

# **St. Jerome's University**

Financial Statements

**April 30, 2017**



October 5, 2017

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of St. Jerome's University, which comprise the statement of financial position as at April 30, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Jerome's University as at April 30, 2017 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# St. Jerome's University

## Statement of Financial Position


As at April 30, 2017

	2017 \$	2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	4,550,340	10,772,756
Accounts receivable	446,134	388,516
Inventory	5,821	18,193
Prepaid expenses	63,493	105,982
	<u>5,065,788</u>	<u>11,285,447</u>
<b>Investments</b> (note 4)	19,476,270	22,471,236
<b>Capital assets</b> (note 5)	<u>70,538,582</u>	<u>64,431,834</u>
	<u>95,080,640</u>	<u>98,188,517</u>
<b>Liabilities, and Net assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	2,459,729	8,008,627
Deferred contributions (note 6)	1,414,568	1,640,590
Deferred contributions - Campus Ministry (note 6)	188,150	200,602
Short-term debt (note 8)	529,000	-
Current portion of loan payable (note 7)	628,596	604,830
	<u>5,220,043</u>	<u>10,454,649</u>
<b>Accrued employee future benefit obligations</b> (note 9)	3,558,237	3,151,676
<b>Deferred capital contributions</b> (note 10)	2,680,254	2,203,190
<b>Loan payable</b> (note 7)	<u>32,762,622</u>	<u>33,391,218</u>
	<u>44,221,156</u>	<u>49,200,733</u>
<b>Net assets</b>		
Unrestricted net assets	(26,429,624)	16,118,890
Internally restricted net assets (note 11)	1,617,046	6,255,269
Invested in capital assets (note 5)	66,332,857	18,320,232
Endowments (note 12)	9,339,205	8,293,393
	<u>50,859,484</u>	<u>48,987,784</u>
	<u>95,080,640</u>	<u>98,188,517</u>

Approved by the Board of Governors



Cathy Horgan, 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, 2017

	General operations \$	Invested in capital assets \$	2017 \$	2016 \$
<b>Revenue</b>				
Government grants	5,456,336	-	5,456,336	5,348,946
Academic fees	7,792,799	-	7,792,799	7,487,045
Sales and services (ancillary operations)	4,833,382	-	4,833,382	2,664,459
Donations, restricted (note 14)	193,833	-	193,833	231,273
Other income (note 15)	441,578	-	441,578	425,118
Research grant	63,877	-	63,877	39,577
Amortization of deferred capital contributions	-	63,226	63,226	177,244
	<u>18,781,805</u>	<u>63,226</u>	<u>18,845,031</u>	<u>16,373,662</u>
<b>Expenses</b>				
Salaries and wages	7,985,924	-	7,985,924	7,541,617
Employee benefits	844,457	-	844,457	733,032
Post-employment benefits and pension	987,618	-	987,618	1,145,448
Other operational expenses	287,264	-	287,264	428,134
Travel and entertainment	531,534	-	531,534	478,645
Professional development and training	373,555	-	373,555	334,164
Legal, audit and insurance	252,272	-	252,272	219,329
Scholarships and bursaries	609,500	-	609,500	459,300
Externally contracted services	2,216,271	-	2,216,271	1,376,565
Facilities	1,113,808	-	1,113,808	741,431
Administration fee paid to University of Waterloo	1,555,095	-	1,555,095	1,506,835
Amortization of capital assets	-	1,826,443	1,826,443	1,248,618
Financing fee	1,354,992	-	1,354,992	1,324,489
	<u>18,112,290</u>	<u>1,826,443</u>	<u>19,938,733</u>	<u>17,537,607</u>
Excess of revenue over expenses before the following:	669,515	(1,763,217)	(1,093,702)	(1,163,945)
Investment income, unrestricted	1,591,976	-	1,591,976	(344,496)
Investment income, restricted	540,354	-	540,354	420,892
	<u>2,132,330</u>	<u>-</u>	<u>2,132,330</u>	<u>76,396</u>
<b>Excess of revenue over expenses (expenses over revenue)</b>	<u>2,801,845</u>	<u>(1,763,217)</u>	<u>1,038,628</u>	<u>(1,087,549)</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, 2017

