

# **St. Jerome's University**

Financial Statements

**April 30, 2021**



## 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 University) as at April 30, 2021 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, 2021;
- 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 significant accounting policies and other explanatory information.

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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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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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.

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.

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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 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 21, 2021

**St. Jerome's University**  
**Statement of Financial Position**  
**As at April 30, 2021**

	2021 \$	2020 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,739,374	4,785,447
Accounts receivable	90,951	241,011
Prepaid expenses	8,868	22,950
	<u>3,839,193</u>	<u>5,049,408</u>
<b>Investments</b> (note 3)	20,913,117	17,661,590
<b>Capital assets</b> (note 4)	<u>65,309,719</u>	<u>67,728,458</u>
	<u>90,062,029</u>	<u>90,439,456</u>
<b>Liabilities, and Net assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,301,650	1,350,976
Deferred contributions (note 5)	1,593,761	1,375,144
Deferred contributions – Campus Ministry (note 5)	157,667	186,305
Current portion of loan payable (note 6)	733,362	705,635
	<u>3,786,440</u>	<u>3,618,060</u>
<b>Accrued employee future benefit obligations</b> (note 7)	2,645,324	2,459,247
<b>Deferred capital contributions</b> (note 8)	3,245,079	3,336,769
<b>Loan payable</b> (note 6)	<u>29,991,372</u>	<u>30,724,734</u>
	<u>39,668,215</u>	<u>40,138,810</u>
<b>Net assets</b>		
Unrestricted net assets	(29,270,160)	(29,749,117)
Internally restricted net assets (note 9)	4,587,361	4,732,690
Invested in capital assets (note 4)	62,736,315	65,336,808
Endowments (note 10)	12,340,298	9,980,265
	<u>50,393,814</u>	<u>50,300,646</u>
	<u>90,062,029</u>	<u>90,439,456</u>
<b>Commitments</b> (note 13)		

**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, 2021**

	General operations \$	Invested in capital assets \$	2021 \$	2020 \$
<b>Revenue</b>				
Government grants	5,354,307	-	5,354,307	5,423,137
Academic fees	8,068,682	-	8,068,682	7,978,121
Sales and services (ancillary operations)	1,802,978	-	1,802,978	5,576,596
Donations, restricted	404,132	-	404,132	481,352
Other income	126,782	-	126,782	318,412
Amortization of deferred capital contributions	-	102,415	102,415	92,944
	<u>15,756,881</u>	<u>102,415</u>	<u>15,859,296</u>	<u>19,870,562</u>
<b>Expenses</b>				
Salaries and wages	8,581,671	-	8,581,671	8,426,277
Employee benefits	853,455	-	853,455	841,305
Post-employment benefits and pension	1,301,898	-	1,301,898	1,210,892
Other operational	130,934	-	130,934	315,207
Travel and entertainment	12,637	-	12,637	104,869
Professional development and training	303,815	-	303,815	470,094
Legal, audit and insurance	270,929	-	270,929	268,528
Scholarships and bursaries	395,460	-	395,460	357,607
Externally contracted services	1,685,096	-	1,685,096	3,012,012
Facilities	737,967	-	737,967	992,686
Administration fee paid to University of Waterloo	1,576,626	-	1,576,626	1,574,423
Amortization of capital assets	-	2,690,710	2,690,710	2,627,670
Financing fee	1,200,817	-	1,200,817	1,227,490
	<u>17,051,305</u>	<u>2,690,710</u>	<u>19,742,015</u>	<u>21,429,060</u>
<b>Excess of expenses over revenue before the undernoted</b>	<u>(1,294,424)</u>	<u>(2,588,295)</u>	<u>(3,882,719)</u>	<u>(1,558,498)</u>
Investment income, unrestricted	1,520,796	-	1,520,796	308,480
Investment income, restricted	64,245	-	64,245	56,192
	<u>1,585,041</u>	<u>-</u>	<u>1,585,041</u>	<u>364,672</u>
<b>Excess of (expenses over revenue) revenue over expenses</b>	<u>290,617</u>	<u>(2,588,295)</u>	<u>(2,297,678)</u>	<u>(1,193,826)</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, 2021**

