

Financial Statements of

**REDEEMER UNIVERSITY COLLEGE**

Year ended April 30, 2017



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## INDEPENDENT AUDITORS' REPORT

To the Members of Redeemer University College

We have audited the accompanying financial statements of Redeemer University College, which comprise the statement of financial position as at April 30, 2017, the statement of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising 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.

### *Auditors' 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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.



We believe that the audit evidence we have obtained in our audit 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 Redeemer University College as at April 30, 2017, 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

July 14, 2017  
Hamilton, Canada

# REDEEMER UNIVERSITY COLLEGE

## Statement of Financial Position

Year ended April 30, 2017 with comparative information for 2016

|   | 2017                 | 2016                 |
|---|----------------------|----------------------|
| <b>Assets</b>                             |                      |                      |
| Current assets:                           |                      |                      |
| Cash and cash equivalents                 | \$ 4,009,693         | \$ 4,821,601         |
| Short-term investments                    | 4,000,000            | 2,447,139            |
| Accounts receivable (note 2)              | 1,141,653            | 907,585              |
| Inventory                                 | 113,739              | 104,618              |
| Prepaid expenses and deposits             | 187,380              | 220,175              |
| Current portion of student loans (note 4) | 108,459              | 150,776              |
|   | <u>9,560,924</u>     | <u>8,651,894</u>     |
| Restricted investments (note 3(a))        | 5,376,133            | 4,897,029            |
| Restricted assets (note 3(b))             | 150,000              | 150,000              |
| Capital assets, net (note 5)              | 53,010,691           | 53,812,367           |
| Student loans (note 4)                    | 99,150               | 235,485              |
|   | <u>\$ 68,196,898</u> | <u>\$ 67,746,775</u> |

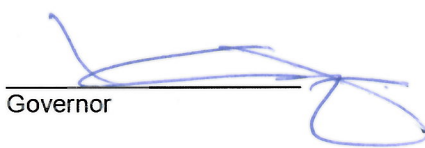
## Liabilities and Net Assets (Deficiency)

|   |                      |                      |
|---|----------------------|----------------------|
| Current liabilities:                              |                      |                      |
| Accounts payable and accrued liabilities (note 6) | \$ 1,356,896         | \$ 977,428           |
| Deposits held                                     | 315,873              | 331,179              |
| Current portion of long-term debt (note 7)        | 3,328,039            | 4,197,215            |
|   | <u>5,000,808</u>     | <u>5,505,822</u>     |
| Long-term debt (note 7)                           | 16,935,408           | 18,746,680           |
| Deferred contributions (note 8(a))                | 762,916              | 872,750              |
| Deferred capital contributions (note 8(b))        | 13,028,565           | 13,220,134           |
| Net assets (deficiency):                          |                      |                      |
| Unrestricted                                      | (6,136,160)          | (7,493,375)          |
| Invested in capital assets (note 9)               | 27,429,201           | 26,907,088           |
| Internally restricted (note 14)                   | 5,800,027            | 5,090,647            |
| Endowments (note 3(a))                            | 5,376,133            | 4,897,029            |
|   | <u>32,469,201</u>    | <u>29,401,389</u>    |
| Commitments and contingency (note 12)             |                      |                      |
|   | <u>\$ 68,196,898</u> | <u>\$ 67,746,775</u> |

See accompanying notes to financial statements.

On behalf of the Board:

