St. Jerome's University
Financial Statements
April 30, 2023

Independent Auditor's Report

To the Board of Governors of St. Jerome's University:

Opinion

We have audited the financial statements of St. Jerome's University (the "University"), which comprise the statement of financial position as at April 30, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our 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 ethical 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.

Other Matter

The financial statements for the year ended April 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on September 27, 2022.

Responsibilities 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’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 these 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 risks 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, intentional 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 purpose 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.
- 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 University’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the University 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.

We 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.

MNP LLP

Waterloo, Ontario

Chartered Professional Accountants

October 18, 2023

Licensed Public Accountants

St. Jerome's University
Statement of Financial Position
As at April 30, 2023

	2023	2022
Assets		
Current		
Cash and cash equivalents	**3,136,488**	3,433,544
Accounts receivable	**195,872**	121,033
Prepaid expenses	**30,302**	11,013
	3,362,662	3,565,590
Investments *(Note 3)*	**22,254,848**	21,538,697
Capital assets *(Note 4)*	**60,851,525**	63,036,960
	86,469,035	88,141,247
Liabilities		
Current		
Accounts payable and accrued liabilities	**1,856,893**	1,525,254
Deferred contributions - Campus Ministry *(Note 5)*	**58,743**	106,646
Deferred contributions *(Note 5)*	**1,700,909**	1,696,752
Current portion of loan payable *(Note 6)*	**792,120**	762,175
	4,408,665	4,090,827
Accrued employee future benefit obligations *(Note 7)*	**3,092,767**	2,933,897
Deferred capital contributions *(Note 8)*	**3,046,439**	3,146,889
Loan payable *(Note 6)*	**28,437,077**	29,229,197
	38,984,948	39,400,810
Net Assets		
Unrestricted net assets	**(28,920,701)**	(29,238,451)
Internally restricted net assets *(Note 9)*	**4,449,261**	4,632,570
Invested in capital assets *(Note 4)*	**58,554,741**	60,429,827
Endowments *(Note 10)*	**13,400,786**	12,916,491
	47,484,087	48,740,437
	86,469,035	88,141,247

Approved on behalf of the Board of Governors

Chair of the Board

Chair of the Finance and Audit Committee

The accompanying notes are an integral part of these financial statements

St. Jerome's University
Statement of Operations
For the year ended April 30, 2023

	General operations	*Invested in capital assets*	***2023***	*2022*
Revenue				
Government grants	5,142,458	-	**5,142,458**	5,094,964
Academic fees	8,475,398	-	**8,475,398**	8,535,433
Sales and services (ancillary operations)	6,269,765	-	**6,269,765**	4,003,173
Donations, restricted	344,148	-	**344,148**	345,825
Other income	281,420	-	**281,420**	349,569
Amortization of deferred capital contributions	-	102,415	**102,415**	102,415
	20,513,189	**102,415**	**20,615,604**	18,431,379
Expenses				
Salaries and wages	9,226,286	-	**9,226,286**	9,051,334
Employee benefits	982,249	-	**982,249**	921,621
Post-employment benefits and pension	1,328,689	-	**1,328,689**	1,343,375
Other operational	264,817	-	**264,817**	425,260
Travel and entertainment	117,817	-	**117,817**	43,390
Professional development and training	420,192	-	**420,192**	329,280
Legal, audit and insurance	440,116	-	**440,116**	396,585
Scholarships and bursaries	247,650	-	**247,650**	211,600
Externally contracted services	3,621,040	-	**3,621,040**	2,478,552
Facilities	1,254,340	-	**1,254,340**	934,324
Administration fee paid to University of Waterloo	1,594,494	-	**1,594,494**	1,597,607
Amortization of capital assets	-	2,489,245	**2,489,245**	2,631,062
Financing fee	1,144,277	-	**1,144,277**	1,173,089
	20,641,967	**2,489,245**	**23,131,212**	21,537,079
Deficiency of revenue over expenses before other items	**(128,778)**	**(2,386,830)**	**(2,515,608)**	(3,105,700)
Other items				
Investment income, unrestricted	851,926	-	**851,926**	622,831
Investment income, restricted	46,606	-	**46,606**	10,656
	898,532	**-**	**898,532**	633,487
Excess (deficiency) of revenue over expenses	**769,754**	**(2,386,830)**	**(1,617,076)**	(2,472,213)