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	Unrestricted \$	Internally restricted \$	Invested in capital assets \$	Endowments \$	2017 \$	2016 \$
<b>Net assets - Beginning of year</b>	16,118,890	6,255,269	18,320,232	8,293,393	48,987,784	50,036,678
Excess of revenues over expenses for the year	2,801,845	-	(1,763,217)	-	1,038,628	(1,087,549)
Change in remeasurement of accrued employee future benefit obligation	(212,740)	-	-	-	(212,740)	502,486
Change in investment in capital assets (note 5)	(49,775,842)	-	49,775,842	-	-	-
Capital preservation of endowment (note 12)	-	-	-	91,434	91,434	150,714
Endowment contributions	-	-	-	167,574	167,574	68,862
Endowment transfers	-	-	-	(20,755)	(20,755)	-
Internally restricted for capital assets	4,638,223	(4,638,223)	-	-	-	-
Endowed portfolio losses	-	-	-	807,559	807,559	(683,407)
<b>Net assets - End of year</b>	<u>(26,429,624)</u>	<u>1,617,046</u>	<u>66,332,857</u>	<u>9,339,205</u>	<u>50,859,484</u>	<u>48,987,784</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, 2017

	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses (expenses over revenue)	1,038,628	(1,087,549)
Add: Non-cash items		
Amortization of capital assets	1,826,443	1,248,618
Amortization of deferred capital contributions	(63,226)	(177,244)
Gain on unrestricted investments	(1,844,921)	671,459
Contributions - non-capital	(238,474)	(280,536)
Change in remeasurement of accrued employee future benefit obligations	(212,740)	502,486
Net changes in non-cash working capital balances related to operations		
Accounts receivable	(57,618)	180,025
Prepaid expenses	42,489	46,609
Inventory	12,372	(9,287)
Accounts payable and accrued liabilities	(5,548,898)	2,336,182
Accrued employee future benefit obligations	406,561	(174,862)
	<u>(4,639,384)</u>	<u>3,255,901</u>
<b>Investing activities</b>		
Sale of investments, net (note 4)	5,885,699	5,264,975
Purchase of capital assets (note 5)	(127,730)	(199,280)
Purchase of capital assets, work in progress (note 5)	(7,805,461)	(27,408,338)
	<u>(2,047,492)</u>	<u>(22,342,643)</u>
<b>Financing activities</b>		
Restricted contributions received for capital purposes (note 10)	540,290	533,976
Repayment proceeds from loan payable, net (notes 7 and 8)	(75,830)	(581,963)
	<u>464,460</u>	<u>(47,987)</u>
<b>Decrease in cash</b>	(6,222,416)	(19,134,729)
<b>Cash - Beginning of year</b>	<u>10,772,756</u>	<u>29,907,485</u>
<b>Cash - End of year</b>	<u>4,550,340</u>	<u>10,772,756</u>

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

# St. Jerome's University

## Notes to Financial Statements

April 30, 2017

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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, 2017

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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, 2017

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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, 2016.

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.

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## Notes to Financial Statements

April 30, 2017

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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, 2017

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### 3 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Unrestricted cash	1,634,107	799,305
Campus renewal	1,088,975	3,352,441
Internally restricted cash - renovations	1,440,740	6,078,873
Cash restricted for construction of building	176,306	176,396
Short-term investments restricted for capital purposes	-	225,506
Chapel renewal	210,212	140,235
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	4,550,340	10,772,756

### 4 Investments

Endowment investments consist of the following:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Short-term savings held by investment custodian	546,350	73,835
Government Bonds with interest varying between 2.1% and 11%, maturing between 2018 and 2022	927,180	1,180,914
Corporate bonds with interest varying between 2.4% and 7.25%, maturing between 2017 and 2021	1,463,145	1,061,978
Canadian equities	3,927,990	5,333,984
Non-Canadian equities	1,897,838	1,845,304
	<hr/>	<hr/>
Total market value	8,762,503	9,496,015