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	Unrestricted \$	Internally restricted \$	Invested in capital assets \$	Endowments \$	2021 \$	2020 \$
<b>Net assets – Beginning of year</b>	(29,749,117)	4,732,690	65,336,808	9,980,265	50,300,646	50,164,428
Excess of revenue over expenses (expenses over revenue) for the year	290,617	-	(2,588,295)	-	(2,297,678)	(1,193,826)
Change in remeasurement of accrued employee future benefit obligation	4,173	-	-	-	4,173	1,297,213
Change in investment in capital assets	12,198	-	(12,198)	-	-	-
Capital preservation of endowment (note 10)	-	-	-	184,548	184,548	-
Endowment contributions	-	-	-	85,340	85,340	88,566
Internally restricted for capital assets	271,969	(245,329)	-	-	26,640	333,126
Internally restricted for pandemic response	(100,000)	100,000	-	-	-	-
Internally restricted for Strategic Initiatives	-	-	-	-	-	(89,731)
Endowed portfolio gains (losses)	-	-	-	2,090,145	2,090,145	(299,130)
<b>Net assets – End of year</b>	<b>(29,270,160)</b>	<b>4,587,361</b>	<b>62,736,315</b>	<b>12,340,298</b>	<b>50,393,814</b>	<b>50,300,646</b>

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, 2021

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	2021 \$	2020 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of expenses over revenue for the year	(2,297,678)	(1,193,826)
Add: Non-cash items		
Amortization of capital assets	2,690,710	2,627,670
Amortization of deferred capital contributions	(102,415)	(92,944)
Gain on unrestricted investments	(968,093)	43,952
Contributions – non-capital	189,979	303,504
Change in remeasurement of accrued employee future benefit obligations	4,173	1,297,213
Net changes in non-cash working capital balances related to operations		
Accounts receivable	150,060	(109,454)
Prepaid expenses	14,081	47,034
Accounts payable and accrued liabilities	(49,326)	(329,458)
Accrued employee future benefit obligations	186,077	(1,064,517)
	<u>(182,432)</u>	<u>1,529,174</u>
<b>Investing activities</b>		
Sale of investments, net (note 4)	103,239	1,336,947
Purchase of capital assets (note 4)	(172,049)	(84,124)
Purchase of capital assets, work in progress (note 4)	(99,921)	(2,726,856)
	<u>(168,731)</u>	<u>(1,474,033)</u>
<b>Financing activities</b>		
Restricted contributions received for capital purposes (note 8)	10,725	31,416
Repayment of short-term debt (note 9)	-	(3,000,000)
Repayment of loan payable, net (note 6)	(705,635)	(678,961)
	<u>(694,910)</u>	<u>(3,647,545)</u>
<b>Decrease in cash and cash equivalents during the year</b>	<b>(1,046,073)</b>	<b>(3,592,404)</b>
<b>Cash and cash equivalents – Beginning of year</b>	<b>4,785,447</b>	<b>8,377,851</b>
<b>Cash and cash equivalents – End of year</b>	<b><u>3,739,374</u></b>	<b><u>4,785,447</u></b>

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



# St. Jerome's University

## Notes to Financial Statements

April 30, 2021

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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 revenue.

# St. Jerome's University

## Notes to Financial Statements

April 30, 2021

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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.

# St. Jerome's University

## Notes to Financial Statements

April 30, 2021

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### 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 their fair value at May 1, 2011, the transition date of NPO accounting. Repairs and maintenance costs are expensed as incurred. Betterments that 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 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, 2021.