The accompanying notes are an integral part of these financial statements

St. Jerome's University
Statement of Changes in Net Assets
For the year ended April 30, 2023

	Unrestricted *$*	*Invested in capital assets* *$*	*Internally restricted* *$*	*Endowments* *$*	***2023***	*2022*
Net assets, beginning of year	(29,238,451)	60,429,827	4,632,570	12,916,491	**48,740,437**	49,211,669
Excess (deficiency) of revenue over expenses	769,754	(2,386,830)	-	-	**(1,617,076)**	(2,472,213)
Change in remeasurement of accrued employee future benefit obligations	55,930	-	-	-	**55,930**	1,171,276
Change in investment in capital assets	(511,744)	511,744	-	-	**-**	-
Capital preservation of endowment *(Note 10)*	-	-	-	407,696	**407,696**	585,081
Endowment contributions	-	-	-	76,599	**76,599**	31,058
Internally restricted for capital assets	3,810	-	46,591	-	**50,401**	123,612
Internally restricted for pandemic response	-	-	(29,900)	-	**(29,900)**	(70,100)
Internally restricted for strategic initiatives	-	-	(200,000)	-	**(200,000)**	200,000
Endowed portfolio losses	-	-	-	-	**-**	(39,946)
Net assets, end of year	**(28,920,701)**	**58,554,741**	**4,449,261**	**13,400,786**	**47,484,087**	48,740,437

The accompanying notes are an integral part of these financial statements

St. Jerome's University
Statement of Cash Flows
For the year ended April 30, 2023

	2023	*2022*
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	**(1,617,076)**	(2,472,213)
Amortization	**2,489,245**	2,631,062
Amortization of deferred capital contributions (Note 8)	**(102,415)**	(102,415)
Unrealized loss (gain) on unrestricted investments	**775,025**	(348,271)
Changes in remeasurement of accrued employee future benefit obligations	**55,930**	(10,869)
Gain on sale of investments	**(1,305,926)**	(12,514)
	294,783	(315,220)
Changes in working capital accounts		
Accounts receivable	**(74,839)**	(30,082)
Prepaid expenses	**(19,289)**	(2,145)
Accounts payable and accrued liabilities	**31,640**	223,604
Deferred contributions	**(43,746)**	151,970
Accrued employee future benefit obligations	**158,870**	288,573
	347,419	316,700
Financing		
Restricted contributions received for capital purposes	**1,965**	4,225
Repayment of loan payable	**(762,175)**	(733,362)
	(760,210)	(729,137)
Investing		
Purchase of capital assets	**(215,631)**	(107,775)
Purchase of capital assets, work in progress	**(88,179)**	(250,528)
Sale of investments, net	**419,545**	464,910
	115,735	106,607
Decrease in cash and cash equivalents	**(297,056)**	(305,830)
Cash and cash equivalents, beginning of year	**3,433,544**	3,739,374
Cash and cash equivalents, end of year	**3,136,488**	3,433,544

The accompanying notes are an integral part of these financial statements

1. Description and nature of the organization

St. Jerome's University (the “University”) is a public Roman Catholic post-secondary institution given university status in 1959 with subsequent amendments in 1986, 1996 and 2000 under the laws of the Province of Ontario. It has been federated with the University of Waterloo since 1960. It is dedicated to providing an undergraduate post-secondary education in liberal arts and to conducting research and community service.

These financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations of the University. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants, donations and other general revenue; restricted purpose endowment and non-endowment funds; and the ancillary operations, such as residences, food services, conferences and parking.

The University is a charitable organization and, as such, is exempt from income taxes under the Income Tax Act of Canada.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

Fund accounting

Unrestricted net assets

The unrestricted net assets present the academic, administrative and other operating activities of the University.

Internally restricted net assets

The internally restricted net assets present the funds designated by the Board for a specific purpose.

Invested in capital assets

The invested in capital assets present the funds received and expended on property, plant and equipment put into use.

Endowments

The Endowment Fund records donations provided by benefactors or funds designated by the Board, which are restricted as to purpose and expendability. For endowments, only the accumulated investment income earned, after having provided for inflation protection and, in specific cases, growth may be expended provided it is within the established or approved fund conditions. Endowment earnings available for expenditures are recorded as deferred contributions.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The University recognizes financial instruments when the University becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm’s length transaction (“arm’s length financial instruments”) are initially recorded at their fair value.