Non-endowment investments consist of the following:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Short-term savings held by investment custodian	2,154,966	156,043
Government Bonds with interest carrying between 2.1% and 8.9%, maturing between 2018 and 2022	685,608	1,425,224
Corporate bonds with interest varying between 2.9% and 7.25%, maturing between 2018 and 2020	1,442,542	1,607,802
Canadian equities	3,913,424	6,493,190
Non-Canadian equities	2,093,426	2,868,833
TD Asset Management Inc. indexed mutual fund/CIBC Mellon	423,801	424,122
	<hr/>	<hr/>
Total market value	10,713,767	12,975,214

# St. Jerome's University

## Notes to Financial Statements

April 30, 2017

Total investments:

	2017 \$	2016 \$
Total investments for endowments	8,762,503	9,496,015
Total investments for non-endowments	10,713,767	12,975,214
Total investments for capital fund	-	7
	19,476,270	22,471,236

### 5 Capital assets

	2017		
	Cost \$	Accumulated amortization \$	Net \$
Land	7,748,461	-	7,748,461
Land improvements	887,608	715,907	171,701
Buildings	54,988,166	2,840,704	52,147,462
Building improvements	7,145,027	2,439,595	4,705,432
Equipment and furnishing	2,682,410	1,372,783	1,309,627
Computer equipment and software	1,315,592	556,727	758,865
Library books	714,863	543,802	171,061
Art collection	409,954	-	409,954
Work in progress	3,116,019	-	3,116,019
	79,008,100	8,469,518	70,538,582
	2016		
	Cost \$	Accumulated amortization \$	Net \$
Land	7,748,461	-	7,748,461
Land improvements	750,503	693,168	57,335
Buildings	8,036,992	1,697,614	6,339,378
Building improvements	5,818,849	2,011,176	3,807,673
Equipment and furnishing	1,896,053	1,277,881	618,172
Computer equipment and software	672,883	466,776	206,107
Library books	671,216	496,460	174,756
Art collection	409,954	-	409,954
Work in progress	45,069,998	-	45,069,998
	71,074,909	6,643,075	64,431,834

# St. Jerome's University

## Notes to Financial Statements

April 30, 2017

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

	2017 \$	2016 \$
Balance - Beginning of year	64,431,834	38,072,834
Purchases of work in progress	7,805,461	27,408,338
Work in progress capitalized	(49,759,438)	-
Work in progress internally funded	49,759,438	-
Purchases of capital assets internally funded	127,730	199,280
Amortization of capital assets	(1,826,443)	(1,248,618)
Balance - End of year	<u>70,538,582</u>	<u>64,431,834</u>

The invested in capital assets balance consists of the following:

	2017 \$	2016 \$
Capital assets	70,538,582	64,431,834
Less: Capital assets in work-in-progress	(3,116,019)	(45,069,998)
Less: Amounts financed by deferred capital contributions	(2,680,254)	(2,203,190)
Add: Unspent deferred capital contributions	1,590,548	1,161,586
Balance - End of year	<u>66,332,857</u>	<u>18,320,232</u>

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

	2017 \$	2016 \$
Capital asset amortization	(1,826,443)	(1,248,618)
Amortization of deferred capital contributions	63,226	177,244
	<u>(1,763,217)</u>	<u>(1,071,374)</u>
Purchases of capital assets	49,887,168	199,280
Deferred capital contributions received during the year	(540,290)	(533,976)
Change in unspent capital contributions	428,964	365,144
	<u>49,775,842</u>	<u>30,448</u>
Net change in invested in capital assets	<u>48,012,625</u>	<u>(1,040,926)</u>

# St. Jerome's University

## Notes to Financial Statements

April 30, 2017

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### 6 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:

	2017 \$	2016 \$
Balance - Beginning of year	1,640,590	1,908,624
Amounts recognized as revenue during the year		
Investment income restricted	345,433	(292,759)
Donations, restricted	(136,223)	(105,776)
Research grant	(79,970)	4,931
Amount received relating to future years	(355,262)	125,570
Balance - End of year	<u>1,414,568</u>	<u>1,640,590</u>

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

	2017 \$	2016 \$
Balance - Beginning of year	200,602	213,104
Amounts recognized in donations in the fiscal year	(98,836)	(93,335)
Amount received from collections and donations	86,384	80,833
Balance - End of year	<u>188,150</u>	<u>200,602</u>

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

### 7 Loan payable

	2017 \$	2016 \$
Unsecured committed reducing term facility due July 3, 2024, interest calculated at 3.86%, monthly payments of \$158,871 including principal and interest	33,391,218	33,996,048
Less: Current portion	<u>628,596</u>	<u>604,830</u>
	<u>32,762,622</u>	<u>33,391,218</u>

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## Notes to Financial Statements

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

	\$
2017	628,596
2018	653,292
2019	678,961
2020	705,635
2021	733,362
Thereafter	<u>29,991,372</u>
	<u>33,391,218</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, 2017, the difference between the fair value and the carrying value of the related debt, being the fair value of the interest rate swap was \$3,042,623 (2016 - \$3,584,326).