# St. Jerome's University

## Notes to Financial Statements

April 30, 2021

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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 collectibility 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, 2021

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### Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the 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:

	2021 \$	2020 \$
Short-term savings held by investment custodian	2,990,313	1,876,847
Government bonds with interest varying between 2.55% and 10.5%, maturing between 2021 and 2022	152,427	216,345
Preferred shares	2,143,479	1,903,099
Canadian equities	4,007,034	3,364,165
Non-Canadian equities	2,753,064	2,637,686
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Total market value	12,046,317	9,998,142

Non-endowment investments consist of the following:

	2021 \$	2020 \$
Short-term savings held by investment custodian	1,161,938	296,941
Government bonds with interest varying between 2.55% and 10.5%, maturing between 2021 and 2022	599,736	245,036
Preferred shares	1,308,590	1,465,528
Canadian equities	3,029,612	3,078,813
Non-Canadian equities	2,471,462	2,267,991
TD Asset Management Inc. indexed mutual fund/CIBC Mellon	295,462	309,139
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Total market value	8,866,800	7,663,448

# St. Jerome's University

## Notes to Financial Statements

April 30, 2021

Total investments:

	2021 \$	2020 \$
Total investments for endowments	12,046,317	9,998,142
Total investments for non-endowments	8,866,800	7,663,448
	20,913,117	17,661,590

### 4 Capital assets

	2021		
	Cost \$	Accumulated amortization \$	Net \$
Land	7,748,461	-	7,748,461
Land improvements	1,061,963	837,140	224,823
Buildings	54,978,290	8,872,912	46,105,378
Building improvements	13,381,798	4,715,101	8,666,697
Equipment and furnishing	3,947,566	2,287,421	1,660,145
Computer equipment and software	1,582,881	1,402,038	180,843
Library books	858,416	727,969	130,447
Art collection	462,577	-	462,577
Work in progress	130,348	-	130,348
	84,152,300	18,842,581	65,309,719
	2020		
	Cost \$	Accumulated amortization \$	Net \$
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
	83,880,329	16,151,871	67,728,458

# St. Jerome's University

## Notes to Financial Statements

April 30, 2021

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

	2021 \$	2020 \$
Balance – Beginning of year	67,728,458	67,545,150
Purchases of work in progress	99,921	2,726,854
Work in progress capitalized	(5,465)	(2,782,503)
Work in progress internally funded	5,465	2,782,503
Purchases of capital assets internally funded	172,049	84,124
Amortization of capital assets	(2,690,710)	(2,627,670)
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Balance – End of year	65,309,718	67,728,458

The invested in capital assets balance consists of the following:

	2021 \$	2020 \$
Capital assets	65,309,718	67,728,458
Less: Capital assets in work in progress	130,348	35,892
Less: Amounts financed by deferred capital contributions	3,245,079	3,336,769
Add: Unspent deferred capital contributions	802,024	981,011
	<hr/>	<hr/>
Balance – End of year	62,736,315	65,336,808

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

	2021 \$	2020 \$
Capital asset amortization	(2,690,710)	(2,627,670)
Amortization of deferred capital contributions	102,415	92,944
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	(2,588,295)	(2,534,726)
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Purchases of capital assets	271,970	2,810,978
Deferred capital contributions received during the year	(10,725)	31,416
Change in unspent capital contributions	(273,443)	24,382
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	(12,198)	2,866,776
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Net change in invested in capital assets	(2,600,493)	332,050

# St. Jerome's University

## Notes to Financial Statements

April 30, 2021

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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:

	2021 \$	2020 \$
Balance – Beginning of year	1,375,144	1,236,404
Amounts recognized as revenue during the year		
Investment income restricted	(97,111)	77,649
Donations, restricted	305,145	133,332
Government funding	100,000	-
Research grant	(12,188)	103,990
Amount received relating to future years	(77,229)	(176,231)
Balance – End of year	<u>1,593,761</u>	<u>1,375,144</u>

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

	2021 \$	2020 \$
Balance – Beginning of year	186,305	170,095
Amounts recognized in donations in the fiscal year	36,897	68,205
Amount received from collections and donations	(65,535)	(51,995)
Balance – End of year	<u>157,667</u>	<u>186,305</u>

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

### 6 Loan payable

	2021 \$	2020 \$
Unsecured committed reducing term facility due July 3, 2024, interest calculated at 3.86%, monthly payments of \$158,871 including principal and interest	30,724,734	31,430,369
Less: Current portion	<u>733,362</u>	<u>705,635</u>
	<u>29,991,372</u>	<u>30,724,734</u>



# St. Jerome's University

## Notes to Financial Statements

April 30, 2021

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Principal repayments required in each of the next four fiscal years ending April 30 are:

	\$
2022	733,362
2023	762,175
2024	792,120
2025	<u>28,437,077</u>
	<u>30,724,734</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.

