

St. Jerome's University

Financial Statements

April 30, 2020



Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of St. Jerome's University (the University) as at April 30, 2020 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 University's financial statements comprise:

- the statement of financial position as at April 30, 2020;
 - the statement of operations for the year then ended;
 - the statement of changes in net assets for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to 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 University 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.

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 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario
September 22, 2020

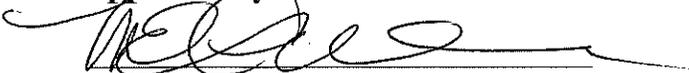
St. Jerome's University

Statement of Financial Position

As at April 30, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash and cash equivalents	4,785,447	8,377,851
Accounts receivable	241,011	131,559
Prepaid expenses	22,950	69,984
	<u>5,049,408</u>	<u>8,579,394</u>
Investments (note 3)	17,661,590	19,158,208
Capital assets (note 4)	<u>67,728,458</u>	<u>67,545,150</u>
	<u>90,439,456</u>	<u>95,282,752</u>
Liabilities, and Net assets		
Current liabilities		
Accounts payable and accrued liabilities	1,350,976	1,680,434
Deferred contributions (note 5)	1,375,144	1,236,404
Deferred contributions - Campus Ministry (note 5)	186,305	170,095
Short-term debt (note 7)	-	3,000,000
Current portion of loan payable (note 6)	<u>705,635</u>	<u>678,961</u>
	3,618,060	6,765,894
Accrued employee future benefit obligations (note 8)	2,459,247	3,523,764
Deferred capital contributions (note 9)	3,336,769	3,398,297
Loan payable (note 6)	<u>30,724,734</u>	<u>31,430,369</u>
	<u>40,138,810</u>	<u>45,118,324</u>
Net assets		
Unrestricted net assets	(29,749,117)	(30,642,908)
Internally restricted net assets (note 10)	4,732,690	5,611,749
Invested in capital assets (note 4)	65,336,808	65,004,758
Endowments (note 11)	<u>9,980,265</u>	<u>10,190,829</u>
	50,300,646	50,164,428
	<u>90,439,456</u>	<u>95,282,752</u>
Commitments (note 14)		

Approved by the Board of Governors


Mary Ellen Cullen, Chair of the Board


Mark Wendland, 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, 2020

	General operations \$	Invested in capital assets \$	2020 \$	2019 \$
Revenue				
Government grants	5,423,137	-	5,423,137	5,487,452
Academic fees	7,978,121	-	7,978,121	8,480,748
Sales and services (ancillary operations)	5,576,596	-	5,576,596	5,651,792
Donations, restricted	481,352	-	481,352	497,672
Other income	318,412	-	318,412	338,315
Amortization of deferred capital contributions	-	92,944	92,944	92,944
	<u>19,777,618</u>	<u>92,944</u>	<u>19,870,562</u>	<u>20,548,923</u>
Expenses				
Salaries and wages	8,426,277	-	8,426,277	8,632,651
Employee benefits	841,305	-	841,305	799,201
Post-employment benefits and pension	1,210,892	-	1,210,892	1,189,824
Other operational	315,207	-	315,207	387,068
Travel and entertainment	104,869	-	104,869	209,714
Professional development and training	470,094	-	470,094	390,145
Legal, audit and insurance	268,528	-	268,528	273,462
Scholarships and bursaries	357,607	-	357,607	317,967
Externally contracted services	3,012,012	-	3,012,012	3,188,273
Facilities	992,686	-	992,686	1,240,743
Administration fee paid to University of Waterloo	1,574,423	-	1,574,423	1,640,437
Amortization of capital assets	-	2,627,670	2,627,670	2,662,417
Financing fee	1,227,490	-	1,227,490	1,253,186
	<u>18,801,390</u>	<u>2,627,670</u>	<u>21,429,060</u>	<u>22,185,088</u>
Excess of revenue over expenses (expenses over revenue) before the undernoted	<u>976,228</u>	<u>(2,534,726)</u>	<u>(1,558,498)</u>	<u>(1,636,165)</u>
Investment income, unrestricted	308,480	-	308,480	774,939
Investment income, restricted	56,192	-	56,192	56,644
	<u>364,672</u>	<u>-</u>	<u>364,672</u>	<u>831,583</u>
Excess of (expenses over revenue) revenue over expenses	<u>1,340,900</u>	<u>(2,534,726)</u>	<u>(1,193,826)</u>	<u>(804,582)</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, 2020

