

# **USC Foundation**

Financial Statements  
**April 30, 2016**



September 12, 2016

## **Independent Auditor's Report**

### **To the Directors of USC Foundation**

We have audited the accompanying financial statements of USC Foundation, which comprise the statement of financial position as at April 30, 2016 and the statements of changes in net assets, operations and cash flows for the year then ended, and the related notes, which comprise 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 judgement, 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.

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



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 USC Foundation as at April 30, 2016 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

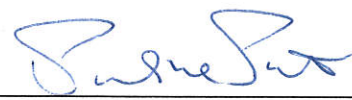
**USC Foundation**  
Statement of Financial Position  
As at April 30, 2016

	2016 \$	2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	92,065	240,497
Investments (note 4)	7,262,425	7,637,740
Accrued investment income	46,311	52,905
Due from USC Canada (note 5)	-	200,641
Prepaid expenses	5,588	18,343
	7,406,389	8,150,126
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	6,370	12,130
Due to USC Canada (note 5)	278,690	-
	285,060	12,130
<b>Net assets (note 3)</b>		
Unrestricted	-	33,939
Internally restricted - Lotta Hitschmanova Legacy	6,547,444	7,587,035
Externally restricted - Endowments	573,885	517,022
	7,121,329	8,137,996
	7,406,389	8,150,126

**Approved by the Board of Directors**

  
MARK AUSTIN

Director

  
PAULINE FORT

Director

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

## USC Foundation

### Statement of Changes in Net Assets

For the year ended April 30, 2016

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	Balance - Beginning of year \$	Net expense for the year \$	Endowment contributions \$	Transfers from (to) \$	Balance - End of year \$
Unrestricted	33,939	(1,073,530)	-	1,039,591	-
Internally restricted - Lotta Hitschmanova Legacy	7,587,035	-	-	(1,039,591)	6,547,444
Externally restricted - Endowments (note 3)	517,022	-	56,863	-	573,885
	<u>8,137,996</u>	<u>(1,073,530)</u>	<u>56,863</u>	<u>-</u>	<u>7,121,329</u>

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

**USC Foundation**  
Statement of Operations  
For the year ended April 30, 2016

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	2016 \$	2015 \$
<b>Revenue</b>		
Bequests	427,822	178,931
Investment income (note 4)	93,041	564,281
Other	12,425	53,146
	<hr/> 533,288	<hr/> 796,358
<b>Expense (note 5)</b>		
Administration	25,099	22,871
Investment counsel fees	48,733	48,862
Fundraising	171,886	40,686
	<hr/> 245,718	<hr/> 112,419
<b>Revenue before contribution to USC Canada</b>	287,570	683,939
Contribution to USC Canada (note 5)	<hr/> (1,361,100)	<hr/> (825,000)
<b>Net expense for the year</b>	<hr/> <b>(1,073,530)</b>	<hr/> <b>(141,061)</b>

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

**USC Foundation**  
Statement of Cash Flows  
For the year ended April 30, 2016

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	2016 \$	2015 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net expense for the year	(1,073,530)	(141,061)
Items not involving cash -		
Change in fair value of investments	171,845	(317,334)
Amortization of premiums	20,571	28,773
Net changes in non-cash working capital items	492,920	(280,295)
	(388,194)	(709,917)
<b>Investing activity</b>		
Net change in investments	182,899	616,985
<b>Financing activity</b>		
Endowment contributions	56,863	58,108
<b>Net change in cash for the year</b>	(148,432)	(34,824)
<b>Cash - Beginning of year</b>	240,497	275,321
<b>Cash - End of year</b>	92,065	240,497

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

# USC Foundation

## Notes to Financial Statements

April 30, 2016

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### 1 Purpose of the organization

USC Foundation (“the Foundation”) has been established to accept donations, gifts, legacies and bequests for the long-term support and security of USC Canada programs (note 5). The Foundation is incorporated under the *Canada Not-for-Profit Corporations Act*. The Foundation is a public foundation under section 149.1 of the *Income Tax Act* and is exempt from income taxes.

### 2 Significant accounting policies

#### Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from these estimates.

#### Investments

Investments are measured at fair value using quoted market prices. Dividends, interest and changes in fair value are recognized in the statement of operations.

#### Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Under the deferral method, endowment contributions are recorded as a direct increase in net assets.

### 3 Net assets

Amounts for the Lotta Hitschmanova Legacy are internally restricted by the Board for capital or other purposes. These internally restricted net assets can be transferred to unrestricted net assets by approval of the Board.

Endowment funds have been restricted in perpetuity by the donors. Investment income earned on these resources has been reported as part of general operations unless otherwise restricted by the contributor of the funds for endowment.



# USC Foundation

## Notes to Financial Statements

April 30, 2016

	Balance - Beginning of year \$	Endowment contributions \$	Balance - End of year \$
Stewart Moore Endowment	217,606	50,000	267,606
Kurt and Evelyn (Russell) Haas Endowment	93,171	50	93,221
Manson and Mary Toynbee Endowment	201,245	-	201,245
Rick McTaggart Memorial Fund	5,000	6,813	11,813
	<u>517,022</u>	<u>56,863</u>	<u>573,885</u>

#### 4 Investments

	2016 \$	2015 \$
Fixed-rate bonds	4,132,958	4,662,146
Canadian equities	1,421,521	1,225,974
U.S. equities	1,707,946	1,749,620
	<u>7,262,425</u>	<u>7,637,740</u>

95.2% (2015 - 95.0%) of the Foundation's portfolio was issued in Canada, the United States and the United Kingdom.

Fixed-rate bonds have yields that vary from 2.77% to 4.80% and mature between 2017 and 2022 (2015 - yields that vary from 2.75% to 5.80% and mature between 2015 and 2022). Credit ratings are BBB or higher.

Equity investments include 41.4% Canadian companies and 57.9% US companies (2015 - 41.2% Canadian companies and 58.8% US companies).

Investment income is comprised of:

	2016 \$	2015 \$
Interest	167,460	183,627
Dividends	117,997	92,093
Changes in fair value of investments	(171,845)	317,334
Amortization of premiums	(20,571)	(28,773)
	<u>93,041</u>	<u>564,281</u>

# **USC Foundation**

Notes to Financial Statements

**April 30, 2016**

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## **5 Related party balances and transactions**

USC Canada controls the Foundation as the members of the Board of Directors of USC Canada are the members of the Foundation.

Fundraising and administration expenses includes \$99,270 (2015 - \$53,843) charged by USC Canada, representing an allocation of employee salaries and USC Canada administration expenses based on time spent working for each entity. These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties involved.

Amounts due to or from USC Canada are without defined terms of repayment and are non-interest-bearing.

## **6 Government remittances**

Government remittances of \$nil as at April 30, 2016 (2015 - \$nil) are included in accounts payable and accrued liabilities.