Financial Statements of

REDEEMER UNIVERSITY

And Independent Auditors' Report thereon

Year ended April 30, 2020

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Members of Redeemer University

Opinion

We have audited the financial statements of Redeemer University (the "University"), which 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 (deficiency) for the year then ended
- the statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our

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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 the 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 risk 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, internal 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 purposes 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
July 17, 2020

REDEEMER UNIVERSITY

Statement of Financial Position

Year ended Ap[illegible]

	2020	20[illegible]
Assets		
[illegible]		
Cas[illegible]	[illegible]	[illegible]
Acc[illegible]	[illegible]	[illegible]
Prepaid expenses and deposits	[illegible],678	133,987
Current portion of student loans (note 4)	369	30,976
	15,225,[illegible]	9,351,318
Investments	-	1,500,000
Restricted investments (note 3(a))	4,[illegible]	[illegible]
Stude[illegible]	[illegible]	[illegible]
	$ 70,001,485	$ 65,[illegible]
Liabilities and Net Assets (Defi[illegible]		
[illegible]		
Accounts payable and accrued liabilities (note [illegible]	[illegible]	[illegible]
Current portion of long-term debt (note 7[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]
Long-term debt (note 7)	13,826,672	14,640,145
Deferre[illegible] contributions (note [illegible]	[illegible]	[illegible]
Net assets (de[illegible])		
Unrestricted	(1,268,067)	(3,127,356)
Investe[illegible] capital assets (note [illegible]	[illegible]	[illegible]
Internally restricted (note 14)	7,379,755	4,2[illegible]
	38,0[illegible]	[illegible]
Commitments and contingencies (note 12)		
Subsequent event (note [illegible]		
	$ 70,001,485	$ 65,9[illegible]

See accompanying notes to financial statements.

On behalf of the Board:

Governor

REDEEMER UNIVERSITY

Statement of Operations

Year ended April 30, 2020 with comparative information for 2019

	2020	2019

REDEEMER UNIVERSITY

Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2020 with comparative information for 2019

	Unrestricted	Invested in capital assets (note 9)	Internally restricted (note 14)	Endowments	2020 Total	2019 Total
Net assets (deficiency) restated beginning of year (note 17)	$ (3,127,356)	$ 26,728,191	$ 4,260,321	$ 4,363,094	$ 32,224,250	$ 32,769,022
Excess (deficiency) of revenues over expenditures for the year	6,587,424	(1,043,849)	-	-	5,543,575	932,885
Change in investment in capital assets (note 9)						

REDEEMER UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2020 with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenditures	$ 5,543,575	$ 932,885
Items not affecting cash:		
Amortization of capital assets	1,696,208	1,691,538
Amortization of deferred capital contributions	(689,727)	(672,595)
Deferred contributions recognized as revenue (note 8(a))	(540,769)	(469,218)
Loss on disposal of capital assets	37,368	8,104
Forgiveness of student loans	-	11,610
Net change in non-cash working capital balances related to operations (note 10)	(65,848)	172,144
	5,980,807	1,674,468
Investing and financing activities:		
Capital asset purchases (note 5)	(1,664,115)	(570,149)
Contributions and investment income restricted for capital purposes (note 8(b))	274,097	424,170
Deferred contributions received (note 8(a))	95,781	1,069,162
Decrease (increase) in investments	782,000	(1,472,000)
Decrease in student loans, net	30,787	46,344
Proceeds from issuance of debt	67,369	120,611
Repayment of issued debt (note 7)	(985,200)	(1,347,524)
	(1,399,281)	(1,729,386)
Net increase (decrease) in cash and cash equivalents	4,581,526	(54,918)
Cash and cash equivalents, beginning of year	5,006,936	5,061,854
Cash and cash equivalents, end of year	$ 9,588,462	$ 5,006,936

1. Significant accounting policies (continued):

(d) Employee benefit plan:

Defined contribution plan accounting is applied to a multi-employer plan, whereby contributions are expensed when due as the University has insufficient information to apply defined benefit plan accounting.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair 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 cost, being its fair value at May 1, 2011, the transition date to Accounting Standards for Not-For-Profit organizations. Repairs and maintenance costs are charged to expense. Betterments which extend 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.

Capital assets are amortized on a straight-line basis using the following annual rates:

	Rate
Buildings and facilities	10-40 years
Organ	40 years
Equipment	5-20 years
Furniture and fixtures	10 years
Computer hardware and software	4 years
Franchise license	10 years
Library books	10 years

(f) Inventory:

Inventory, which consists of books and other retail items, is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(g) 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. Money market funds and bonds that would otherwise be recorded at amortized cost are recorded at fair value as they are managed and evaluated on a fair value basis. Other financial instruments are recorded at amortized cost.

