

# **St. Jerome's University**

Financial Statements

**April 30, 2019**



## *Independent auditor's report*

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

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### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of St. Jerome's University (the Entity) as at April 30, 2019 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.

#### **What we have audited**

The Entity's financial statements 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 for the year then ended;
  - the statement of cash flows for the year then ended; and
  - the notes to the financial statements, which include a summary of significant accounting policies.
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### *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *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.

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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### *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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario  
October 3, 2019

**St. Jerome's University**  
**Statement of Financial Position**  
**As at April 30, 2019**

	2019 \$	2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,377,851	3,985,459
Accounts receivable	131,559	127,020
Prepaid expenses	69,984	41,007
	<u>8,579,394</u>	<u>4,153,486</u>
<b>Investments</b> (note 3)	19,158,208	18,553,256
<b>Capital assets</b> (note 4)	<u>67,545,150</u>	<u>69,842,975</u>
	<u>95,282,752</u>	<u>92,549,717</u>
<b>Liabilities, and Net assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,680,434	1,499,720
Deferred contributions (note 5)	1,236,404	1,294,021
Deferred contributions - Campus Ministry (note 5)	170,095	182,613
Short-term debt (note 7)	3,000,000	-
Current portion of loan payable (note 6)	678,961	653,292
	<u>6,765,894</u>	<u>3,629,646</u>
<b>Accrued employee future benefit obligations</b> (note 8)	3,523,764	3,407,014
<b>Deferred capital contributions</b> (note 9)	3,398,297	3,194,183
<b>Loan payable</b> (note 6)	<u>31,430,369</u>	<u>32,109,330</u>
	<u>45,118,324</u>	<u>42,340,173</u>
<b>Net assets</b>		
Unrestricted net assets	(30,642,908)	(27,283,725)
Internally restricted net assets (note 10)	5,611,749	2,243,350
Invested in capital assets (note 4)	65,004,758	65,756,399
Endowments (note 11)	10,190,829	9,493,520
	<u>50,164,428</u>	<u>50,209,544</u>
	<u>95,282,752</u>	<u>92,549,717</u>
<b>Commitments</b> (note 14)		

**Approved by the Board of Governors**

  
 Mary Ellen Cullen, Chair of the Board

  
 Ernie Doyle, Chair of the Finance 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, 2019

	General operations \$	Invested in capital assets \$	2019 \$	2018 \$
<b>Revenue</b>				
Government grants	5,487,452	-	5,487,452	5,486,298
Academic fees	8,480,748	-	8,480,748	8,078,035
Sales and services (ancillary operations)	5,651,792	-	5,651,792	4,569,566
Donations, restricted	497,672	-	497,672	405,997
Other income	338,315	-	338,315	466,281
Amortization of deferred capital contributions	-	92,944	92,944	80,605
	<u>20,455,979</u>	<u>92,944</u>	<u>20,548,923</u>	<u>19,086,782</u>
<b>Expenses</b>				
Salaries and wages	8,632,651	-	8,632,651	8,418,627
Employee benefits	799,201	-	799,201	794,189
Post-employment benefits and pension	1,189,824	-	1,189,824	1,211,113
Other operational expenses	387,068	-	387,068	248,669
Travel and entertainment	209,714	-	209,714	352,535
Professional development and training	390,145	-	390,145	389,131
Legal, audit and insurance	273,462	-	273,462	235,502
Scholarships and bursaries	317,967	-	317,967	392,088
Externally contracted services	3,188,273	-	3,188,273	2,223,834
Facilities	1,240,743	-	1,240,743	1,048,987
Administration fee paid to University of Waterloo	1,640,437	-	1,640,437	1,548,794
Amortization of capital assets		2,662,417	2,662,417	2,392,266
Financing fee	1,253,186	-	1,253,186	1,285,212
	<u>19,522,671</u>	<u>2,662,417</u>	<u>22,185,088</u>	<u>20,540,947</u>
Excess of revenue over expenses before the following:	933,308	(2,569,473)	(1,636,165)	(1,454,165)
Investment income, unrestricted	774,939	-	774,939	202,173
Investment income, restricted	56,644	-	56,644	20,579
	<u>831,583</u>	<u>-</u>	<u>831,583</u>	<u>222,752</u>
<b>Excess of revenue over expenses (expenses over revenue)</b>	<u>1,764,891</u>	<u>(2,569,473)</u>	<u>(804,582)</u>	<u>(1,231,413)</u>

