

Financial Statements of

**REDEEMER UNIVERSITY**

And Independent Auditors' Report thereon

Year ended April 30, 2020



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## INDEPENDENT AUDITORS' REPORT

To the Members of Redeemer University

### **Opinion**

We have audited the financial statements of Redeemer University (the "University"), which comprise:

- the statement of financial position as at April 30, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) for the year then ended
- the statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2020, and its results of 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. Our responsibility under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

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

### **Responsibility 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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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 the 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 risk 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, internal 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 purposes 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.



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- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada  
July 17, 2020

# REDEEMER UNIVERSITY

## Statement of Financial Position

Year ended April 30, 2020 with comparative information for 2019

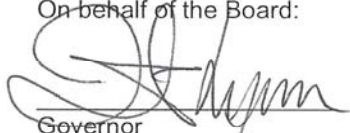
	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,588,462	\$ 5,006,936
Short-term investments	4,190,000	3,472,000
Accounts receivable (note 2)	1,186,195	589,683
Inventory	127,493	117,736
Prepaid expenses and deposits	132,678	133,987
Current portion of student loans (note 4)	369	30,976
	<u>15,225,197</u>	<u>9,351,318</u>
Investments	-	1,500,000
Restricted investments (note 3(a))	4,663,921	4,363,094
Restricted assets (note 3(b))	150,000	150,000
Student loans (note 4)	1,650	1,830
Capital assets, net (note 5)	49,960,717	50,593,149
	<u>\$ 70,001,485</u>	<u>\$ 65,959,391</u>

## Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 1,350,195	\$ 758,151
Deposits held	288,807	341,739
Current portion of long-term debt (note 7)	2,617,665	2,757,023
	<u>4,256,667</u>	<u>3,856,913</u>
Long-term debt (note 7)	13,826,672	14,640,145
Deferred contributions (note 8(a))	1,660,038	2,105,026
Deferred capital contributions (note 8(b))	12,189,456	12,570,679
Net assets (deficiency):		
Unrestricted	(1,268,067)	(3,127,356)
Invested in capital assets (note 9)	27,293,043	27,290,569
Internally restricted (note 14)	7,379,755	4,260,321
Endowments (note 3(a))	4,663,921	4,363,094
	<u>38,068,652</u>	<u>32,786,628</u>
Commitments and contingencies (note 12)		
Subsequent event (note 18)		
	<u>\$ 70,001,485</u>	<u>\$ 65,959,391</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
Governor

  
Governor

# REDEEMER UNIVERSITY

## Statement of Operations

Year ended April 30, 2020 with comparative information for 2019

	2020	2019
<b>Revenues:</b>		
Net fees (tuition and residence)	\$ 11,097,978	\$ 13,188,768
Donations	5,033,506	3,228,805
Donations - campaign and strategic plan	5,591,027	1,665,150
Community use	1,777,100	2,111,353
Church support	964,676	967,025
Book sales	311,715	301,110
Grants	791,214	132,469
Other	976,340	758,864
	<hr/>	<hr/>
	26,543,556	22,353,544
<b>Expenditures:</b>		
Salary and benefits:		
Administrative	6,784,560	6,209,410
Academic	4,973,406	4,643,160
Supplies and services	3,425,312	2,836,826
Student scholarships, bursaries and work-study	1,126,927	1,884,128
Food and cafeteria services	1,417,890	1,536,401
Maintenance and utilities	782,880	818,779
Interest:		
Long-term	411,664	439,233
Current	8,173	12,762
Publicity and promotion	407,288	426,638
Travel and moving costs	379,229	352,714
Cost of books sold	238,803	233,561
	<hr/>	<hr/>
	19,956,132	19,393,612
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Excess of revenues over expenditures before the following:	6,587,424	2,959,932
Amortization of deferred capital contributions (note 8(b))	689,727	672,595
Amortization of capital assets (note 5)	(1,696,208)	(1,691,538)
Loss on disposal of capital assets	(37,368)	(8,104)
Contribution to other charitable organization (note 15)	-	(1,000,000)
	<hr/>	<hr/>
Excess of revenues over expenditures	\$ 5,543,575	\$ 932,865

See accompanying notes to financial statements.

