuals in the DB plan remain in the DB plan and are not part of the DC plan. However, a separate calculation is performed to determine the estimated obligation to a member of the DB plan had they switched to the DC plan. If, at the time of retirement, the calculated DC plan obligation is greater than the DB plan liability, the shortfall will be paid by the University.

On January 1, 1987, the University commenced the DC plan and all employees hired after this date were not eligible to participate in the DB plan. As at April 30, 2021, the DB plan has three participants (2020 – four).

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The DB plan has no assets. The accrued benefit obligation included in employee future benefits as at April 30, 2021 is \$1,631,768 (2020 – \$1,985,786). Benefit payments of \$370,198 (2020 – \$353,973) were paid during the year by the University.

Information about the DB plan as at April 30 is as follows:

	2021 \$	2020 \$
Change in accrued benefit obligation		
Accrued benefit obligation – May 1	1,985,786	2,171,554
Current service cost	37,041	34,217
Interest cost	33,757	52,117
Benefit payments	(370,198)	(353,973)
Actuarial loss	(54,618)	81,871
	<hr/>	<hr/>
Accrued benefit obligation – April 30	1,631,768	1,985,786

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

	2021 \$	2020 \$
Current service cost	37,041	34,217
Interest cost	33,757	52,117
	<hr/>	<hr/>
Net pension costs recognized	70,798	86,334

The significant assumptions used are as follows:

	2021 %	2020 %
Accrued benefit obligation as at April 30		
Discount rate	0.95	1.70
Rate of compensation increase	-	3.00
Benefit costs for the year ended April 30		
Discount rate	1.70	2.40
Rate of compensation increase	3.00	3.00

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Administrative leave

Upon completion of the University president's term on June 30, 2026, the University's president is entitled to an earned administrative leave of one year to be taken at the end of the term as partial compensation for the services rendered to the University during the term. It has been mutually agreed by the University and the president that the administrative leave will be deferred and taken by the president at a later date. During the period of administrative leave, the president will be paid an amount as set out in his employment contract. This payment includes a base amount and additional incremental amounts that are based upon years of service beyond the initial five-year term of the president. Included in employee future benefits is \$376,764 (2020 – \$291,524) relating to these earned future post-employment benefits.

There are two other faculty members who have similar agreements. Included in employee future benefits is \$185,284 (2020 – \$83,655) relating to these earned future post-employment benefits.

Voluntary retirement incentives

Included in salaries and benefits – faculty is \$nil (2020 – \$2,845,764) in accrued expenses related to voluntary retirement packages agreed to during 2020 that will be paid out over a period of one to 26 months subsequent to year-end. As at April 30, 2021, \$2,728,864 (2020 – \$2,845,764) is outstanding.

10 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. The summary below does not include amortization of capital and intangible assets related to ancillary operations.

	2021 \$	2020 \$
Ancillary revenue		
Residence fees and rentals, net of recoveries	(938)	2,664,445
Conference	3,549	81,322
Parking	56,609	416,427
Food court	8,475	8,475
	<hr/> 67,695	<hr/> 3,170,669
Ancillary expenditures		
Residence salary and benefits	-	597,051
Conference salary and benefits	-	24,271
Building costs	1,376,568	1,682,638
Other costs	158,141	128,093
	<hr/> 1,534,709	<hr/> 2,432,053
(Deficiency) excess of revenue over expenditures for ancillary operations	<hr/> (1,467,014)	<hr/> 738,616

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April 30, 2021

11 Related party transactions

a) 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 and is a registered charity under the Income Tax Act (Canada). 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.

During the Foundation's fiscal year ended December 31, 2020, the Board of Directors of the Foundation approved the transfer to the University of \$2,542,742 (2020 – \$2,255,000). Of the amounts approved for transfer, the University has received the following during its fiscal year ended April 30:

	2021 \$	2020 \$
Trust and Endowment Fund	156,495	155,548
Foundation Fund	1,415,449	1,221,981
Capital contributions	969,709	948,457
	<hr/>	<hr/>
Deferred capital contributions	2,541,653 (969,709)	2,325,986 (948,457)
	<hr/>	<hr/>
	1,571,944	1,377,529
	<hr/>	<hr/>

b) Huron University College Foundation U.S.A.

