

Financial Statements of

REDEEMER UNIVERSITY COLLEGE

Year ended April 30, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of Redeemer University College

Opinion

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

- the statement of financial position as at April 30, 2019
- 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 College as at April 30, 2019, 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 College 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.

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

Those charged with governance are responsible for overseeing the University College'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 College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 represents 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

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
July 19, 2019

REDEEMER UNIVERSITY COLLEGE

Statement of Financial Position

Year ended April 30, 2019 with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,006,936	\$ 5,061,854
Short-term investments	3,472,000	3,500,000
Accounts receivable (note 2)	589,683	939,977
Inventory	117,736	122,416
Prepaid expenses and deposits	133,987	179,303
Current portion of student loans (note 4)	30,976	56,220
	<u>9,351,318</u>	<u>9,859,770</u>
Investments	1,500,000	-
Restricted investments (note 3(a))	4,363,094	5,278,373
Restricted assets (note 3(b))	150,000	150,000
Student loans (note 4)	1,830	34,540
Capital assets, net (note 5)	50,593,149	51,722,642
	<u>\$ 65,959,391</u>	<u>\$ 67,045,325</u>

Liabilities and Net Assets (Deficiency)

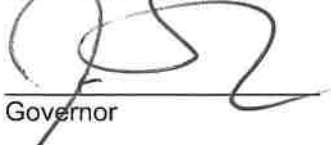
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 758,151	\$ 927,573
Deposits held	341,739	400,463
Current portion of long-term debt (note 7)	2,757,023	4,062,341
	<u>3,856,913</u>	<u>5,390,377</u>
Long-term debt (note 7)	14,640,145	14,604,647
Deferred contributions (note 8(a))	2,105,026	1,505,082
Deferred capital contributions (note 8(b))	12,570,679	12,776,197
Net assets (deficiency):		
Unrestricted	(3,127,356)	(4,787,751)
Invested in capital assets (note 9)	27,290,569	27,400,410
Internally restricted (note 14)	4,260,321	4,877,990
Endowments (note 3(a))	4,363,094	5,278,373
	<u>32,786,628</u>	<u>32,769,022</u>

Commitments and contingency (note 12)

\$ 65,959,391 \$ 67,045,325

See accompanying notes to financial statements.

On behalf of the Board:


Governor


Governor

REDEEMER UNIVERSITY COLLEGE

Statement of Operations

Year ended April 30, 2019 with comparative information for 2018

	2019	2018
Revenues:		
Net fees (tuition and residence)	\$ 13,188,768	\$ 12,288,286
Donations	3,228,805	1,941,926
Donations - campaign	1,665,150	1,781,977
Community use	2,111,353	1,719,068
Church support	967,025	939,646
Book sales	301,110	289,239
Grants	132,469	170,215
Other	758,864	650,264
	<u>22,353,544</u>	<u>19,780,621</u>
Expenditures:		
Salary and benefits:		
Administrative	6,209,410	5,390,925
Academic	4,643,160	4,742,538
Supplies and services	2,836,826	2,485,797
Student scholarships, bursaries and work-study	1,884,128	1,911,253
Food and cafeteria services	1,536,401	1,426,228
Maintenance and utilities	818,779	789,097
Interest:		
Long-term	439,233	473,783
Current	12,762	12,733
Publicity and promotion	426,638	435,978
Travel and moving costs	352,714	362,245
Cost of books sold	233,561	231,700
	<u>19,393,612</u>	<u>18,262,337</u>
Excess of revenues over expenditures		
before the following:	2,959,932	1,518,284
Amortization of deferred capital contributions (note 8(b))	672,595	662,501
Amortization of capital assets (note 5)	(1,691,538)	(1,779,209)
Loss on disposal of capital assets	(8,104)	(3,995)
Contribution to other charitable organization (note 15)	(1,000,000)	-
Excess of revenues over expenditures	<u>\$ 932,885</u>	<u>\$ 397,581</u>

See accompanying notes to financial statements.

REDEEMER UNIVERSITY COLLEGE

Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2019 with comparative information for 2018

	2019		2018			
	Unrestricted	Invested in capital assets (note 9)	Internally restricted	Endowments	Total	Total
Net assets (deficiency) beginning of year	\$ (4,787,751)	\$ 27,400,410	\$ 4,877,990	\$ 5,278,373	\$ 32,769,022	\$ 32,469,201
Excess (deficiency) of revenues over expenditures for the year	1,959,932	(1,027,047)	-	-	932,885	397,581
Change in investment in capital assets (note 9)	(917,206)	917,206	-	-	-	-
Endowment contributions, net (note 3 (a))	-	-	-	(1,371,871)	(1,371,871)	(160,961)
Net change in endowment Investments (note 3 (a))	-	-	-	456,592	456,592	63,201
Transfer (note 14)	617,669	-	(617,669)	-	-	-
Net assets (deficiency), end of year	\$ (3,127,356)	\$ 27,290,569	\$ 4,260,321	\$ 4,363,094	\$ 32,786,628	\$ 32,769,022

See accompanying notes to financial statements.