# REDEEMER UNIVERSITY

## Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2020 with comparative information for 2019

					2020	2019
	Unrestricted	Invested in capital assets (note 9)	Internally restricted (note 14)	Endowments	Total	Total
Net assets (deficiency) restated beginning of year (note 17)	\$ (3,127,356)	\$ 26,728,191	\$ 4,260,321	\$ 4,363,094	\$ 32,224,250	\$ 32,769,022
Excess (deficiency) of revenues over expenditures for the year	6,587,424	(1,043,849)	-	-	5,543,575	932,885
Change in investment in capital assets (note 9)	(1,608,701)	1,608,701	-	-	-	-
Endowment contributions, net (note 3 (a))	-	-	-	(107,595)	(107,595)	(1,371,871)
Net change in endowment Investments (note 3 (a))	-	-	-	408,422	408,422	456,592
Transfer (note 14)	(3,119,434)	-	3,119,434	-	-	-
Net assets (deficiency), end of year	\$ (1,268,067)	\$ 27,293,043	\$ 7,379,755	\$ 4,663,921	\$ 38,068,652	\$ 32,786,628

See accompanying notes to financial statements.

# REDEEMER UNIVERSITY

## Statement of Cash Flows

Year ended April 30, 2020 with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenditures	\$ 5,543,575	\$ 932,885
Items not affecting cash:		
Amortization of capital assets	1,696,208	1,691,538
Amortization of deferred capital contributions	(689,727)	(672,595)
Deferred contributions recognized as revenue (note 8(a))	(540,769)	(469,218)
Loss on disposal of capital assets	37,368	8,104
Forgiveness of student loans	-	11,610
Net change in non-cash working capital balances related to operations (note 10)	(65,848)	172,144
	5,980,807	1,674,468
Investing and financing activities:		
Capital asset purchases (note 5)	(1,664,115)	(570,149)
Contributions and investment income restricted for capital purposes (note 8(b))	274,097	424,170
Deferred contributions received (note 8(a))	95,781	1,069,162
Decrease (increase) in investments	782,000	(1,472,000)
Decrease in student loans, net	30,787	46,344
Proceeds from issuance of debt	67,369	120,611
Repayment of issued debt (note 7)	(985,200)	(1,347,524)
	(1,399,281)	(1,729,386)
Net increase (decrease) in cash and cash equivalents	4,581,526	(54,918)
Cash and cash equivalents, beginning of year	5,006,936	5,061,854
Cash and cash equivalents, end of year	\$ 9,588,462	\$ 5,006,936

See accompanying notes to financial statements.



# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements

Year ended April 30, 2020

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Redeemer University (the "University") is a non-profit degree-granting Christian university for education in the general arts, humanities, and sciences. The University is a registered charitable organization and, as such, is exempt from income tax under Section 149.1(1)(b) of the Income Tax Act (Canada).

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit organizations in Part III of the CPA Canada Handbook.

### (a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, short-term deposits which are highly liquid with original maturities of less than three months from year end and redeemable GIC investments.

### (b) Short-term investments:

Short-term investments consist of non-redeemable GIC investments with maturity dates no longer than one year. Term deposits with maturity dates longer than 90 days are included as investments.

### (c) Revenue recognition:

Tuition and residence fees are recognized as revenue in the academic year to which they relate; accordingly, registration deposits and tuition fees for the following academic year are deferred.

Pledges are not recorded. Unrestricted contributions are recognized as revenue when received or receivable, as long as the amount can be estimated and collection is reasonably assured. Donations and grants received by the University for a specific purpose are recognized as revenue in the year to which they relate; accordingly, donations and grants related to future years are recorded as deferred revenue. Scholarship contributions are deferred until the year in which the scholarship is awarded.

Capital contributions received for the purpose of acquiring capital assets are deferred and amortized on the same basis, and over the same periods, as the related capital assets.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 1. Significant accounting policies (continued):

### (d) Employee benefit plan:

Defined contribution plan accounting is applied to a multi-employer plan, whereby contributions are expensed when due as the University has insufficient information to apply defined benefit plan accounting.