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, 2019**

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	Unrestricted \$	Internally restricted \$	Invested in capital assets \$	Endowments \$	2019 \$	2018 \$
<b>Net assets – Beginning of year</b>	(27,283,725)	2,243,350	65,756,399	9,493,520	50,209,544	50,859,484
Excess of revenues over expenses (expenses over revenue) for the year	1,764,891	-	(2,569,473)	-	(804,582)	(1,231,413)
Change in remeasurement of accrued employee future benefit obligation	122,426	-	-	-	122,426	427,158
Change in investment in capital assets (note 4)	(1,817,832)	-	1,817,832	-	-	-
Capital preservation of endowment (note 11)	-	-	-	161,071	161,071	169,568
Endowment contributions	-	-	-	155,479	155,479	141,889
Internally restricted for capital assets	(278,668)	278,668	-	-	-	-
Internally restricted for Strategic Initiatives	(150,000)	89,731	-	-	(60,269)	-
Internally restricted for future loan payments	(3,000,000)	3,000,000	-	-	-	-
Endowed portfolio (gains) losses	-	-	-	380,759	380,759	(157,142)
<b>Net assets – End of year</b>	<u>(30,642,908)</u>	<u>5,611,749</u>	<u>65,004,758</u>	<u>10,190,829</u>	<u>50,164,428</u>	<u>50,209,544</u>

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, 2019**

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	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses (expenses over revenue) for the year	(804,582)	(1,231,413)
Add: Non-cash items		
Amortization of capital assets	2,662,417	2,392,266
Amortization of deferred capital contributions	(92,944)	(80,605)
Gain on unrestricted investments	(286,918)	124,236
Contributions – non-capital	(70,135)	(126,084)
Change in remeasurement of accrued employee future benefit obligations	122,426	427,158
Net changes in non-cash working capital balances related to operations		
Accounts receivable	(4,539)	319,114
Prepaid expenses	(28,977)	22,486
Inventory	-	5,821
Accounts payable and accrued liabilities	180,714	(960,009)
Accrued employee future benefit obligations	116,750	(151,223)
	<u>1,794,212</u>	<u>741,747</u>
<b>Investing activities</b>		
Sale of investments, net	319,006	953,093
Purchase of capital assets (note 4)	(205,598)	(123,696)
Purchase of capital assets, work in progress (note 4)	(158,994)	(1,572,963)
	<u>(45,586)</u>	<u>(743,566)</u>
<b>Financing activities</b>		
Restricted contributions received for capital purposes (note 9)	297,058	594,534
Proceeds from short-term debt (note 7)	3,000,000	-
Repayment of loan payable, net (note 6)	(653,292)	(1,157,596)
	<u>2,643,766</u>	<u>(563,062)</u>
<b>Increase (decrease) in cash during the year</b>	<b>4,392,392</b>	<b>(564,881)</b>
<b>Cash – Beginning of year</b>	<b>3,985,459</b>	<b>4,550,340</b>
<b>Cash – End of year</b>	<b><u>8,377,851</u></b>	<b><u>3,985,459</u></b>

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

# St. Jerome's University

## Notes to Financial Statements

April 30, 2019

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### 1 Description 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 (Canada).

### 2 Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian Institute of Chartered Professional Accountants' Handbook Part III - Canadian Accounting Standards for Not-for-Profit Organizations.

#### 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.

#### 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 revenues.

# St. Jerome's University

## Notes to Financial Statements

April 30, 2019

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### **Inventory valuations**

Supplies and other inventories are carried at the lower of cost and replacement cost, with cost determined on first-in, first-out basis.