At initial recognition, the University may irrevocably elect to subsequently measure any arm’s length financial instrument at fair value. The University has elected to subsequently measure fixed income investments at fair value.

The University subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the University’s performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess (deficiency) of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The University assesses impairment of all its financial assets measured at cost or amortized cost. The University groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty and whether there has been a breach in contract, such as a default or delinquency in interest or principal payments, in determining whether objective evidence of impairment exists. When there is an indication of impairment, the University determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

The University reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenue over expenses.

The University reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess (deficiency) of revenue over expenses in the year the reversal occurs.

2. Significant accounting policies *(Continued from previous page)*

Derivative financial instruments

The University is subject to interest rate cash flow risk with respect to its floating rate debt. The University has addressed this risk by entering into interest rate swap agreements that fix the interest rates over the terms of the debt. The University follows hedge accounting for its interest rate swaps. In order for a derivative to qualify for hedge accounting, the hedge relationship must be identified, designated and formally documented at its inception and reviewed annually for continued effectiveness. In the event that the interest rate swap agreement is terminated or ceases to be effective in part or in whole prior to maturity; any associated realized or unrealized gain or loss is recognized in income. In the event that the designated debt is extinguished or matures prior to the termination of the related interest rate swap agreement; any realized or unrealized gain or loss is recognized in income.

The University hedges its exposure to interest rate risk related to interest bearing assets/liabilities through its use of hedging items.

Interest on the hedged item is recognized using the effective interest method. Net amounts receivable on the hedging item adjust the interest on the hedged item in the period accrued.

Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined. Capital assets acquired prior to May 1, 2011 are recorded at deemed costs, being their fair value at May 1, 2011, the transition to Canadian accounting standards for not-for-profit organizations.

Work in progress is not amortized until it is substantially put into use. The art collection is recorded at cost and is not amortized.

Capitalized assets are amortized on a straight-line basis using the following years of expected life:

	Rate
Buildings	40 years
Computer equipment and software	5 years
Equipment and furnishings	5-10 years
Land improvements	1-40 years
Library books	7 years
Building improvements	1-40 years

Pension expense and obligations

The University participates in the University of Waterloo registered pension plan, which is a registered multi-employer defined benefit pension plan. Canadian accounting standards for not-for-profit organizations require that a multi-employer plan be accounted for following the standards for defined contribution plans.

2. Significant accounting policies *(Continued from previous page)*

Other post-employment benefit obligations

Post-employment benefits for extended health care, life insurance and unregistered non-contributory defined benefit private payroll pension commitments related to the employees' current service are accounted for on an accrual basis. The expense is actuarially determined using the projected benefit method estimating the usage frequency and the cost of services covered and management's best estimates of salary escalation and other factors.

The University uses the immediate recognition approach to account for its other post-employment benefit obligation. The University accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's assumptions for funding purposes, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the plan assets, which are recorded at fair value, and accrued benefit obligation coincides with the University's fiscal year. The most recent actuarial valuation of the post-employment benefit obligations was as at April 30, 2023.

The University recognizes the accrued benefit obligations net of the fair value of the plan amounts adjusted for any valuation allowance in the statement of financial position at the end of the year. The cost of the plan, comprising (i) changes in the accrued benefit obligation other than those resulting from benefit payments to plan members and net of any employee contributions; (ii) the actual return on plan assets; and (iii) the change in the valuation allowance, is recorded in income.

Actuarial gains (losses), referred to as plan remeasurements and past service costs arising from plan amendments, are immediately recognized directly into unrestricted net assets at the date of the amendment.

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the University's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations, government grants and investment income. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred for current expenditures, or are deferred and amortized on the same basis as the underlying capital assets for capital expenditures. Spendable endowment investment revenues are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

Government funding related to current operations is recognized as revenue in the period earned. Amounts received in relation to future expenses are recorded as deferred contributions.

Revenue from student fees is recognized as revenue when courses and seminars are held.

Investment income is recorded as it is earned.