### (e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Capital assets acquired prior to May 1, 2011 are recorded at deemed cost, being its fair value at May 1, 2011, the transition date to Accounting Standards for Not-For-Profit organizations. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the University's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

	Rate
Buildings and facilities	10-40 years
Organ	40 years
Equipment	5-20 years
Furniture and fixtures	10 years
Computer hardware and software	4 years
Franchise license	10 years
Library books	10 years

### (f) Inventory:

Inventory, which consists of books and other retail items, is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

### (g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Money market funds and bonds that would otherwise be recorded at amortized cost are recorded at fair value as they are managed and evaluated on a fair value basis. Other financial instruments are recorded at amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

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## 1. Significant accounting policies (continued):

### (g) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

### (h) Net assets (deficiency):

Net assets (deficiency) are classified as follows:

Unrestricted: operating funds available without specific restrictions;

Invested in capital assets: funds invested in capital assets, exclusive of capital assets financed through long-term debt, bonds, or deferred capital contributions;

Internally restricted: the University has committed to a number of strategic initiatives for which the Board of Governors has chosen to internally restrict funds. These initiatives include raising the University's profile, reducing debt, strengthening the University's Reformed Christian identity, innovating for student and graduate success, improving human resources and workplace culture, and upgrading and expanding facilities; and

Endowments: external contributions, the principal of which is non-expendable pursuant to the restrictions by the donor, and income retained under the endowment fund investment policies and guidelines.

### (i) Use of estimates:

The preparation of the financial statements 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 expenses during the year. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, student loans, the carrying amount of capital assets and accrued liabilities. Actual results could differ from those estimates.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

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## 1. Significant accounting policies (continued):

### (j) Change in accounting policies:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions- Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of three new handbook sections in the Accounting Standards for not-for-profits Part III of the Handbook as follows:

- (i) Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at May 1, 2019.

- (ii) Section 4434, Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset's fair value or replacement cost.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at May 1, 2019.

- (iii) Section 4441, Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at May 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at April 1, 2019.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019. A summary of transitional adjustments recorded to net assets and excess of revenue over expenditures is provided in note 17.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 2. Accounts receivable:

	2020	2019
Student accounts	\$ 499,129	\$ 600,526
Government subsidy receivable	675,315	-
Miscellaneous receivable	222,808	213,917
HST receivable	118,284	69,093
	1,515,536	883,536
Less allowance for doubtful accounts	(329,341)	(293,853)
	\$ 1,186,195	\$ 589,683

## 3. Restricted investments and assets:

### (a) Endowments:

Contributions restricted for endowments consist of externally restricted donations received by the University. The endowment principal is required to be maintained intact. Accordingly, these amounts are classified as long-term restricted investments.

The investment income generated from endowments must be used in accordance with the various purposes established by the donors or Board of Governors. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Investment income on endowments that is available for spending at the discretion of the University or is available for spending under specific conditions has been recorded in the statement of operations.

Endowment investments consist of the following:

	2020	2019
Equities	\$ 2,893,258	\$ 2,579,031
Bonds	891,510	1,595,671
Cash and cash equivalents	879,153	188,392
	\$ 4,663,921	\$ 4,363,094

The bonds bear a yield to maturity ranging from 2.00% to 4.90% maturing between June 2, 2021 and July 5, 2023. During the year, contributions of \$26,088 (2019 - \$46,395) were received and disbursements for grants of \$133,683 (2019 - \$1,418,266) were made relating to endowments, of which \$nil (2019 - \$1,000,000) was given to a qualified donee for a specific purpose (note 15). The current year net increase in endowment investments of \$408,422 (2019 - \$456,592), including management and trading fees of \$43,986 (2019 - \$43,912), has been included in the statement of changes in net assets (deficiency).

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

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### 3. Restricted assets (continued):

#### (b) Bachelor of Education Program:

In 2005, the University was granted permission to provide the Bachelor of Education Program to students. The University has provided an irrevocable standby letter of credit of \$150,000, as required by the Ministry of Training, Colleges and Universities of the Province of Ontario (the "Ministry"), in conjunction with providing this program.

The University has invested \$150,000 in an interest bearing certificate in the event there is a requirement to make payment to the Ministry with respect to this program. The value of the certificate at April 30, 2020 is \$150,000 (2019 - \$150,000).