  
Governor

  
Governor

# REDEEMER UNIVERSITY COLLEGE

## Statement of Operations

Year ended April 30, 2017 with comparative information for 2016

|  | 2017               | 2016               |
|--|--------------------|--------------------|
| <b>Revenues:</b>   |                    |                    |
| Net fees (tuition and residence)                           | \$ 12,519,725      | \$ 12,914,347      |
| Donations  | 6,326,169          | 7,718,104          |
| Community use  | 1,809,166          | 1,716,863          |
| Church support   | 931,266            | 923,869            |
| Book sales   | 318,229            | 351,377            |
| Grants   | 192,907            | 187,577            |
| Other  | 714,730            | 684,054            |
|  | <hr/> 22,812,192   | <hr/> 24,496,191   |
| <b>Expenditures:</b>                                       |                    |                    |
| Salary and benefits:                                       |                    |                    |
| Administrative   | 5,776,494          | 6,639,080          |
| Academic   | 5,306,023          | 5,000,576          |
| Supplies and services                                      | 2,367,006          | 2,495,040          |
| Student scholarships, bursaries and work-study             | 1,843,109          | 1,849,854          |
| Food and cafeteria services                                | 1,383,660          | 1,440,594          |
| Maintenance and utilities                                  | 912,957            | 841,296            |
| Interest:  |                    |                    |
| Long-term  | 528,287            | 601,542            |
| Current  | 12,082             | 11,708             |
| Publicity and promotion                                    | 365,953            | 260,477            |
| Travel and moving costs                                    | 297,081            | 320,708            |
| Cost of books sold   | 245,322            | 278,888            |
|  | <hr/> 19,037,974   | <hr/> 19,739,763   |
| <hr/>  |                    |                    |
| Excess of revenues over expenditures before the following: | 3,774,218          | 4,756,428          |
| Amortization of deferred capital contributions (note 8(b)) | 644,465            | 647,562            |
| Amortization of capital assets (note 5)                    | (1,782,273)        | (1,790,843)        |
| Loss on disposal of capital assets (note 5)                | (47,702)           | (15,182)           |
| Proceeds from a trust (note 13)                            | -                  | 364,110            |
|  | <hr/> \$ 2,588,708 | <hr/> \$ 3,962,075 |

See accompanying notes to financial statements.

# REDEEMER UNIVERSITY COLLEGE

## Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2017 with comparative information for 2016

|   |                |  |                          |              | 2017          |               | 2016 |  |
|---|----------------|--|--------------------------|--------------|---------------|---------------|------|--|
|   | Unrestricted   | Invested<br>in capital<br>assets<br>(note 9) | Internally<br>restricted | Endowments   | Total         | Total         |      |  |
| Net assets (deficiency)<br>beginning of year                      | \$ (7,493,375) | \$ 26,907,088                                | \$ 5,090,647             | \$ 4,897,029 | \$ 29,401,389 | \$ 25,493,516 |      |  |
| Excess (deficiency) of revenues over<br>expenditures for the year | 3,774,218      | (1,185,510)                                  | -                        | -            | 2,588,708     | 3,962,075     |      |  |
| Change in investment in<br>capital assets (note 9)                | (1,707,623)    | 1,707,623                                    | -                        | -            | -             | -             |      |  |
| Endowment contributions, net<br>(note 3 (a))                      | -              | -  | -                        | (182,861)    | (182,861)     | (168,756)     |      |  |
| Net change in endowment<br>investments                            | -              | -  | -                        | 661,965      | 661,965       | 114,554       |      |  |
| Transfer (note 14)  | (709,380)      | -  | 709,380                  | -            | -             | -             |      |  |
| Net assets (deficiency),<br>end of year                           | \$ (6,136,160) | \$ 27,429,201                                | \$ 5,800,027             | \$ 5,376,133 | \$ 32,469,201 | \$ 29,401,389 |      |  |

See accompanying notes to financial statements.

# REDEEMER UNIVERSITY COLLEGE

## Statement of Cash Flows

Year ended April 30, 2017 with comparative information for 2016

|   | 2017         | 2016         |
|---|--------------|--------------|
| Cash provided by (used in):   |              |              |
| Operating activities:   |              |              |
| Excess of revenues over expenditures  | \$ 2,588,708 | \$ 3,962,075 |
| Items not affecting cash:   |              |              |
| Amortization of capital assets  | 1,782,273    | 1,790,843    |
| Amortization of deferred capital contributions                                  | (644,465)    | (647,562)    |
| Deferred contributions recognized as revenue (note 8(a))                        | (259,124)    | (380,336)    |
| Loss on disposal of capital assets  | 47,702       | 15,182       |
| Forgiveness of student loans  | 51,320       | 103,030      |
| Net change in non-cash working capital balances related to operations (note 10) | 153,768      | (444,766)    |
|   | 3,720,182    | 4,398,466    |
| Investing and financing activities:   |              |              |
| Capital asset purchases   | (736,304)    | (504,945)    |
| Contributions and investment income restricted for capital purposes (note 8(b)) | 452,896      | 20,894       |
| Deferred contributions received (note 8(a))                                     | 149,290      | 169,275      |
| Increase in short-term investments  | (1,552,861)  | (2,010,639)  |
| Decrease in student loans, net  | 127,332      | 26,040       |
| Proceeds from issuance of debt  | 131,492      | 157,052      |
| Repayment of issued debt  | (3,103,935)  | (1,540,736)  |
|   | (4,532,090)  | (3,683,059)  |
| Net (decrease) increase in cash and cash equivalents                            | (811,908)    | 715,407      |
| Cash and cash equivalents, beginning of year                                    | 4,821,601    | 4,106,194    |
| Cash and cash equivalents, end of year  | \$ 4,009,693 | \$ 4,821,601 |

See accompanying notes to financial statements.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements

Year ended April 30, 2017

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Redeemer University College (the "University College") is a non-profit degree-granting Christian university college for education in the general arts, humanities, and sciences. The University College 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 and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition.