All other revenues including academic fees, sales and services, are recognized when the service is performed, collection of the relevant receivable is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Contributed materials and services

Contributions of materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the University's operations and would otherwise have been purchased. Volunteers contribute substantial hours each year to enable the University to carry out its services. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

2. Significant accounting policies *(Continued from previous page)*

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of capital assets is based on the estimated useful lives. Accrued liabilities are based on amounts expected to be invoiced to year end for goods and/or services received relating to the year end. The accrued employee future benefit obligations are based on the actuarial valuation, which involves making assumptions about discount rates, future salary increases, mortality rates, expected rates of inflation and future pension increases.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

3. Investments

	2023	*2022*
At market value:		
Endowment investments:		
Short-term savings held by investment custodian	**373,709**	2,880,208
Fixed income with interest varying between 1.90% and 6.51%, maturing between 2025 and 2081	**4,298,445**	862,292
Preferred shares	**-**	1,449,829
Canadian equities	**3,074,318**	4,105,590
Non-Canadian equities	**4,825,322**	2,787,973
Other Canadian investments	**-**	320,916
	12,571,794	12,406,808
Non-endowment investments:		
Short-term savings held by investment custodian	**314,553**	1,364,310
Fixed income with interest varying between 1.90% and 6.51%, maturing between 2025 and 2081	**2,239,438**	780,398
Preferred shares	**-**	808,494
Canadian equities	**2,162,948**	3,369,361
Non-Canadian equities	**4,777,742**	2,564,615
TD Asset Management Inc. indexed mutual fund/CIBC Mellon	**188,373**	244,711
	9,683,054	9,131,889
	22,254,848	21,538,697

4. Capital assets

	Cost	Accumulated amortization	2023 Net book value
Land	**7,748,461**	**-**	**7,748,461**
Land improvements	**1,080,572**	**900,239**	**180,333**
Buildings	**54,978,290**	**11,905,701**	**43,072,589**
Building improvements	**13,679,893**	**5,994,393**	**7,685,500**
Equipment	**4,084,314**	**2,803,131**	**1,281,183**
Computer equipment and software	**1,745,450**	**1,555,728**	**189,722**
Library books	**927,291**	**803,695**	**123,596**
Art collection	**511,583**	**-**	**511,583**
Work in progress	**58,558**	**-**	**58,558**
	84,814,412	**23,962,887**	**60,851,525**

	Cost	Accumulated amortization	2022 Net book value
Land	7,748,461	-	7,748,461
Land improvements	1,061,964	868,728	193,236
Buildings	54,978,290	10,395,791	44,582,499
Building improvements	13,496,179	5,350,440	8,145,739
Equipment	4,001,649	2,563,110	1,438,539
Computer equipment and software	1,582,882	1,527,576	55,306
Library books	888,496	767,998	120,498
Art collection	486,189	-	486,189
Work in progress	266,493	-	266,493
	84,510,603	21,473,643	63,036,960

Amortization expense for the year amounted to $2,489,245 (2022 - $2,631,062).

4. Capital assets *(Continued from previous page)*

The change in net book value of capital assets is due to the following**:**

	2023	*2022*
Balance, beginning of year	**63,036,960**	65,309,718
Purchases of work in progress	**88,179**	250,529
Work in progress capitalized	**(296,113)**	(114,383)
Work in progress internally funded	**296,113**	114,383
Purchases of capital assets internally funded	**215,631**	107,775
Amortization of capital assets	**(2,489,245)**	(2,631,062)
Balance, end of year	**60,851,525**	63,036,960

The invested in capital assets balance consists of the following

Capital assets	**60,851,525**	63,036,960
Prior year adjustment	**(149)**	(148)
Less: Capital assets in work in progress	**(58,558)**	(266,493)
Less: Amounts financed by deferred capital contributions	**(3,046,439)**	(3,146,889)
Add: Unspent deferred capital contributions	**808,362**	806,397
Balance, end of year	**58,554,741**	60,429,827

The change in invested in capital assets consists of the following:

Capital asset amortization	**(2,489,245)**	(2,631,062)
Amortization of deferred capital contributions	**102,415**	102,415
	(2,386,830)	(2,528,647)
Purchases of capital assets	**511,744**	222,159
Deferred capital contributions received during the year	**(1,965)**	(4,225)
Change in unspent capital contributions	**1,965**	4,225
	511,744	222,159
Net change in invested in capital assets	**(1,875,086)**	(2,306,488)

5. Deferred contributions

Deferred contributions consist of unspent externally restricted grants, investment income and donations for research and other restricted purposes. Recognition of these amounts as revenue is deferred to periods when the specific expenditures are made. Changes in deferred contributions are as follows:

	2023	*2022*
Balance, beginning of year	**1,696,752**	1,593,761
Investment income restricted	**14,198**	54,559
Donations, restricted	**239,605**	294,621
Government funding	**-**	(100,000)
Research grant	**(73,701)**	(11,385)
Deferred contributions spent	**(175,945)**	(134,804)
Balance, end of year	**1,700,909**	1,696,752

Campus Ministry

Balance, beginning of year	**106,646**	157,667
Amounts recognized in donation in the fiscal year	**(60,830)**	(85,757)
Amount received from collections and donations	**12,927**	34,736
Balance, end of year	**58,743**	106,646

Amounts recognized in donations in the fiscal year reflects all spending from the fund during the year.