### 8 Short-term debt

Short-term debt of \$529,000 was obtained in the year to bridge the monetization of the investment portfolio. Principal and interest of prime less .5% is due within 12 months.

### 9 Accrued employee future benefit obligations

	2017 \$	2016 \$
Unregistered post-employment benefits plan relating to employees on long-term disability	133,500	142,000
Unregistered post-employment non-pension accrued benefit obligation	2,414,000	2,159,000
Unregistered defined benefit private payroll pension obligation	<u>1,010,737</u>	<u>850,676</u>
	<u>3,558,237</u>	<u>3,151,676</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

April 30, 2017

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, 2017.

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

	2017		2016	
	Pension benefit plans \$	Other benefit plans \$	Pension benefit plans \$	Other benefit plans \$
Registered plan (University of Waterloo multi- employer plan)	825,418	-	774,495	-
Unregistered plans	83,421	223,000	73,000	279,000

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

	2017		2016	
	Pension benefit plans %	Other benefit plans %	Pension benefit plans %	Other benefit plans %
Discount rate	5.70	5.70	5.70	5.70
Rate of compensation increase	4.00	4.00	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.

# St. Jerome's University

## Notes to Financial Statements

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

	2017		2016	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
	\$	\$	\$	\$
Employer contribution to registered plan (University of Waterloo multi-employer plan)	825,418	-	774,495	-
Employer contribution to unregistered plans	68,500	52,000	70,000	58,000

### 10 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.

	2017	2016
	\$	\$
Balance - Beginning of year	2,203,190	1,846,458
Less: Amortization of deferred capital contributions	(63,226)	(177,244)
Add: Contributions received for capital purposes not expended	540,290	533,976
Balance - End of year	<u>2,680,254</u>	<u>2,203,190</u>

### 11 Internally restricted net assets

	2017	2016
	\$	\$
Major renovations	1,440,740	6,078,873
Academic programs	176,306	176,396
	<u>1,617,046</u>	<u>6,255,269</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, 2017

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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).

### 12 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 \$91,434 for 2017 (2016 - \$150,714).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	2017 \$	2016 \$
M.A. in Catholic Thought and Life	981,141	998,244
Ontario Student Opportunity Trust Fund Bursaries	1,397,449	1,397,119
Ontario Trust Student Support	1,507,384	1,487,612
Scholarships/bursaries	4,039,328	3,524,068
Other	557,153	572,626
	<hr/> 8,482,455	<hr/> 7,979,669
Unrealized gain	1,731,449	313,724
Realized gains/losses	(874,699)	-
	<hr/> 9,339,205	<hr/> 8,293,393

### 13 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.

# St. Jerome's University

## Notes to Financial Statements

April 30, 2017

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### 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 2016.

### 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 4.

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 7).

### 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.

## 14 Donations

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

	2017	2016
	\$	\$
Deferred contributions	384,861	105,776
Deferred contributions - Campus Ministry	86,384	80,833
Deferred capital contributions	470,314	421,865
Deferred capital contributions - Campus Ministry	69,978	113,811
Endowments	159,797	68,862
	<hr/>	<hr/>
	1,171,334	791,147
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# St. Jerome's University

## Notes to Financial Statements

April 30, 2017

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### 15 Other income

In 2014, the University entered into an agreement with the University of Waterloo to consolidate all mathematics courses under the Faculty of Mathematics. To compensate the University, University of Waterloo paid \$1,000,000 in one-time funding.

The University of Waterloo also committed \$250,000 annually for a period of four years, which the University will recognize as income when received. The first payment of \$250,000 was received in 2015.

The one-time funding was internally restricted to support future capital renovations.