### (b) Short-term investments:

Short-term investments consist of non-redeemable GIC investments and are accounted for at market value, with changes in market value recorded in the statement of operations. Term deposits with maturity date 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 College 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, 2017

## 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 College 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 College'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       | 40 years   |
| Organ                          | 40 years   |
| Equipment                      | 5-20 years |
| Furniture and fixtures         | 10 years   |
| Library books                  | 10 years   |
| Computer hardware and software | 4 years    |
| Franchise license              | 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. The University College has not elected to carry any such financial instruments at fair value.

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, 2017

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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 College 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 College 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 carrying value.

### (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 College has committed to three initiatives: raising the profile of the University College; new programs and centres for scholarship and learning; and debt reduction. The board has chosen to internally restrict funds for these purposes; 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, 2017

## 2. Accounts receivable:

|                                      | 2017         | 2016       |
|--------------------------------------|--------------|------------|
| Student accounts                     | \$ 609,296   | \$ 646,261 |
| Miscellaneous receivable             | 446,640      | 192,730    |
| HST receivable                       | 398,786      | 370,029    |
|                                      | 1,454,722    | 1,209,020  |
| Less allowance for doubtful accounts | (313,069)    | (301,435)  |
|                                      | \$ 1,141,653 | \$ 907,585 |

## 3. Restricted assets:

### (a) Endowments:

Contributions restricted for endowments consist of externally restricted donations received by the University College. 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 College 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 College or is available for spending under specific conditions has been recorded in the statement of operations.

Endowment investments consist of the following:

|                        | 2017         | 2016        |
|------------------------|--------------|-------------|
| Equities               | \$ 3,409,856 | \$3,065,124 |
| Bonds                  | 1,854,726    | 1,587,741   |
| Short-term investments | 111,551      | 244,164     |
|                        | \$ 5,376,133 | \$4,897,029 |

The bonds bear a yield to maturity ranging from 1.62% to 6.25% maturing between October 10, 2017 and June 18, 2020. During the year, contributions of \$10,209 (2016 - \$8,454) were received and disbursements for grants of \$193,070 (2016 - \$177,210) were made relating to endowments. The current year net increase in endowment investments of \$661,965 (2016 - \$114,554), net of management and trading fees of \$28,850 (2016 - \$40,719), has been included in the statement of changes in net assets (deficiency).

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

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### 3. Restricted assets (continued):

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

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

The University College 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, 2017 is \$150,000 (2016 - \$150,000).

### 4. Student loans:

Student loans consist of the following:

|                      | 2017             | 2016              |
|----------------------|------------------|-------------------|
| Student loans        | \$ 207,609       | \$ 386,261        |
| Less current portion | 108,459          | 150,776           |
|                      | <u>\$ 99,150</u> | <u>\$ 235,485</u> |

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 College, repayment is to commence four months after departure in monthly instalments acceptable to the University College and at the local bank prime interest rate plus 1%. As of April 2016, the University College has discontinued the issuance of student loans.

Student loans currently outstanding become due at various times between May 2017 and September 2020.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

## 5. Capital assets:

|                                | Cost                 | Accumulated<br>amortization | 2017<br>Net book<br>value | 2016<br>Net book<br>value |
|--------------------------------|----------------------|-----------------------------|---------------------------|---------------------------|
| Land                           | \$ 29,285,939        | \$ -                        | \$ 29,285,939             | \$ 29,285,939             |
| Buildings and facilities       | 35,288,790           | 15,807,752                  | 19,481,038                | 20,115,810                |
| Organ                          | 374,153              | 274,379                     | 99,774                    | 109,129                   |
| Equipment                      | 4,217,162            | 1,672,069                   | 2,545,093                 | 2,525,283                 |
| Furniture and fixtures         | 4,643,285            | 3,488,332                   | 1,154,953                 | 1,233,314                 |
| Computer hardware and software | 1,123,411            | 698,517                     | 424,894                   | 542,892                   |
| Franchise license              | 20,000               | 1,000                       | 19,000                    | -                         |
| Library books                  | 1,036,586            | 1,036,586                   | -                         | -                         |
| <b>Total</b>                   | <b>\$ 75,989,326</b> | <b>\$ 22,978,635</b>        | <b>\$ 53,010,691</b>      | <b>\$ 53,812,367</b>      |