6. Loan payable

	2023	*2022*
Unsecured committed reducing term facility due July 3, 2024, interest calculated at 3.86%, monthly payments of $158,871 including principal and interest	**29,229,197**	29,991,372
Less: Current portion	**792,120**	762,175
	28,437,077	29,229,197

Principal repayments on long-term debt in each of the next two years are estimated as follows:

2024	792,120
2025	28,437,077
	29,229,197

6. Loan payable *(Continued from previous page)*

The University has entered into an interest rate exchange (swap) contract with the Toronto Dominion Bank in order to convert variable-rate borrowings to fixed rates. The fixed rate of 3.86% is based on the swap rate of 2.91% and a stamping fee of 0.95%. The swap matures July 3, 2024. Under the terms of these agreements, the University pays a fixed rate and receives a variable rate on each swap's notional principal amount. The swap transactions are completely independent and have no direct effect on the relationship between the University and its lender. The transaction qualifies for hedge accounting and, correspondingly, the interest paid under the arrangement is recognized under financing fee on the statement of operations.

As at April 30, 2023, the difference between the fair value and carrying value of the related debt, being the fair value of the interest rate swap, was $460,828 (2022 - $444). As the swap qualifies for hedge accounting, the fair value has not been recorded on the statement of financial position.

7. Accrued employee future benefit obligations

	2023	*2022*
Unregistered post-employment benefits plan relating to employees on long-term disability	**180,200**	183,900
Unregistered post-employment non-pension accrued benefit obligation	**2,045,000**	1,897,000
Unregistered defined benefit private payroll pension obligation	**867,567**	852,997
	3,092,767	2,933,897

The University maintains an unregistered defined private payroll pension plan and non-contributory post-employment non-pension benefits for most of its employees.

The unregistered defined benefit private payroll pension plan fund will increase annually by charging the employee benefits line of the statement of operations. The first unregistered pension plan payment was made on July 1, 2002.

The accrued benefit obligations were determined by independent actuaries as at April 30, 2023.

The expense for the University's current and future benefit plans is as follows:

	Pension Benefit Plans 2023	*Pension Benefit Plans 2022*	***Private Payroll Plan 2023***	*Private Payroll Plan 2022*
Registered plan (University of Waterloo multi-employer plan)	**1,059,722**	1,013,245	**-**	-
Unregistered plans	**60,466**	52,630	**229,000**	300,000

The significant actuarial assumptions in measuring the University's accrued benefit obligation are as follows:

	Pension Benefit Plans 2023 %	*Pension Benefit Plans 2022 %*	***Private Payroll Plan 2023 %***	*Private Payroll Plan 2022 %*
Discount rate	6.25%	5.50%	6.25%	5.50%
Rate of inflation	2.00%	2.00%	2.00%	2.00%
Rate of compensation increase	3.00%	3.00%	3.00%	3.00%

7. Accrued employee future benefit obligations *(Continued from previous page)*

For measurement purposes, a 9.0% annual rate of increase in the per capita cost of covered health care benefits was assumed as at April 30, 2012. The rate of increase was assumed to gradually decrease to 4.5% in 2021 and remain at that level thereafter.

Contributions in connection with the University's current and future defined benefit plans are as follows:

	Pension Benefit Plans 2023	*Pension Benefit Plans 2022*	***Private Payroll Plan 2023***	*Private Payroll Plan 2022*
Employer contribution to registered plan (University of Waterloo multi-employer plan)	**1,059,722**	1,013,245	**-**	-
Employer contribution to unregistered plans	**62,666**	60,926	**12,000**	14,000

8. Deferred capital contributions

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of transfers and grants received in the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2023	*2022*
Balance, beginning of year	**3,146,889**	3,245,079
Less: Amortization of deferred capital contributions	**(102,415)**	(102,415)
Add: Contributions received for capital purposes not expended	**1,965**	4,225
Balance, end of year	**3,046,439**	3,146,889

9. Restrictions on net assets

Internally restricted net assets

	2023	*2022*
Major renovations	**1,272,865**	1,226,274
Academic programs	**176,396**	176,396
Strategic investment fund	**-**	200,000
Future loan repayment of long-term debt	**3,000,000**	3,000,000
Internally restricted for pandemic response	**-**	29,900
	4,449,261	4,632,570

The use of internally restricted net assets is limited to the intended purpose and is subject to Board approval.