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.

1. Significant accounting policies (continued):

(g) Financial instruments (continued):

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 impairment charge.

(h) Net assets (deficiency):

Net assets (deficiency) are classified as follows:

Unrestricted: operating funds available without specific restrictions;

Invested in capital assets: funds invested in capital assets, exclusive of capital assets financed through long-term debt, bodeeorcapital-2.5the fis: ; -1.3952 TD 0002 Tc -.0026 TTD capitalnnally

2. Accounts receivable:

	2020	2019
Student accounts	$ 499,129	$ 600,526
Government subsidy receivable	675,315	-
Miscellaneous receivable	222,808	213,917
HST receivable	118,284	69,093
	1,515,536	883,536
Less allowance for doubtful accounts	(329,341)	(293,853)
	$ 1,186,195	$ 589,683

3. Restricted investments and assets:

(a) Endowments:

Contributions restricted for endowments consist of externally restricted donations received by the University. The endowment principal is required to be maintained intact. Accordingly, these amounts are classified as long-term restricted investments.

The investment income generated from endowments must be used in accordance with the

3. Restricted assets (continued):

   (b) Bachelor of Education Program:

   In 2005, the University was granted permission to provide the Ba

5. Capital assets:

			2020	2019
		Accumulated	Net book	Net book
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7. Long-term debt:

Long-term debt consists of the following:

	2020	2019
Bonds (a)	$ 10,754,448	$ 11,313,112
Private loans (b)	5,379,889	5,639,056
Loan payable to City of Hamilton interest bearing at 0%, repayable in annual installments of $100,000 maturing September 2020 (c)	100,000	200,000
Forgivable loan from Sodexo bearing interest at 0%, forgiven in annual installments, maturing August 2026 (d)	210,000	245,000
	16,444,337	17,397,168
Less current portion	(2,617,665)	(2,757,023)
	$ 13,826,672	$ 14,640,145

(a) Bonds issued to supporting members are secured by a Mortgage Trust Deed between Concentra Financial and the University. The Mortgage Trust Deed is secured by a first charge (subject to a postponement of claim in favour of bank financing) on the land and buildings of the University and authorizes the University to issue bonds in any series created by the University up to a maximum of $25,000,000 in constant 1985 dollars. The Mortgage Trust Deed and consequently all bonds issued under it, mature in 2025. All bonds are redeemable at any time at the discretion of the University. The Board of Governors has created seven series of bonds as follows:

Series A, returning variable rate real interest payable semi-annually, rate set semi-annually;
Series B, returning 3% real interest payable semi-annually;
Series C, returning 2% real interest payable semi-annually;
Series D, returning 1% real interest payable semi-annually;
Series E, returning 0% interest;
Series F, returning variable rate real interest payable semi-annually, rate set semi-annually; and
Series G, returning 4% real interest payable semi-annually.

7. Long-term debt (continued):

The following bonds are issued and outstanding (based on price adjusted values):

	2020	2019
Series A	$ 3,711,043	$ 4,071,334
Series F	6,957,351	7,148,036
Interest accrued on bonds	86,054	93,742
	$ 10,754,448	$ 11,313,112

During the year, approval was received to maintain the real interest payable on Series A and Series F bonds at 2.5% for the period of January 2020 to June 2020 (2019 – 2.6%). Subsequent to year-end, approval was received to decrease the interest payable to 2.2% for the period of July 2020 to December 2020.

(b) Private loans from supporting members bear interest at rates varying from 0% to 2.85%. Loans in the amount of $2,054,109 will mature within fiscal 2021 of which $131,355 has been renewed after year end. The specified maturity dates of the loans are as follows:

2021	$ 2,054,109
2022	1,038,223
2023	792,799
2024	1,117,731
2025	377,027
	$ 5,379,889

(c) The City of Hamilton loan was issued to finance part of a soccer facility. It bears no interest and is repayable at $100,000 per year until maturity in September 2020. A security interest in the property and assets relating to the facility has been provided as collateral security for the loan.