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

|  | 2017                 | 2016                 |
|--|----------------------|----------------------|
| Balance, beginning of year   | \$ 53,812,367        | \$ 55,113,447        |
| Purchase of capital assets funded by deferred capital contributions (note 9) | 441,739              | 10,000               |
| Purchase of capital assets financed internally                               | 586,560              | 494,945              |
| Amortization of capital assets   | (1,782,273)          | (1,790,843)          |
| Loss on disposal of capital assets   | (47,702)             | (15,182)             |
| <b>Balance, end of year</b>  | <b>\$ 53,010,691</b> | <b>\$ 53,812,367</b> |

During the year, the University College received contributed capital assets in the amount of \$291,995 (2016 - \$nil) which were financed with long-term debt (note 7(e)).

## 6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$15,429 (2016 - \$15,939), which includes amounts payable for HST and payroll related taxes.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

## 7. Long-term debt:

Long-term debt consists of the following:

|   | 2017          | 2016          |
|---|---------------|---------------|
| Bonds (a)   | \$ 12,311,304 | \$ 13,556,244 |
| Private loans (b)   | 7,243,150     | 8,802,535     |
| Loan payable to City of Hamilton interest bearing at 0%, repayable in annual installments of \$100,000 maturing June 2020 (c) | 400,000       | 500,000       |
| Loan payable to Sodexo 0%, repayable in average monthly installments of \$1,577, maturing August 2018                         | 26,197        | 45,116        |
| Forgivable loan from Sodexo bearing interest at 0%, forgiven in annual installments, maturing August 2018 (d)                 | 20,000        | 40,000        |
| Forgivable loan from Sodexo bearing interest at 0%, forgiven in annual installments, maturing August 2026 (e)                 | 262,796       | -             |
|   | 20,263,447    | 22,943,895    |
| Less current portion  | 3,328,039     | 4,197,215     |
|   | \$ 16,935,408 | \$ 18,746,680 |

(a) Bonds issued to supporting members are secured by a Mortgage Trust Deed between Concentra Financial and the University College. 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 College and authorizes the University College to issue bonds in any series created by the University College 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 College. 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, 2017

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

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

|                           | 2017                 | 2016                 |
|---------------------------|----------------------|----------------------|
| Series A                  | \$ 4,159,335         | \$ 3,767,419         |
| Series F                  | 8,053,680            | 9,679,496            |
| Interest accrued on bonds | 98,289               | 109,329              |
|                           | <u>\$ 12,311,304</u> | <u>\$ 13,556,244</u> |

During the year, approval was received to maintain the real interest payable on Series A and Series F bonds at 2.50%.

- (b) Private loans from supporting members bear interest at rates varying from 0% to 4.0%. Loans in the amount of \$2,732,165 will mature within 2018 of which \$320,000 has been renewed after year end. The specified maturity dates of the loans are as follows:

|      |                     |
|------|---------------------|
| 2018 | \$ 2,732,165        |
| 2019 | 2,112,006           |
| 2020 | 755,299             |
| 2021 | 923,048             |
| 2022 | 720,632             |
|      | <u>\$ 7,243,150</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 on June 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 \$100,000, was provided to the University College to finance the renovations and expansion of various food service projects. The loan is forgivable in annual amounts over the ten year term of the Sodexo Expansion Agreement extending to August 2018.
- (e) A non-interest bearing forgivable loan, granted by Sodexo of \$350,000 to the University College to finance the implementation of a Tim Horton's coffee shop. Of the available loan, \$291,995 was advanced as at April 30, 2017. 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, \$29,199 (2016 - \$nil) was forgiven.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

## 8. Deferred contributions:

(a) Deferred operating contributions are as follows:

|  | 2017       | 2016         |
|--|------------|--------------|
| Balance, beginning of year                   | \$ 872,750 | \$ 1,083,811 |
| Amount recognized as revenue during the year | (259,124)  | (380,336)    |
| Amount received related to subsequent years  | 149,290    | 169,275      |
| Balance, end of year                         | \$ 762,916 | \$ 872,750   |

(b) Deferred capital contributions are as follows:

|   | 2017          | 2016          |
|---|---------------|---------------|
| Balance, beginning of year                          | \$ 13,220,134 | \$ 13,846,802 |
| Amortization of deferred capital contributions      | (644,465)     | (647,562)     |
| Add:  |               |               |
| Contributions received for capital purposes         | 441,739       | 10,000        |
| Investment income on deferred capital contributions | 11,157        | 10,894        |
| Balance, end of year                                | \$ 13,028,565 | \$ 13,220,134 |

As at April 30, 2017, deferred capital contributions of \$467,372 (2016 - \$456,215) have been received but not spent.