### **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 has elected to carry its bond investments 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 (or effective interest rate method).

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

### **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.

### **Capital assets**

Purchased capital assets are recorded at cost. Contributions of capital assets are recorded at fair market 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 costs, being its fair value at May 1, 2011, the transition date of NPO accounting. Repairs and maintenance costs are expensed as incurred. Betterments which extended the estimated life of an asset are capitalized. When a

# St. Jerome's University

## Notes to Financial Statements

April 30, 2019

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capital asset no longer contributes to the University's ability to provide services, its carrying amount is written down to its residual value.

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

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

Work-in-progress is not amortized until it is substantially ready for use. The art collection is recorded at cost and is not amortized.

### **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 generally accepted accounting principles require that a multi-employer plan be accounted for following the standards for defined contribution plans.

### **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 using 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 of April 30, 2019.

The University recognizes the accrued benefit obligations net of the fair value of the plan amounts adjusted for any valuation allowance in the balance sheet 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.

# St. Jerome's University

## Notes to Financial Statements

April 30, 2019

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### **Deferred capital contributions**

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

### **Revenue recognition**

The University follows the deferral method of accounting for contributions, which include donations, government grants, and investment revenue. 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. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. 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 a direct increase in net assets in the period in which they are received. Student fees are recognized as revenue when courses and seminars are held. Sales and service revenue is recognized at the point of sale or when the service has been provided.

The University recognizes all revenue when it is realized or realizable and earned. The University considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been delivered or the services have been provided to the customer, the amount is fixed or determinable and collectability is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

### **Contributed services**

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

### **Use of estimate**

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 carrying amount of capital assets, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

### **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.

# St. Jerome's University

## Notes to Financial Statements

April 30, 2019

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### 3 Investments

Endowment investments consist of the following:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Short-term savings held by investment custodian	2,011,500	1,493,547
Government Bonds with interest varying between 2.55% and 11%, maturing between 2020 and 2022	296,856	604,173
Corporate bonds with interest varying between 1.62% and 4.5%, maturing between 2020 and 2022	1,817,141	1,890,417
Canadian equities	3,589,512	3,847,702
Non-Canadian equities	2,684,529	2,263,562
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Total market value	10,399,538	10,099,401
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Non-endowment investments consist of the following:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Short-term savings held by investment custodian	693,851	141,938
Government Bonds with interest carrying between 2.55% and 4.5%, maturing between 2020 and 2022	328,738	836,518
Corporate bonds with interest rates of varying between 1.62%, maturing in 2020	1,222,303	1,325,850
Canadian equities	3,718,568	3,721,799
Non-Canadian equities	2,437,251	2,050,900
TD Asset Management Inc. indexed mutual fund/CIBC Mellon	357,959	376,850
	<hr/>	<hr/>
Total market value	8,758,670	8,453,855
	<hr/>	<hr/>

Total investments:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Total investments for endowments	10,399,538	10,099,401
Total investments for non-endowments	8,758,670	8,453,855
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	19,158,208	18,553,256
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# St. Jerome's University

## Notes to Financial Statements

April 30, 2019

### 4 Capital assets

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	\$	amortization	\$
		\$	\$
Land	7,748,461	-	7,748,461
Land improvements	979,347	782,831	196,516
Buildings	54,988,166	5,808,396	49,179,770
Building improvements	10,954,733	3,530,365	7,424,368
Equipment and furnishing	3,526,683	1,771,427	1,755,256
Computer equipment and software	1,566,838	993,653	573,185
Library books	803,628	637,529	166,099
Art collection	409,954	-	409,954
Work in progress	91,541	-	91,541
	<b>81,069,351</b>	<b>13,524,201</b>	<b>67,545,150</b>

  