The purpose of the Huron University College Foundation U.S.A. (the U.S.A. Foundation) is to administer money received for the benefit of the University. The U.S.A. Foundation was incorporated in New York on August 1, 2006 as a not-for-profit organization and is a registered charity under 501(c)(3) of the Internal Revenue Code. There has been no funding-related activity since inception.

12 Other revenue

	2021 \$	2020 \$
Amortization of deferred capital contributions (note 7)	338,860	200,619
Diocesan grant	96,629	95,998
Other academic	232,929	571,908
Miscellaneous	140,593	219,760
	<hr/>	<hr/>
	809,011	1,088,285
	<hr/>	<hr/>

The Huron University College Corporation

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Notes to Financial Statements

April 30, 2021

13 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. The amounts below have not been recorded in the financial statements of the University.

	2021		2020	
	Cost \$	Market value \$	Cost \$	Market value \$
Colonel Leonard	624,186	679,055	624,186	638,351
Sarah Leonard	796,937	854,565	796,937	803,705
Diocese of Huron	170,696	290,426	170,696	286,706
Trusts administered on behalf of the University	1,591,819	1,824,046	1,591,819	1,728,762

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 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 at March 31, 2000. The Foundation allocates investment income to the fund based on its annual opening balance. Activity in this fund is included in the Foundation.

The Ministry, 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 for the years ended December 31, 2020 and 2019 have been included within the Foundation's financial statements:

Schedule of Changes in Endowment Fund Balance	2020 \$	2019 \$
Fund balance – Beginning of year	483,524	448,195
Net return on investment	22,360	53,329
Bursaries awarded	(18,000)	(18,000)
Fund balance – End of year	487,884	483,524
Number of awards	11	11

The Huron University College Corporation

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Notes to Financial Statements

April 30, 2021

15 Commitments

The University has entered into a lease agreement for communication equipment.

The following minimum lease payments are required for the above-mentioned commitment:

	\$
2022	16,437
2023	16,437
2024	12,328
	<hr/>
	45,202
	<hr/>

16 Capital management

The University's objectives, when managing capital, are to safeguard the University's ability to continue as a going concern in order to pursue the delivery of a variety of services. In the definition of capital, the University includes the net assets, as well as the cash and restricted cash. The University manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the University may consider raising additional funds or reducing expenditures. In order to facilitate the management of its capital requirements, the University prepares annual and multi-year expenditure budgets that are updated as necessary depending on various factors, including fundraising campaigns and general governmental conditions. The annual and multi-year budgets are approved by the Board of Directors. The University has not changed its approach to capital management during the current year. The University is not subject to any external capital restrictions.

17 Financial instruments and financial risk factors

Interest rate risk

The University's exposure to interest rate risk relates to its cash and credit facilities.

Credit risk

Management monitors its credit risk related to its accounts receivable balances, which are primarily from student and government sources.

Foreign exchange risk

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

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Derivative financial instruments

The University has entered into a derivative financial instrument contract in order to reduce its risk against interest rate fluctuations. The following summarizes the terms of the interest rate swap as at April 30, 2021:

Notional amount	Interest rate	Term of agreement
\$10,620,000	2.24%	September 1, 2020 – September 1, 2035

18 COVID-19

In March 2020, the World Health Organization characterized the COVID-19 virus as a global pandemic. As a result of the COVID-19 outbreak, on March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020. In addition, the Canadian government has imposed travel restrictions to Canada until further notice.

Certain operations of the University were not considered essential and, therefore, underwent closures during the year. On March 24, 2020, the University closed its physical campus, including residences, which remain closed. Continuing education throughout the summer and fall terms were offered by the University through remote learning.

Further, a significant portion of the University's tuition revenue is derived from international students. If the travel restrictions to Canada remain in place, the University may be impacted by the ability to earn revenue from international students who choose to defer their studies until in-class sessions resume and travel restrictions are lifted.

As the impacts of COVID-19 continue, there could be further impacts on the University, its students and funding sources. Management is actively monitoring the effect on the University's financial condition, liquidity, operations, suppliers and workforce. As it is not yet known when public health restrictions will be fully removed, nor the long-term impact of COVID-19, and it is not possible to estimate the financial impact of this event on the University's financial results subsequent to April 30, 2021.