### 4. Student loans:

Student loans consist of the following:

	2020	2019
Student loans	\$ 2,019	\$ 32,806
Less current portion	(369)	(30,976)
	\$ 1,650	\$ 1,830

Loans pertaining to the First Year Fund, Returning Student Fund and Redeemer Student Fund are forgiven at a rate of 20% per year to a maximum of 80% forgiveness. Once the student leaves the University, repayment is to commence four months after departure in monthly instalments acceptable to the University and at the local bank prime interest rate plus 1%. As of April 2016, the University has discontinued the issuance of student loans.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 5. Capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 29,285,939	\$ -	\$ 29,285,939	\$ 29,285,939
Buildings and facilities	36,888,246	19,321,951	17,566,295	17,877,939
Organ	374,153	302,440	71,713	81,067
Equipment	4,745,431	2,660,944	2,084,487	2,119,905
Furniture and fixtures	4,631,648	3,904,713	726,935	1,017,186
Computer hardware and software	1,179,784	967,436	212,348	196,113
Franchise license	20,000	7,000	13,000	15,000
Library books	1,036,586	1,036,586	-	-
	<b>\$ 78,161,787</b>	<b>\$ 28,201,070</b>	<b>\$ 49,960,717</b>	<b>\$ 50,593,149</b>

The change in net book value of capital assets is as follows:

	2020	2019
Balance, beginning of year	\$ 50,593,149	\$ 51,722,642
Acquisition of capital assets funded by deferred capital contributions (note 9)	749,078	194,557
Acquisition of capital assets financed internally	915,037	375,592
Amortization of capital assets	(1,696,208)	(1,691,538)
Loss on disposal of capital assets	(37,368)	(8,104)
Partial impairment on transition (note 17)	(562,971)	-
Balance, end of year	<b>\$ 49,960,717</b>	<b>\$ 50,593,149</b>

## 6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$23,594 (2019 - \$17,528), which includes amounts payable for HST and payroll related taxes.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 7. Long-term debt:

Long-term debt consists of the following:

	2020	2019
Bonds (a)	\$ 10,754,448	\$ 11,313,112
Private loans (b)	5,379,889	5,639,056
Loan payable to City of Hamilton interest bearing at 0%, repayable in annual installments of \$100,000 maturing September 2020 (c)	100,000	200,000
Forgivable loan from Sodexo bearing interest at 0%, forgiven in annual installments, maturing August 2026 (d)	210,000	245,000
	16,444,337	17,397,168
Less current portion	(2,617,665)	(2,757,023)
	\$ 13,826,672	\$ 14,640,145

(a) Bonds issued to supporting members are secured by a Mortgage Trust Deed between Concentra Financial and the University. The Mortgage Trust Deed is secured by a first charge (subject to a postponement of claim in favour of bank financing) on the land and buildings of the University and authorizes the University to issue bonds in any series created by the University up to a maximum of \$25,000,000 in constant 1985 dollars. The Mortgage Trust Deed and consequently all bonds issued under it, mature in 2025. All bonds are redeemable at any time at the discretion of the University. The Board of Governors has created seven series of bonds as follows:

- Series A, returning variable rate real interest payable semi-annually, rate set semi-annually;
- Series B, returning 3% real interest payable semi-annually;
- Series C, returning 2% real interest payable semi-annually;
- Series D, returning 1% real interest payable semi-annually;
- Series E, returning 0% interest;
- Series F, returning variable rate real interest payable semi-annually, rate set semi-annually;
- and
- Series G, returning 4% real interest payable semi-annually.



# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 7. Long-term debt (continued):

The following bonds are issued and outstanding (based on price adjusted values):

	2020	2019
Series A	\$ 3,711,043	\$ 4,071,334
Series F	6,957,351	7,148,036
Interest accrued on bonds	86,054	93,742
	<u>\$ 10,754,448</u>	<u>\$ 11,313,112</u>

During the year, approval was received to maintain the real interest payable on Series A and Series F bonds at 2.5% for the period of January 2020 to June 2020 (2019 – 2.6%). Subsequent to year-end, approval was received to decrease the interest payable to 2.2% for the period of July 2020 to December 2020.

- (b) Private loans from supporting members bear interest at rates varying from 0% to 2.85%. Loans in the amount of \$2,054,109 will mature within fiscal 2021 of which \$131,355 has been renewed after year end. The specified maturity dates of the loans are as follows:

2021	\$ 2,054,109
2022	1,038,223
2023	792,799
2024	1,117,731
2025	377,027
	<u>\$ 5,379,889</u>

- (c) The City of Hamilton loan was issued to finance part of a soccer facility. It bears no interest and is repayable at \$100,000 per year until maturity in September 2020. A security interest in the property and assets relating to the facility has been provided as collateral security for the loan.
- (d) A non-interest bearing forgivable loan, granted by Sodexo of \$350,000 to the University to finance the implementation of a Tim Horton's coffee shop. The loan is forgivable in annual amounts over a ten year term in accordance with the amended Sodexo Expansion Agreement extending to August 2026. During the year, \$35,000 (2019 - \$42,907) was forgiven and recognized as a contribution for capital purposes (note 8(b)).