	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	\$	amortization	\$
		\$	\$
Land	7,748,461	-	7,748,461
Land improvements	887,608	747,895	139,713
Buildings	54,988,166	4,273,900	50,714,266
Building improvements	9,796,608	2,928,500	6,868,108
Equipment and furnishing	3,173,906	1,560,454	1,613,452
Computer equipment and software	1,400,208	762,056	638,152
Library books	755,170	588,979	166,191
Art collection	409,954	-	409,954
Work in progress	1,544,678	-	1,544,678
	<b>80,704,759</b>	<b>10,861,784</b>	<b>69,842,975</b>

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

	<b>2019</b>	<b>2018</b>
	\$	\$
Balance – Beginning of year	69,842,975	70,538,582
Purchases of work in progress	158,994	1,572,963
Work in progress capitalized	(1,612,131)	(3,144,304)
Work in progress internally funded	1,612,131	3,144,304
Purchases of capital assets internally funded	205,598	123,696
Amortization of capital assets	(2,662,417)	(2,392,266)
Balance – End of year	<b>67,545,150</b>	<b>69,842,975</b>

# St. Jerome's University

## Notes to Financial Statements

April 30, 2019

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The invested in capital assets balance consists of the following:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Capital assets	67,545,150	69,842,975
Less: Capital assets in work-in-progress	(91,541)	(1,544,678)
Less: Amounts financed by deferred capital contributions	(3,398,297)	(3,194,183)
Add: Unspent deferred capital contributions	949,446	652,285
	<hr/>	<hr/>
Balance – End of year	65,004,758	65,756,399

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Capital asset amortization	(2,662,417)	(2,392,266)
Amortization of deferred capital contributions	92,944	80,605
	<hr/>	<hr/>
	(2,569,473)	(2,311,661)
	<hr/>	<hr/>
Purchases of capital assets	1,817,729	3,268,000
Deferred capital contributions received during the year	(297,058)	(594,534)
Change in unspent capital contributions	297,161	(938,263)
	<hr/>	<hr/>
	1,817,832	1,735,203
	<hr/>	<hr/>
Net change in invested in capital assets	(751,641)	(576,458)

# St. Jerome's University

## Notes to Financial Statements

April 30, 2019

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### 5 Deferred contributions

Deferred contributions represent unspent externally restricted grants, investment income and donations for research and other restricted purposes. The changes in the deferred contribution balance are as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Balance – Beginning of year	1,294,021	1,414,568
Amounts recognized as revenue during the year		
Investment income restricted	(103,740)	149,250
Donations, restricted	132,245	(65,629)
Research grant	27,095	16,725
Amount received relating to future years	(113,217)	(220,893)
Balance – End of year	<u>1,236,404</u>	<u>1,294,021</u>

Contributions are also received for the Campus Ministry. The changes in the deferred contribution Campus Ministry balance are as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Balance – Beginning of year	182,613	188,150
Amounts recognized in donations in the fiscal year	81,464	81,500
Amount received from collections and donations	(93,982)	(87,037)
Balance – End of year	<u>170,095</u>	<u>182,613</u>

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

### 6 Loan payable

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Unsecured committed reducing term facility due July 3, 2024, interest calculated at 3.86%, monthly payments of \$158,871 including principal and interest	32,109,330	32,762,622
Less: Current portion	<u>678,961</u>	<u>653,292</u>
	<u>31,430,369</u>	<u>32,109,330</u>

# St. Jerome's University

## Notes to Financial Statements

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Principal repayments required in each of the next five fiscal years ending April are:

	\$
2020	678,961
2021	705,635
2022	733,362
2023	762,175
2024	792,120
Thereafter	<u>28,437,077</u>
	<u>32,109,330</u>

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%. 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.

At April 30, 2019, the difference between the fair value and the carrying value of the related debt, being the fair value of the interest rate swap was \$1,568,001 (2018 - \$757,407).

### 7 Short-term debt

Short-term debt of \$3,000,000 was automatically drawn on the line of credit on April 29, 2019. The amount was subsequently reversed on May 16, 2019. No interest was charged on the amount.