	Unrestricted \$	Internally restricted \$	Invested in capital assets \$	Endowments \$	2020 \$	2019 \$
Net assets – Beginning of year	(30,642,908)	5,611,749	65,004,758	10,190,829	50,164,428	50,209,544
Excess of revenues over expenses (expenses over revenue) for the year	1,340,900	-	(2,534,726)	-	(1,193,826)	(804,582)
Change in remeasurement of accrued employee future benefit obligation	1,297,213	-	-	-	1,297,213	122,426
Change in investment in capital assets	(2,866,776)	-	2,866,776	-	-	-
Capital preservation of endowment (note 11)	-	-	-	-	-	161,071
Endowment contributions	-	-	-	88,566	88,566	155,479
Internally restricted for capital assets	1,122,454	(789,328)	-	-	333,126	-
Internally restricted for Strategic Initiatives	-	(89,731)	-	-	(89,731)	(60,269)
Endowed portfolio gains (losses)	-	-	-	(299,130)	(299,130)	380,759
Net assets – End of year	(29,749,117)	4,732,690	65,336,808	9,980,265	50,300,646	50,164,428

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, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses (expenses over revenue) for the year	(1,193,826)	(804,582)
Add: Non-cash items		
Amortization of capital assets	2,627,670	2,662,417
Amortization of deferred capital contributions	(92,944)	(92,944)
Loss (gain) on unrestricted investments	43,952	(286,918)
Contributions – non-capital	303,504	(70,135)
Change in remeasurement of accrued employee future benefit obligations	1,297,213	122,426
Net changes in non-cash working capital balances related to operations		
Accounts receivable	(109,454)	(4,539)
Prepaid expenses	47,034	(28,977)
Accounts payable and accrued liabilities	(329,458)	180,714
Accrued employee future benefit obligations	(1,064,517)	116,750
	<u>1,529,174</u>	<u>1,794,212</u>
Investing activities		
Sale of investments, net	1,336,947	319,006
Purchase of capital assets (note 4)	(84,124)	(205,598)
Purchase of capital assets, work in progress (note 4)	(2,726,856)	(158,994)
	<u>(1,474,033)</u>	<u>(45,586)</u>
Financing activities		
Restricted contributions received for capital purposes (note 9)	31,416	297,058
(Repayment of) proceeds from short-term debt (note 7)	(3,000,000)	3,000,000
Repayment of loan payable, net (note 6)	(678,961)	(653,292)
	<u>(3,647,545)</u>	<u>2,643,766</u>
(Decrease) increase in cash and cash equivalents during the year	<u>(3,592,404)</u>	<u>4,392,392</u>
Cash and cash equivalents – Beginning of year	<u>8,377,851</u>	<u>3,985,459</u>
Cash and cash equivalents – End of year	<u>4,785,447</u>	<u>8,377,851</u>

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

St. Jerome's University

Notes to Financial Statements

April 30, 2020

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, 2020

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.

St. Jerome's University

Notes to Financial Statements

April 30, 2020

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 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, 2020.

St. Jerome's University

Notes to Financial Statements

April 30, 2020

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.

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.

St. Jerome's University

Notes to Financial Statements

April 30, 2020

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.

