USC Foundation

Financial Statements
April 30, 2017

July 21, 2017

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, 2017 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, 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

USC Foundation

Statement of Financial Position

As at April 30, 2017

	2017 $	2016 $
Assets		
Current assets		
Cash	96,000	92,065
Investments (note 4)	6,665,399	7,262,425
Accrued investment income	44,014	46,311
Due from USC Canada (note 5)	68,542	-
Prepaid expenses	5,423	5,588
	6,879,378	7,406,389
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	11,423	6,370
Due to USC Canada (note 5)	-	278,690
	11,423	285,060
Net assets (note 3)		
Lotta Hitschmanova Legacy Fund	6,255,420	6,547,444
Externally restricted - Endowments	612,535	573,885
	6,867,955	7,121,329
	6,879,378	7,406,389

Approved by the Board of Directors

Director

Director (Mark Austin)

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, 2017

	Balance - Beginning of year $	Net expense for the year $	Endowment contributions $	Balance - End of year $
Lotta Hitschmanova Legacy Fund	6,547,444	(292,024)	-	6,255,420
Externally restricted - Endowments (note 3)	573,885	-	38,650	612,535
	7,121,329	(292,024)	38,650	6,867,955

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

USC Foundation

Statement of Operations

For the year ended April 30, 2017

	2017 $	2016 $
Revenue		
Bequests	504,527	427,822
Investment income (note 4)	775,102	93,041
Other	1,700	12,425
	1,281,329	533,288
Expense (note 5)		
Administration	30,992	25,099
Investment counsel fees	46,467	48,733
Fundraising	22,394	171,886
	99,853	245,718
Revenue before contribution to USC Canada	1,181,476	287,570
Contribution to USC Canada (note 5)	1,473,500	1,361,100
Net expense for the year	(292,024)	(1,073,530)

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

USC Foundation

Statement of Cash Flows

For the year ended April 30, 2017

	2017 $	2016 $
Cash provided by (used in)		
Operating activities		
Net expense for the year	(292,024)	(1,073,530)
Items not involving cash -		
Change in fair value of investments	(540,162)	171,845
Amortization of premiums	16,417	20,571
Net changes in non-cash working capital items	(339,717)	492,920
	(1,155,486)	(388,194)
Investing activity		
Net change in investments	1,120,771	182,899
Financing activity		
Endowment contributions	38,650	56,863
Net change in cash for the year	3,935	(148,432)
Cash - Beginning of year	92,065	240,497
Cash - End of year	96,000	92,065

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

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. 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.

	Balance - Beginning of year $	Endowment contributions $	Balance - End of year $
Stewart Moore Endowment	267,606	33,000	300,606
Kurt and Evelyn (Russell) Haas Endowment	93,221	-	93,221
Manson and Mary Toynbee Endowment	201,245	-	201,245
Rick McTaggart Memorial Fund	11,813	5,650	17,463
	573,885	38,650	612,535

4 Investments

	2017 $	2016 $
Fixed-rate bonds	3,765,731	4,132,958
Canadian equities	1,096,035	1,421,521
U.S. and foreign equities	1,803,633	1,707,946
	6,665,399	7,262,425

93.1% (2016 – 95.2%) of the Foundation's portfolio was issued in Canada, the United States and the United Kingdom.

Fixed-rate bonds have yields that vary from 2.62% to 5.80% and mature between 2017 and 2026 (2016 - yields that vary from 2.77% to 4.80% and mature between 2017 and 2022). Credit ratings are BBB or higher.

Investment income is comprised of:

	2017 $	2016 $
Interest	136,174	167,460
Dividends	115,183	117,997
Changes in fair value of investments	540,162	(171,845)
Amortization of premiums	(16,417)	(20,571)
	775,102	93,041

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 $76,859 (2016 - $99,270) 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 (2016 - $nil) are included in accounts payable and accrued liabilities.