### 8 Accrued employee future benefit obligations

	2019 \$	2018 \$
Unregistered post-employment benefits plan relating to employees on long-term disability	128,200	144,100
Unregistered post-employment non-pension accrued benefit obligation	2,146,000	2,052,000
Unregistered defined benefit private payroll pension obligation	<u>1,249,564</u>	<u>1,210,914</u>
	<u>3,523,764</u>	<u>3,407,014</u>

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

# St. Jerome's University

## Notes to Financial Statements

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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, 2019.

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

	<b>2019</b>		<b>2018</b>	
	<b>Pension benefit plans</b>	<b>Other benefit plans</b>	<b>Pension benefit plans</b>	<b>Other benefit plans</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Registered plan (University of Waterloo multi-employer plan)	918,813	-	888,732	-
Unregistered plans	129,611	207,000	145,883	244,000

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

	<b>2019</b>		<b>2018</b>	
	<b>Pension benefit plans</b>	<b>Other benefit plans</b>	<b>Pension benefit plans</b>	<b>Other benefit plans</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Discount rate	5.70	5.50	5.50	5.50
Rate of compensation increase	4.00	4.00	4.00	-
Rate of inflation	2.20	2.00	2.00	2.00

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.

# St. Jerome's University

## Notes to Financial Statements

April 30, 2019

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

	<b>2019</b>		<b>2018</b>	
	<b>Pension benefit plans</b>	<b>Other benefit plans</b>	<b>Pension benefit plans</b>	<b>Other benefit plans</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Employer contribution to registered plan (University of Waterloo multi-employer plan)	918,813	-	888,732	-
Employer contribution to unregistered plans	59,583	56,000	53,948	50,000

### 9 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.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Balance – Beginning of year	3,194,183	2,680,254
Less: Amortization of deferred capital contributions	(92,944)	(80,605)
Add: Contributions received for capital purposes not expended	297,058	594,534
Balance – End of year	<u>3,398,297</u>	<u>3,194,183</u>

### 10 Internally restricted net assets

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Major renovations	2,345,622	2,067,044
Academic programs	176,396	176,306
Strategic investment fund	89,731	-
Future loan repayment of short-term debt	3,000,000	-
	<u>5,611,749</u>	<u>2,243,350</u>

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.

# St. Jerome's University

## Notes to Financial Statements

April 30, 2019

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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).

### 11 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 limiting 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 \$161,071 for 2019 (2018 – \$169,568).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Masters in Catholic Thought and Life	1,047,912	1,026,075
Ontario Student Opportunity Trust Fund Bursaries	1,462,756	1,425,784
Ontario Trust Student Support	1,549,512	1,537,948
Scholarships/bursaries	4,536,705	4,219,387
Other	598,348	584,718
	<hr/>	<hr/>
	9,195,233	8,793,912
Unrealized gain	2,072,536	(937,162)
Realized gains/losses	(1,076,940)	1,636,770
	<hr/>	<hr/>
Endowments	10,190,829	9,493,520
	<hr/>	<hr/>

## **12 Financial risks and concentration of risk**

### **Fair value of financial assets and financial liabilities**

The carrying amounts of cash, accounts receivable, and accounts payable and accrued liabilities approximate the respective fair value due to the short period to maturity of those instruments.

Investments are recorded at fair value.

### **Liquidity risk**

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost.

The University manages its liquidity risk by monitoring its operating requirements. There has been no change to the risk exposures from 2018.

### **Interest rate risk**

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

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).

### **Credit risk**

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

# St. Jerome's University

## Notes to Financial Statements

April 30, 2019

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### 13 Donations

Donations received throughout the year and recognized on the statement of financial position as at April 30 are as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Deferred contributions	132,245	138,656
Deferred contributions – Campus Ministry	81,464	182,457
Deferred capital contributions	288,138	441,067
Deferred capital contributions – Campus Ministry	8,920	145,389
Endowments	155,479	149,662
	<hr/>	<hr/>
	666,246	1,057,231

### 14 Commitments

The University has entered into lease arrangements for some facility space. The following is a schedule of future minimum lease payments over the next five years.

	<b>\$</b>
2020	225,000
2021	225,000
2022	225,000
2023	225,000
2024	65,625