3 Investments

Endowment investments consist of the following:

	2020 \$	2019 \$
Short-term savings held by investment custodian	1,876,847	2,011,500
Government Bonds with interest varying between 2.55% and 10.5%, maturing between 2021 and 2022	216,345	296,856
Preferred shares	1,903,099	1,817,141
Canadian equities	3,364,165	3,589,512
Non-Canadian equities	2,637,686	2,684,529
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Total market value	9,998,142	10,399,538

Non-endowment investments consist of the following:

	2020 \$	2019 \$
Short-term savings held by investment custodian	296,941	693,851
Government Bonds with interest varying between 2.55% and 10.5%, maturing between 2021 and 2022	245,036	328,738
Preferred shares	1,465,528	1,222,303
Canadian equities	3,078,813	3,718,568
Non-Canadian equities	2,267,991	2,437,251
TD Asset Management Inc. indexed mutual fund/CIBC Mellon	309,139	357,959
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Total market value	7,663,448	8,758,670

St. Jerome's University

Notes to Financial Statements

April 30, 2020

Total investments:

	2020	2019
	\$	\$
Total investments for endowments	9,998,142	10,399,538
Total investments for non-endowments	7,663,448	8,758,670
	<u>17,661,590</u>	<u>19,158,208</u>

4 Capital assets

	2020		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Land	7,748,461	-	7,748,461
Land improvements	1,061,963	805,487	256,476
Buildings	54,978,290	7,342,915	47,635,375
Building improvements	13,271,304	4,073,887	9,197,417
Equipment and furnishing	3,940,752	2,010,810	1,929,942
Computer equipment and software	1,582,499	1,233,896	348,603
Library books	825,231	684,876	140,355
Art collection	435,937	-	435,937
Work in progress	35,892	-	35,892
	<u>83,880,329</u>	<u>16,151,871</u>	<u>67,728,458</u>
	2019		
	Cost	Accumulated	Net
	\$	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
	<u>81,069,351</u>	<u>13,524,201</u>	<u>67,545,150</u>

St. Jerome's University

Notes to Financial Statements

April 30, 2020

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

	2020	2019
	\$	\$
Balance – Beginning of year	67,545,150	69,842,975
Purchases of work in progress	2,726,854	158,994
Work in progress capitalized	(2,782,503)	(1,612,131)
Work in progress internally funded	2,782,503	1,612,131
Purchases of capital assets internally funded	84,124	205,598
Amortization of capital assets	(2,627,670)	(2,662,417)
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Balance – End of year	67,728,458	67,545,150

The invested in capital assets balance consists of the following:

	2020	2019
	\$	\$
Capital assets	67,728,458	67,545,150
Less: Capital assets in work-in-progress	(35,892)	(91,541)
Less: Amounts financed by deferred capital contributions	(3,336,769)	(3,398,297)
Add: Unspent deferred capital contributions	981,009	949,446
	<hr/>	<hr/>
Balance – End of year	65,336,808	65,004,758

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

	2020	2019
	\$	\$
Capital asset amortization	(2,627,670)	(2,662,417)
Amortization of deferred capital contributions	92,944	92,944
	<hr/>	<hr/>
	(2,534,726)	(2,569,473)
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Purchases of capital assets	2,810,978	1,817,729
Deferred capital contributions received during the year	31,416	(297,058)
Change in unspent capital contributions	24,382	297,161
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	2,866,776	1,817,832
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Net change in invested in capital assets	332,050	(751,641)

St. Jerome's University

Notes to Financial Statements

April 30, 2020

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:

	2020 \$	2019 \$
Balance – Beginning of year	1,236,404	1,294,021
Amounts recognized as revenue during the year		
Investment income restricted	77,649	(103,740)
Donations, restricted	133,332	132,245
Research grant	103,990	27,095
Amount received relating to future years	(176,231)	(113,217)
Balance – End of year	<u>1,375,144</u>	<u>1,236,404</u>

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

	2020 \$	2019 \$
Balance – Beginning of year	170,095	182,613
Amounts recognized in donations in the fiscal year	68,205	81,464
Amount received from collections and donations	(51,995)	(93,982)
Balance – End of year	<u>186,305</u>	<u>170,095</u>

