

Financial Statements of

REDEEMER UNIVERSITY

And Independent Auditors' Report thereon

Year ended April 30, 2021



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Tel 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, 2021
- 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, 2021, 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 auditors' report.

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

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

Statement of Financial Position

Year ended April 30, 2021 with comparative information for 2020

| | 2021 | 2020 |
|--|------|------|
|--|------|------|

Assets

Current assets:

Cash and cash equivalents

\$ 11,025,141 \$ 9,588,462

Short-term investments

- 4,190,000

Accounts receivable (note 2)

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REDEEMER UNIVERSITY

Statement of Operations

Year ended April 30, 2021 with comparative information for 2020

| | 2021 | 2020 |
|--|------------------|------------------|
| Revenues: | | |
| Net fees (tuition and residence) | \$ 12,281,046 | \$ 11,097,978 |
| Donations | 5,276,846 | 5,033,506 |
| Donations - campaign and strategic plan | 127,734 | 5,591,027 |
| Community use | 528,493 | 1,777,100 |
| Church support | 994,631 | 964,676 |
| Book sales | 311,606 | 311,715 |
| Grants | 4,604,089 | 791,214 |
| Other | 696,416 | 976,340 |
| | <hr/> 24,820,861 | <hr/> 26,543,556 |
| Expenditures: | | |
| Salary and benefits: | | |
| Administrative | 7,073,696 | 6,784,560 |
| Academic | 6,074,094 | 4,973,406 |
| Supplies and services | 3,835,995 | 3,425,312 |
| Student scholarships, bursaries and work-study | n02y31740 | |

REDEEMER UNIVERSITY

Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2021 with comparative information for 2020

| | | | | | | 2021 | 2020 |
|---|----------------|--|---------------------------------------|--------------|---------------|---------------|------|
| | Unrestricted | Invested in capital assets (note 8) | Internally restricted (note 13) | Endowments | Total | Total | |
| Net assets (deficiency), beginning of year | \$ (1,268,067) | \$ 27,293,043 | \$ 7,379,755 | \$ 4,663,921 | \$ 38,068,652 | \$ 32,224,250 | |
| Excess (deficiency) of revenues over expenditures for the year | 3,461,240 | (1,095,874) | - | - | 2,365,366 | 5,543,575 | |
| Change in investment in capital assets (note 8) | (8,916,253) | 8,916,253 | - | - | - | - | |
| Endowment distributions, net of contributions (note 3 (a)) | - | - | - | (143,825) | (143,825) | (107,595) | |
| Net change in endowment investments (note 3 (a)) | - | - | - | 333,488 | 333,488 | 408,422 | |
| Transfer (note 13) | 2,120,033 | - | (2,120,033) | - | - | - | |
| Net assets (deficiency), end of year | \$ (4,603,047) | \$ 35,113,422 | \$ 5,259,722 | \$ 4,853,584 | \$ 40,623,681 | \$ 38,068,652 | |

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended April 30, 2021 with comparative information for 2020

| | 2021 | 2020 |
|---|---------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenues over expenditures | \$ 2,365,366 | \$ 5,543,575 |
| Items not affecting cash: | | |
| Amortization of capital assets | 1,762,563 | 1,696,208 |
| Amortization of deferred capital contributions | (678,683) | (689,727) |
| Deferred contributions recognized as revenue (note 7(a)) | (471,541) | (540,769) |
| Loss on disposal of capital assets | 11,994 | 37,368 |
| Net change in non-cash working capital balances related to operations (note 9) | (376,783) | (35,061) |
| | 2,612,916 | 6,011,594 |
| Investing and financing activities: | | |
| Capital asset purchases (note 4) | (7,504,392) | (1,664,115) |
| Contributions and investment income restricted for capital purposes (note 7(b)) | 3,978,786 | 274,097 |
| Deferred contributions received (note 7(a)) | 220,158 | 95,781 |
| Decrease in investments | 3,680,000 | 782,000 |
| Proceeds from issuance of debt | 149,735 | 67,369 |
| Repayment of issued debt (note 6) | (1,700,524) | (985,200) |
| | (1,176,237) | (1,430,068) |
| Net increase in cash and cash equivalents | 1,436,679 | 4,581,526 |
| Cash and cash equivalents, beginning of year | 9,588,462 | 5,006,936 |
| Cash and cash equivalents, end of year | \$ 11,025,141 | \$ 9,588,462 |
| Supplemental information: | | |
| Non-cash transactions: | | |
| Purchase of capital assets included in accounts payable and accrued liabilities | \$ 3,093,714 | \$ - |

See accompanying notes to financial statements.