REDEEMER UNIVERSITY COLLEGE

Statement of Cash Flows

Year ended April 30, 2019 with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenditures	\$ 932,885	\$ 397,581
Items not affecting cash:		
Amortization of capital assets	1,691,538	1,779,209
Amortization of deferred capital contributions	(672,595)	(662,501)
Deferred contributions recognized as revenue (note 8(a))	(469,218)	(138,357)
Loss on disposal of capital assets	8,104	3,995
Forgiveness of student loans	11,610	27,550
Net change in non-cash working capital balances related to operations (note 10)	172,144	(143,657)
	<u>1,674,468</u>	<u>1,263,820</u>
Investing and financing activities:		
Capital asset purchases (note 5)	(570,149)	(476,683)
Contributions and investment income restricted for capital purposes (note 8(b))	424,170	410,133
Deferred contributions received (note 8(a))	1,069,162	880,523
(Increase) decrease in investments	(1,472,000)	500,000
Decrease in student loans, net	46,344	89,299
Proceeds from issuance of debt (note 5)	120,611	94,301
Repayment of issued debt (note 7)	(1,347,524)	(1,709,232)
	<u>(1,729,386)</u>	<u>(211,659)</u>
Net (decrease) increase in cash and cash equivalents	(54,918)	1,052,161
Cash and cash equivalents, beginning of year	5,061,854	4,009,693
Cash and cash equivalents, end of year	<u>\$ 5,006,936</u>	<u>\$ 5,061,854</u>

See accompanying notes to financial statements.

REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements

Year ended April 30, 2019

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, 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 and are accounted for at market value, with changes in market value recorded in the statement of operations. 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 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, 2019

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
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. 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, 2019

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 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 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 of Governors 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, 2019

2. Accounts receivable:

	2019	2018
Student accounts	\$ 600,526	\$ 552,834
Miscellaneous receivable	213,917	318,664
HST receivable	69,093	389,187
	883,536	1,260,685
Less allowance for doubtful accounts	293,853	320,708
	\$ 589,683	\$ 939,977

3. Restricted investments and 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:

	2019	2018
Equities	\$ 2,579,031	\$ 3,310,402
Bonds	1,595,671	1,596,832
Cash and cash equivalents	188,392	371,139
	\$ 4,363,094	\$ 5,278,373

The bonds bear a yield to maturity ranging from 1.62% to 5.65% maturing between September 2, 2019 and February 19, 2021. During the year, contributions of \$46,395 (2018 - \$39,890) were received and disbursements for grants of \$1,418,266 (2018 - \$200,851) were made relating to endowments, of which \$1,000,000 (2018 - \$nil) was given to a qualified donee for a specific purpose (note 15). The current year net increase in endowment investments of \$456,592 (2018 - \$63,201), including management and trading fees of \$43,912 (2018 - \$48,094), has been included in the statement of changes in net assets (deficiency).

REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2019

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 Training, Colleges and Universities 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, 2019 is \$150,000 (2018 - \$150,000).

4. Student loans:

Student loans consist of the following:

	2019	2018
Student loans	\$ 32,806	\$ 90,760
Less current portion	30,976	56,220
	\$ 1,830	\$ 34,540

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 2019 and September 2020.

REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2019

5. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 29,285,939	\$ -	\$ 29,285,939	\$ 29,285,939
Buildings and facilities	35,451,850	17,573,911	17,877,939	18,643,324
Organ	374,153	293,086	81,067	90,421
Equipment	4,442,522	2,322,617	2,119,905	2,300,590
Furniture and fixtures	5,034,403	4,017,217	1,017,186	1,090,429
Computer hardware and software	1,277,306	1,081,193	196,113	294,939
Franchise license	20,000	5,000	15,000	17,000
Library books	1,036,586	1,036,586	-	-
	<u>\$ 76,922,759</u>	<u>\$ 26,329,610</u>	<u>\$ 50,593,149</u>	<u>\$ 51,722,642</u>

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

	2019	2018
Balance, beginning of year	\$ 51,722,642	\$ 53,010,691
Acquisition of capital assets funded by deferred capital contributions (note 9)	194,557	123,814
Acquisition of capital assets financed internally	375,592	371,341
Amortization of capital assets	(1,691,538)	(1,779,209)
Loss on disposal of capital assets	(8,104)	(3,995)
Balance, end of year	<u>\$ 50,593,149</u>	<u>\$ 51,722,642</u>

During the year, the University College acquired capital assets in the amount of \$nil (2018 - \$18,472) which were financed with long-term debt (note 7(d)).

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$16,595 (2018 - \$15,705), which includes amounts payable for HST and payroll related taxes.

REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2019

7. Long-term debt:

Long-term debt consists of the following:

	2019	2018
Bonds (a)	\$ 11,313,112	\$ 11,733,953
Private loans (b)	5,639,056	6,367,262
Loan payable to City of Hamilton interest bearing at 0%, repayable in annual installments of \$100,000 maturing June 2020 (c)	200,000	300,000
Loan payable to Sodexo 0%, fully repaid during the year	-	7,400
Forgivable loan from Sodexo bearing interest at 0%, matured August 2018	-	10,000
Forgivable loan from Sodexo bearing interest at 0%, forgiven in annual installments, maturing August 2026 (d)	245,000	248,373
	<u>17,397,168</u>	<u>18,666,988</u>
Less current portion	2,757,023	4,062,341
	<u>\$ 14,640,145</u>	<u>\$ 14,604,647</u>

(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, 2019

7. Long-term debt (continued):

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

	2019	2018
Series A	\$ 4,071,334	\$ 4,262,346
Series F	7,148,036	7,376,626
Interest accrued on bonds	93,742	94,981
	<u>\$ 11,313,112</u>	<u>\$ 11,733,953</u>

During the year, approval was received to maintain the real interest payable on Series A and Series F bonds at 2.6% for the period of January 2019 to June 2019 (2018 - 2.50%).

- (b) Private loans from supporting members bear interest at rates varying from 0% to 3.25%. Loans in the amount of \$2,167,158 will mature within fiscal 2020 of which \$146,922 has been renewed after year end. The specified maturity dates of the loans are as follows:

2020	\$ 2,167,158
2021	689,031
2022	1,011,126
2023	630,853
2024	1,140,888
	<u>\$ 5,639,056</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 \$350,000 to the University College to finance the implementation of a Tim Horton's coffee shop. Of the available loan, the full amount of \$350,000 was advanced as at April 30, 2019 (2018 - \$310,467). 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, \$42,907 (2018 - \$32,894) 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, 2019

8. Deferred contributions:

(a) Deferred operating contributions are as follows:

	2019	2018
Balance, beginning of year	\$ 1,505,082	\$ 762,916
Amount recognized as revenue during the year	(469,218)	(138,357)
Amount received related to future years	1,069,162	880,523
Balance, end of year	\$ 2,105,026	\$ 1,505,082

(b) Deferred capital contributions are as follows:

	2019	2018
Balance, beginning of year	\$ 12,776,197	\$ 13,028,565
Amortization of deferred capital contributions	(672,595)	(662,501)
Add:		
Contributions received for capital purposes	455,181	398,678
Investment income on deferred capital contributions	11,896	11,455
Balance, end of year	\$ 12,570,679	\$ 12,776,197

Included in contributions received for capital purposes is an amount of \$42,907 (2018 – \$32,894) related to the forgiven portion of the Sodexo loan (see note 7(d)).

As at April 30, 2019, deferred capital contributions of \$1,026,211 (2018 - \$753,691) have been received but not spent.

9. Net assets invested in capital assets:

Invested in capital assets consists of the following:

	2019	2018
Capital assets, net	\$ 50,593,149	\$ 51,722,642
Less amounts financed by:		
Bonds (note 7)	(11,313,112)	(11,733,953)
Deferred capital contributions (note 8(b))	(11,544,468)	(12,022,506)
Long-term debt (note 7)	(445,000)	(565,773)
Balance, end of year	\$ 27,290,569	\$ 27,400,410

REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2019

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

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

	2019	2018
Net change in invested in capital assets:		
Purchase of capital assets	\$ 530,616	\$ 476,683
Contributed capital assets	39,533	18,472
Amounts funded by deferred capital contributions	(194,557)	(123,814)
Repayment of long-term debt	120,773	143,220
Repayment of bonds	420,841	577,351
	<u>\$ 917,206</u>	<u>\$ 1,091,912</u>

Deficiency of revenues over expenditures:

Amortization of capital assets	\$ (1,691,538)	\$ (1,779,209)
Amortization of deferred capital contributions	672,595	662,501
Loss on disposal of capital assets	(8,104)	(3,995)
	<u>\$ (1,027,047)</u>	<u>\$ (1,120,703)</u>

10. Statement of cash flows:

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

	2019	2018
Accounts receivable	\$ 350,294	\$ 201,676
Inventory	4,680	(8,677)
Prepaid expenses and deposits	45,316	8,077
Accounts payable and accrued liabilities	(169,422)	(429,323)
Deposits held	(58,724)	84,590
	<u>\$ 172,144</u>	<u>\$ (143,657)</u>

REDEEMER UNIVERSITY COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2019

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 \$641,863 (2018 - \$632,637) 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, 2018 indicate the plan has a funding shortfall of 3.01% (August 31, 2017 – shortfall of 8.1%) 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
2020	\$ 35,490
2021	34,057
2022	14,550
2023	-
2024	-
	\$ 84,097

- (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 \$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, 2019

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, 2019, \$nil of letters of credit (2018 - \$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 (2018 - \$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 (2018 - \$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.

- (e) Certain claims exist against the University College. These claims are not expected to have a material impact on the financial position or operating results of the University College.

13. Related party transactions:

The RUC Business Trust 2005 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, 2019

14. Internally restricted assets:

The Board has internally restricted \$4,260,321 (2018 - \$4,877,990). As at April 30, 2019, \$1,624,760 (2018 - \$1,888,503) was restricted for debt reduction and \$2,635,561 (2018 - \$2,989,487) for program initiatives.

15. Contribution to other charitable organization:

During the year the University College granted \$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 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 2018.

(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 2018.

(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.