As at April 30, 2021, the difference between the fair value and the carrying value of the related debt, being the fair value of the interest rate swap, was \$1,887,471 (2020 – \$2,740,795).

### 7 Accrued employee future benefit obligations

	2021 \$	2020 \$
Unregistered post-employment benefits plan relating to employees on long-term disability	160,900	194,200
Unregistered post-employment non-pension accrued benefit obligation	1,668,000	1,383,000
Unregistered defined benefit private payroll pension obligation	<u>816,424</u>	<u>882,047</u>
	<u>2,645,324</u>	<u>2,459,247</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.

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, 2021.

# St. Jerome's University

## Notes to Financial Statements

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

	2021		2020	
	Pension benefit plans \$	Other benefit plans \$	Pension benefit plans \$	Other benefit plans \$
Registered plan (University of Waterloo multi- employer plan)	1,059,586	-	927,106	-
Unregistered plans	81,412	187,000	135,086	218,000

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

	2021		2020	
	Pension benefit plans %	Other benefit plans %	Pension benefit plans %	Other benefit plans %
Discount rate	5.30	5.30	5.60	5.60
Rate of compensation increase	3.00	3.00	4.00	4.00
Rate of inflation	2.00	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.

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

	2021		2020	
	Pension benefit plans \$	Other benefit plans \$	Pension benefit plans \$	Other benefit plans \$
Employer contribution to registered plan (University of Waterloo multi-employer plan)	1,059,586	-	927,106	-
Employer contribution to unregistered plans	70,162	8,000	58,390	62,000

# St. Jerome's University

## Notes to Financial Statements

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### 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.

	2021 \$	2020 \$
Balance – Beginning of year	3,336,769	3,398,297
Less: Amortization of deferred capital contributions	102,415	92,944
Add: Contributions received for capital purposes not expended	10,725	31,416
	<hr/>	<hr/>
Balance – End of year	3,245,079	3,336,769
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### 9 Internally restricted net assets

	2021 \$	2020 \$
Major renovations	1,310,965	1,556,294
Academic programs	176,396	176,396
Future loan repayment of long-term debt	3,000,000	3,000,000
Internally restricted for pandemic response	100,000	-
	<hr/>	<hr/>
	4,587,361	4,732,690
	<hr/>	<hr/>

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.

# St. Jerome's University

## Notes to Financial Statements

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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 \$184,548 for 2021 (2020 – \$nil).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Masters in Catholic Thought and Life	1,063,210	1,043,909
Ontario Student Opportunity Trust Fund Bursaries	1,865,461	1,808,723
Ontario Trust Student Support	1,203,545	1,203,545
Scholarships/bursaries	5,143,285	4,631,192
Other	278,186	596,430
	<hr/>	<hr/>
	9,553,687	9,283,799
Net unrealized gains	3,975,609	1,872,089
Net realized losses	(1,188,998)	(1,175,623)
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Endowments	12,340,298	9,980,265
	<hr/>	<hr/>

## 11 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 2020.

# St. Jerome's University

## Notes to Financial Statements

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### 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.

## 12 Donations

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

	<b>2021</b>	<b>2020</b>
	\$	\$
Deferred contributions	305,145	133,332
Deferred contributions – Campus Ministry	36,897	68,205
Deferred capital contributions	9,035	29,075
Deferred capital contributions – Campus Ministry	1,690	2,341
Endowments	85,340	88,566
	<hr/>	<hr/>
	438,107	321,519
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## 13 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 four years:

	\$
2022	225,000
2023	225,000
2024	65,625
2025	743
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	516,368
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# St. Jerome's University

## Notes to Financial Statements

April 30, 2021

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### 14 Significant event

In March 2020, the World Health Organization (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.

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

As the impacts of COVID-19 continue, there could be further impacts on the University, its students and its 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.