(d) A non-interest bearing forgivable loan, granted by S990(co)5.1(u)d he loan.se.73 in 377,027

8. Deferred contributions:

(a) Deferred operating contributions are as follows:

	2020	2019
Balance, beginning of year	$ 2,105,026	$ 1,505,082
Amount recognized as revenue during the year	(540,769)	(469,218)
Amount received related to future years	95,781	1,069,162
Balance, end of year	$ 1,660,038	$ 2,105,026

(b) Deferred capital contributions are as follows:

	2020	2019
Balance, beginning of year	$ 12,570,679	$ 12,776,197
Amortization of deferred capital contributions	(689,727)	(672,595)
Partial impairment on transition (note 17)	(593)	-
Add:		
Contributions received for capital purposes	296,977	455,181
Investment income on deferred capital contributions	12,120	11,896
Balance, end of year	$ 12,189,456	$ 12,570,679

Included in contributions received for capital purposes is an amount of $35,000 (2019 – $42,907) related to the forgiven portion of the Sodexo loan (see note 7(d)).

As at April 30, 2020, deferred capital contributions of $586,230 (2019 - $1,026,211) have been received but not spent.

9. Net assets invested in capital assets:

Invested in capital assets consists of the following:

	2020	2019
Capital assets, net	$ 49,960,717	$ 50,593,149
Transitional adjustment (note 17)	-	(562,378)
Less amounts financed by:		
Bonds (note 7)	(10,754,448)	(11,313,112)
Deferred capital contributions (note 8(b))	(11,603,226)	(11,544,468)
Long-term debt (note 7)	(310,000)	(445,000)
Balance, end of year	$ 27,293,043	$ 26,728,191

9. Net assets invested in capital assets (continued):

The change in invested in capital assets is calculated as follows:

	2020	2019
Net change in invested in capital assets:		
Purchase of capital assets	$ 1,664,115	$ 530,616
Contributed capital assets	-	39,533
Amounts funded by deferred capital contributions	(749,078)	(194,557)
Repayment of long-term debt	135,000	120,773
Repayment of bonds	558,664	420,841
Transitional adjustment (note 17)	-	(562,378)
	$ 1,608,701	$ 354,828
Deficiency of revenues over expenditures:		
Amortization of capital assets	$ (1,696,208)	$ (1,691,538)
Amortization of deferred capital contributions	689,727	672,595
Loss on disposal of capital assets	(37,368)	(8,104)
	$ (1,043,849)	$ (1,027,047)

10. Statement of cash flows:

The net change in non-cash working capital balances related to operations consists of the following:

	2020	2019
Accounts receivable	$ (596,512)	$ 350,294
Inventory	(9,757)	4,680
Prepaid expenses and deposits	1,309	45,316
Accounts payable and accrued liabilities	592,044	(169,422)
Deposits held	(52,932)	(58,724)
	$ (65,848)	$ 172,144

11. Employee benefit plan:

Substantially all of the employees of the University are eligible to be members of the Christian Schools International Pension Plan (the “Plan”),

12. Commitments and contingency (continued):

(c) The University has a $2,000,000 operating line of credit available by way of direct advances or letters of credit or guarantees. The letters of credit and guarantees are limited to a maximum of $250,000. As at April 30, 2020, $nil of lette

14. Internally restricted assets:

    The Board has internally restricted $7,379,755 (2019 - $4,260,321). As at April 30, 2020, $1,339,063 (2019 - $1,624,760) was restricted for debt reduction and $6,040,692 (2019 - $2,635,561) for program and facility initiatives.

15. Contribution to other charitable organization:

    During the year, the University granted $nil (2019 - $1,000,000) to a qualified donee for the pursuit of Reformational research, scholarship and focused education.

16. Financial risks:

    (a) Currency risk:

    The University is exposed to financial risks as a result of exchange rate fluctuations and the
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    volatility of these rates. In the normal course of business, the University makes purchases
    denominated in SlkS. dollar. Ihe Univesity ido
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17. Transitional adjustments:

Net assets:

The following table summarizes the impact of the transition from 4431 to section 4433 relating to tangible capital assets on the University's opening net assets as at May 1, 2019:

Opening net assets:

	2019
As previously reported at April 30, 2019	$ 32,786,628
Decrease in net assets due to partial impairment on transition:	562,378
Restated, as at May 1, 2019	$ 32,224,250

18. 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 this, on March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020, through to at least May 29, 2020. In addition, the Canadian government has imposed travel restrictions to Canada until further notice.

On March 13, the University cancelled in-person classes, closed its residences on March 20 and closed its campus on March 23, and they remain closed to the date of the auditor's report. The University is planning and preparing for an on-campus experience for the fall and winter semesters and has developed a framework for re-opening the campus safely. In the event that being on-campus is not possible, moving to an online curriculum could have implications on number of course offerings, enrollment and ancillary revenues.

As the impacts of COVID-19 continue, there could be further impact on the University, its students and funding sources. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of 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.