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

6 Loan payable

	2020 \$	2019 \$
Unsecured committed reducing term facility due July 3, 2024, interest calculated at 3.86%, monthly payments of \$158,871 including principal and interest	31,430,369	32,109,330
Less: Current portion	<u>705,635</u>	<u>678,961</u>
	<u>32,136,004</u>	<u>31,430,369</u>

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Notes to Financial Statements

April 30, 2020

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

	\$
2021	705,635
2022	733,362
2023	762,175
2024	792,120
2025	<u>28,437,077</u>
	<u>31,430,369</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, 2020, the difference between the fair value and the carrying value of the related debt, being the fair value of the interest rate swap was \$2,740,795 (2019 - \$1,568,001).

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

	2020 \$	2019 \$
Unregistered post-employment benefits plan relating to employees on long-term disability	194,200	128,200
Unregistered post-employment non-pension accrued benefit obligation	1,383,000	2,146,000
Unregistered defined benefit private payroll pension obligation	<u>882,047</u>	<u>1,249,564</u>
	<u>2,459,247</u>	<u>3,523,764</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.

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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, 2020.

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

	2020		2019	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
	\$	\$	\$	\$
Registered plan (University of Waterloo multi-employer plan)	927,106	-	918,813	-
Unregistered plans	135,086	218,000	129,611	207,000

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

	2020		2019	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
	%	%	%	%
Discount rate	5.60	5.60	5.70	5.50
Rate of compensation increase	4.00	4.00	4.00	4.00
Rate of inflation	2.00	2.00	2.20	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.

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

	2020		2019	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
	\$	\$	\$	\$
Employer contribution to registered plan (University of Waterloo multi-employer plan)	927,106	-	918,813	-
Employer contribution to unregistered plans	58,390	62,000	59,583	56,000

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.

	2020	2019
	\$	\$
Balance – Beginning of year	3,398,297	3,194,183
Less: Amortization of deferred capital contributions	(92,944)	(92,944)
Add: Contributions received for capital purposes not expended	31,416	297,058
Balance – End of year	3,336,769	3,398,297

10 Internally restricted net assets

	2020	2019
	\$	\$
Major renovations	1,556,294	2,345,622
Academic programs	176,396	176,396
Strategic investment fund	-	89,731
Future loan repayment of long-term debt	3,000,000	3,000,000
	4,732,690	5,611,749

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.

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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 \$nil for 2020 (2019 – \$161,071).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	2020 \$	2019 \$
Masters in Catholic Thought and Life	1,043,909	1,047,912
Ontario Student Opportunity Trust Fund Bursaries	1,808,723	1,462,756
Ontario Trust Student Support	1,203,545	1,549,512
Scholarships/bursaries	4,631,192	4,536,705
Other	596,430	598,348
	<hr/> 9,283,799	<hr/> 9,195,233
Net unrealized gains	1,872,089	2,072,536
Net realized losses	<hr/> (1,175,623)	<hr/> (1,076,940)
Endowments	<hr/> <hr/> 9,980,265	<hr/> <hr/> 10,190,829

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 2019.

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.

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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:

	2020 \$	2019 \$
Deferred contributions	133,332	132,245
Deferred contributions – Campus Ministry	68,205	81,464
Deferred capital contributions	29,075	288,138
Deferred capital contributions – Campus Ministry	2,341	8,920
Endowments	88,566	155,479
	<hr/> 321,519	<hr/> 666,246

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:

	\$
2021	225,000
2022	225,000
2023	225,000
2024	65,625
2025	743

15 Subsequent event

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

On March 16, 2020 the University suspended in person classes and instituted a work from home policy. As of the date of this report the University’s campus has re-opened on a restricted basis. While most classes remain remote some on-campus activity including residence and ancillary operations have re-opened with physical distancing and other safety precautions taken.

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