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 8. Deferred contributions:

(a) Deferred operating contributions are as follows:

	2020	2019
Balance, beginning of year	\$ 2,105,026	\$ 1,505,082
Amount recognized as revenue during the year	(540,769)	(469,218)
Amount received related to future years	95,781	1,069,162
Balance, end of year	\$ 1,660,038	\$ 2,105,026

(b) Deferred capital contributions are as follows:

	2020	2019
Balance, beginning of year	\$ 12,570,679	\$ 12,776,197
Amortization of deferred capital contributions	(689,727)	(672,595)
Partial impairment on transition (note 17)	(593)	-
Add:		
Contributions received for capital purposes	296,977	455,181
Investment income on deferred capital contributions	12,120	11,896
Balance, end of year	\$ 12,189,456	\$ 12,570,679

Included in contributions received for capital purposes is an amount of \$35,000 (2019 - \$42,907) related to the forgiven portion of the Sodexo loan (see note 7(d)).

As at April 30, 2020, deferred capital contributions of \$586,230 (2019 - \$1,026,211) have been received but not spent.

## 9. Net assets invested in capital assets:

Invested in capital assets consists of the following:

	2020	2019
Capital assets, net	\$ 49,960,717	\$ 50,593,149
Transitional adjustment (note 17)	-	(562,378)
Less amounts financed by:		
Bonds (note 7)	(10,754,448)	(11,313,112)
Deferred capital contributions (note 8(b))	(11,603,226)	(11,544,468)
Long-term debt (note 7)	(310,000)	(445,000)
Balance, end of year	\$ 27,293,043	\$ 26,728,191

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 9. Net assets invested in capital assets (continued):

The change in invested in capital assets is calculated as follows:

	2020	2019
Net change in invested in capital assets:		
Purchase of capital assets	\$ 1,664,115	\$ 530,616
Contributed capital assets	-	39,533
Amounts funded by deferred capital contributions	(749,078)	(194,557)
Repayment of long-term debt	135,000	120,773
Repayment of bonds	558,664	420,841
Transitional adjustment (note 17)	-	(562,378)
	<u>\$ 1,608,701</u>	<u>\$ 354,828</u>
Deficiency of revenues over expenditures:		
Amortization of capital assets	\$ (1,696,208)	\$ (1,691,538)
Amortization of deferred capital contributions	689,727	672,595
Loss on disposal of capital assets	(37,368)	(8,104)
	<u>\$ (1,043,849)</u>	<u>\$ (1,027,047)</u>

## 10. Statement of cash flows:

The net change in non-cash working capital balances related to operations consists of the following:

	2020	2019
Accounts receivable	\$ (596,512)	\$ 350,294
Inventory	(9,757)	4,680
Prepaid expenses and deposits	1,309	45,316
Accounts payable and accrued liabilities	592,044	(169,422)
Deposits held	(52,932)	(58,724)
	<u>\$ (65,848)</u>	<u>\$ 172,144</u>

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

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## 11. Employee benefit plan:

Substantially all of the employees of the University are eligible to be members of the Christian Schools International Pension Plan (the "Plan"), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The Plan is accounted for as a defined contribution plan. The University's contributions to the Plan during the year amounted to \$686,474 (2019 - \$641,863) and are included in salary and benefits in the statement of operations. The most recent audited financial statements of the Plan as of August 31, 2019 indicate the plan has a funding shortfall of 5.69% (August 31, 2018 – shortfall of 3.01%) on a going concern basis.