## 9. Net assets invested in capital assets:

Invested in capital assets consists of the following:

|   | 2017          | 2016          |
|---|---------------|---------------|
| Capital assets, net                     | \$ 53,010,691 | \$ 53,812,367 |
| Less amounts financed by:               |               |               |
| Bonds (note 7)                          | (12,311,304)  | (13,556,244)  |
| Deferred capital contributions (note 8) | (12,561,193)  | (12,763,919)  |
| Long-term debt (note 7)                 | (708,993)     | (585,116)     |
| Balance, end of year                    | \$ 27,429,201 | \$ 26,907,088 |



# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

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

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

|  | 2017                  | 2016                  |
|--|-----------------------|-----------------------|
| Net change in invested in capital assets:  |                       |                       |
| Purchase of capital assets   | \$ 736,304            | \$ 504,945            |
| Contributed capital assets   | 291,995               | -                     |
| Amounts funded by deferred capital contributions<br>(Issuance) repayment of long-term debt | (441,739)             | (10,000)              |
| Repayment of bonds   | (123,877)             | 128,918               |
|  | 1,244,940             | 169,255               |
|  | <u>\$ 1,707,623</u>   | <u>\$ 793,118</u>     |
| Deficiency of revenues over expenditures:  |                       |                       |
| Amortization of capital assets   | \$ (1,782,273)        | \$ (1,790,843)        |
| Amortization of deferred capital contributions   | 644,465               | 647,562               |
| Loss on disposal of capital assets   | (47,702)              | (15,182)              |
|  | <u>\$ (1,185,510)</u> | <u>\$ (1,158,463)</u> |

## 10. Statement of cash flows:

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

|  | 2017              | 2016                |
|--|-------------------|---------------------|
| Accounts receivable                      | \$ (234,068)      | \$ (419,358)        |
| Inventory                                | (9,121)           | (6,439)             |
| Prepaid expenses and deposits            | 32,795            | (20,182)            |
| Accounts payable and accrued liabilities | 379,468           | (45,008)            |
| Deposits held                            | (15,306)          | 46,221              |
|  | <u>\$ 153,768</u> | <u>\$ (444,766)</u> |

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

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## 11. Employee benefit plan:

Substantially all of the employees of the University College 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 College's contributions to the Plan during the year amounted to \$638,197 (2016 - \$673,178) 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, 2016 indicate the plan has a funding shortfall of 7.9% (August 31, 2015 – shortfall of 7.3%) on a going concern basis.

## 12. Commitments and contingency:

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

|      | Operating leases       |
|------|------------------------|
| 2018 | \$ 35,490              |
| 2019 | 35,490                 |
| 2020 | 35,490                 |
| 2021 | 34,057                 |
| 2022 | 17,028                 |
|      | <hr/> \$ 157,555 <hr/> |

- (b) Pursuant to an agreement dated April 12, 1996 between the University College, the University College's Alumni Association and the University College's Student Senate, the University College 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 \$447,139 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, 2017

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## 12. Commitments and contingency (continued):

- (c) The University College 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, 2017, \$nil of letters of credit (2016 - \$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 College has \$150,000 (2016 - \$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 College has \$100,000 (2016 - \$100,000) available by way of VISA business cards in support of operations.

- (d) Canadian Universities Reciprocal Insurance Exchange:

The University College 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 College may be requested to pay additional amounts.

## 13. Related party transactions:

The University College received \$nil (2016 - \$364,110) from RUC Business Trust 2005 ("Trust") in the current year. The Trust is considered a related party as the University College is the sole beneficiary. The Trust is currently inactive.

# REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

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## 14. Internally restricted assets:

The Board has internally restricted \$5,800,027 (2016 - \$5,090,647). As at April 30, 2017, \$2,415,772 (2016 - \$2,475,801) was restricted for debt reduction and \$3,384,255 (2016 - \$2,614,846) for program initiatives.

## 15. Financial risks:

### (a) Currency risk:

The University College 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 College makes purchases denominated in U.S. dollars. The University College does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2016.

### (b) Liquidity risk:

Liquidity risk is the risk that the University College will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The University College manages its liquidity risk by monitoring its operating requirements. The University College 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 2016.

### (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 College is exposed to credit risk with respect to the accounts receivable and student loans. The University College 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 College 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.

## 16. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.