Major renovations reflect monies transferred from the unrestricted net assets and are intended to be used by the University to assist in financing of the capital projects and expenditures not funded by donations or within the current operating budget.

Academic programs reflect monies transferred from the unrestricted net assets and are intended to be used by the University for Specific Academic Program Development or support. The internally restricted net assets are to be designated for the Master of Catholic Thought ($50,000) and future Catholic program development ($126,396).

10. Endowments

Contributions restricted for endowments consist of restricted donations received by the University and donations internally designated by the Board of Governors in the exercise of its discretion. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors or the 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.

University policy has been established with the objective of protecting the real value of the endowments by limited the amount of income available for spending and requiring the reinvestment of an amount of the earned income equal to the average percentage change (last 12 months) in the consumer price index for Canada prepared by Statistics Canada. This preservation of capital is $407,696 for 2023 (2022 - $585,081).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	2023	*2022*
Masters in Catholic Thought and Life	**1,166,193**	1,124,150
Ontario Student Opportunity Trust Fund Bursaries	**2,168,203**	2,044,608
Ontario Trust Student Support	**1,203,545**	1,203,545
Scholarships/Bursaries	**5,780,945**	5,485,578
Other	**335,235**	311,945
	10,654,121	10,169,826
Net unrealized gains	**3,935,663**	3,935,663
Net realized losses	**(1,188,998)**	(1,188,998)
Endowments	**13,400,786**	12,916,491

11. Financial instruments

The University, as part of its operations, carries a number of financial instruments. It is management's opinion that the University is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The University is exposed to credit risk with respect to the accounts receivable and fixed income investments. The University assessed on a continuous basis accounts receivable and provides for any amounts that are not collectible.

Interest rate risk

Interest rate risk refers to the risk that the fair value of the financial instruments or the future cash flows associated with the instruments will fluctuate due to changes in market interest rates. 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. The University is also exposed to interest rate risk on its variable rate debt. The University minimizes this risk by entering into interest rate exchange (swap) contracts with a Canadian chartered bank in order to convert variable-rate borrowings to fixed rates, thereby reducing interest rate risk associated with its outstanding debt. The interest rate swap contract involves an exchange of floating rate to fixed rate interest payments between the University and the financial institution. Under the terms of the agreement, the University pays a fixed rate and receives a variable rate on each swap's notional principal amount. The swap transactions are completely independent and have no direct effect on the relationship between the University and its lender (Note 6).

11. Financial instruments *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the University will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the University not being able to liquidate its assets in a timely manner at a reasonable price. The University manages its liquidity risk by monitoring its operating requirements. There has been no change to the risk exposures from the prior year.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The University enters into transactions that are denominated in U.S. dollars, for which the related financial instruments are subject to exchange rate fluctuations. As at April 30, 2023, the following items are denominated in US currency:

	2023 ***CAD$***	*2022* *CAD$*
Cash	**15,187**	309,354
Investments	**10,353,291**	6,767,283
	10,368,478	7,076,637

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The University is exposed to equity securities price risk because of its investments. The University manages its exposure to other price risk through a diversified portfolio, regular monitoring of the investments by management, and utilizing a professional securities broker.

12. Donations

Donations received throughout the year that are not yet expended and recognized on the statement of financial position as at April 30 are as follows:

	2023	*2022*
Deferred contributions	**239,605**	294,621
Deferred contributions - Campus Ministry	**12,927**	34,736
Deferred capital contributions	**1,965**	2,625
Deferred capital contributions - Campus Ministry	**-**	1,600
Endowments	**76,599**	31,058
	331,096	364,640

13. Commitments

The University has entered into a building lease agreement with estimated minimum annual payments as follows:

2024	274,830
2025	280,576
2026	286,465
2027	292,502
2028	298,689
	1,433,062