## 12. Commitments and contingencies:

- (a) The University has committed to future minimum lease payments over the next four years for equipment as follows:

	Operating leases
2021	\$ 115,861
2022	54,410
2023	6,360
2024	6,360
	<hr/> \$ 182,991 <hr/>

- (b) Pursuant to an agreement dated April 12, 1996 between the University, the University's Alumni Association and the University's Student Senate, the University is committed to provide the following:

- (i) an amount of \$206,800 to the Student/Recreation Facility Fund at the time of the next building expansion fundraising drive;
- (ii) an amount of \$100,000 to the Student/Recreation Facility Fund when the Student/Recreation Facility breaks ground; and
- (iii) an amount of \$455,007 student contributions with accumulated interest are invested in a GIC to be redeemed when the Student/Recreation Facility breaks ground.

The timing of these commitments is currently not determinable.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

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## 12. Commitments and contingency (continued):

- (c) The University has a \$2,000,000 operating line of credit available by way of direct advances or letters of credit or guarantees. The letters of credit and guarantees are limited to a maximum of \$250,000. As at April 30, 2020, \$nil of letters of credit (2019 - \$nil) has been drawn on the line of credit. This operating line of credit increases to \$3,000,000 for the months of June to August.

The direct advances drawn on the line of credit are due on demand and bear interest at the bank's prime rate plus 0.50%. Letters of credit or guarantees bear interest at 1.5% per annum. A general security agreement, a general assignment of book debts and a collateral mortgage providing a first fixed charge over land and buildings have been provided as collateral for the operating line of credit.

The University has \$150,000 (2019 - \$150,000) available by way of letter of credit in support of the Bachelor of Education program. This line bears interest at 1.00% per annum.

In addition, the University has \$100,000 (2019 - \$100,000) available by way of VISA business cards in support of operations.

- (d) Canadian Universities Reciprocal Insurance Exchange:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange ("CURIE"), a self-insurance cooperative comprised of approximately sixty Canadian universities and colleges. CURIE insures property damage, general liability and errors and omissions risks. If premiums collected are insufficient to cover expenses and claims, the University may be requested to pay additional amounts.

- (e) Certain claims exist against the University. These claims are not expected to have a material impact on the financial position or operating results of the University.
- (e) Plans are being made to construct a new multi-purpose residence and classroom facility, to open in September 2021. The University has entered into an agreement with a general contractor, who will serve as construction project manager for the building. The expected cost of the building is \$19,500,000.

## 13. Related party transactions:

The RUC Business Trust 2005 is considered a related party as the University is the sole beneficiary. The Trust is currently inactive.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

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## 14. Internally restricted assets:

The Board has internally restricted \$7,379,755 (2019 - \$4,260,321). As at April 30, 2020, \$1,339,063 (2019 - \$1,624,760) was restricted for debt reduction and \$6,040,692 (2019 - \$2,635,561) for program and facility initiatives.

## 15. Contribution to other charitable organization:

During the year, the University granted \$nil (2019 - \$1,000,000) to a qualified donee for the pursuit of Reformational research, scholarship and focused education.

## 16. Financial risks:

### (a) Currency risk:

The University is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the University makes purchases denominated in U.S. dollars. The University does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2019.

### (b) Liquidity risk:

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The University manages its liquidity risk by monitoring its operating requirements. The University prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2019.

### (c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The University is exposed to credit risk with respect to the accounts receivable and student loans. The University assesses, on a continuous basis, accounts receivable and student loans and provides for any amounts that are not collectible in the allowance for doubtful accounts.

### (d) Interest rate risk:

The University is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 3 and fixed rate debt in note 7.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2020

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## 17. Transitional adjustments:

Net assets:

The following table summarizes the impact of the transition from 4431 to section 4433 relating to tangible capital assets on the University's opening net assets as at May 1, 2019:

Opening net assets:

	2019
As previously reported at April 30, 2019	\$32,786,628
Decrease in net assets due to partial impairment on transition:	562,378
Restated, as at May 1, 2019	\$32,224,250

## 18. Subsequent event:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus, the "COVID-19 outbreak". In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result of this, on March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020, through to at least May 29, 2020. In addition, the Canadian government has imposed travel restrictions to Canada until further notice.

On March 13, the University cancelled in-person classes, closed its residences on March 20 and closed its campus on March 23, and they remain closed to the date of the auditor's report. The University is planning and preparing for an on-campus experience for the fall and winter semesters and has developed a framework for re-opening the campus safely. In the event that being on-campus is not possible, moving to an online curriculum could have implications on number of course offerings, enrollment and ancillary revenues.

As the impacts of COVID-19 continue, there could be further impact on the University, its students and funding sources. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the University is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.