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Notes to Financial Statements

Year ended April 30, 2021

Redeemer University (the "University") is a non-profit degree-granting Christian university for education in the general arts, humanities, and sciences. The University is a registered charitable organization and, as such, is exempt from income tax under Section 149.1(1)(b) of the Income Tax Act (Canada).

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit organizations in Part III of the CPA Canada Handbook.

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, short-term deposits which are highly liquid with original maturities of less than three months from year end and redeemable GIC investments.

(b) Short-term investments:

Short-term investments consist of non-redeemable GIC investments with maturity dates no longer than one year. Term deposits with maturity dates longer than 90 days are included as investments.

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Notes to Financial Statements

Year ended April 30, 2021

1. Significant accounting policies (continued):

(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.

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Notes to Financial Statements

Year ended April 30, 2021

1. Significant accounting policies (continued):

(g) Financial instruments:

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.

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

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Notes to Financial Statements

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Notes to Financial Statements

Year ended April 30, 2021

3. Restricted assets (continued):

(b) Bachelor of Education Program:

In 2005, the University was granted permission to provide the Bachelor of Education Program to students. The University has provided an irrevocable standby letter of credit of \$150,000, as required by the Ministry of Colleges and Universities of the Province of Ontario (the "Ministry"), in conjunction with providing this program.

The University has invested \$150,000 in an interest bearing certificate in the event there is a requirement to make payment to the Ministry with respect to this program. The value of the certificate at April 30, 2021 is \$150,000 (2020 - \$150,000).

4. Capital assets:

| | Cost | Accumulated amortization | 2021 Net book value | 2020 Net book value |
|--------------------------------|----------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 29,285,939 | \$ - | \$ 29,285,939 | \$ 29,285,939 |
| Buildings and facilities | 37,701,784 | 20,377,862 | 17,323,922 | 17,566,295 |
| Organ | 374,153 | 311,794 | 62,359 | 71,713 |
| Equipment | 5,849,600 | 3,033,703 | 2,815,897 | 2,084,487 |
| Furniture and fixtures | 4,736,255 | 4,066,324 | 669,931 | 726,935 |
| Computer hardware and software | 1,262,736 | 1,067,042 | 195,694 | 212,348 |
| Franchise license | 20,000 | 9,000 | 11,000 | 13,000 |
| Library books | 1,036,586 | 1,036,586 | - | - |
| Construction in progress | 8,419,524 | - | 8,419,524 | - |
| | <u>\$ 88,686,577</u> | <u>\$ 29,902,311</u> | <u>\$ 58,784,266</u> | <u>\$ 49,960,717</u> |

The change in net book value of capital assets is as follows:

| | 2021 | 2020 |
|--|---------------|---------------|
| Balance, beginning of year | \$ 49,960,717 | \$ 50,593,149 |
| Acquisition of capital assets funded by deferred | | |

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Notes to Financial Statements (continued)

Year ended April 30, 2021

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$20,248 (2020 - \$23,594), which includes amounts payable for HST and payroll related taxes.

6. Long-term debt:

Long-term debt consists of the following:

| | 2021 | 2020 |
|---|---------------|---------------|
| Bonds (a) | \$ 9,975,187 | \$ 10,754,448 |
| Private loans (b) | 4,708,361 | 5,379,889 |
| Loan payable to City of Hamilton, fully repaid during the year (c) | - | 100,000 |
| Forgivable loan from Sodexo bearing interest at 0%, forgiven in annual installments, maturing August 2026 (d) | 175,000 | 210,000 |
| | 14,858,548 | 16,444,337 |
| Less current portion | (2,514,823) | (2,617,665) |
| | \$ 12,343,725 | \$ 13,826,672 |

(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 \$15,000,430 529.38 435 .934,35.6(0).3(the laMiuMti)6.3.0006 TJ/.Es.ort.0

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Notes to Financial Statements (continued)

Year ended April 30, 2021

6. Long-term debt (continued):

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

| | 2021 | 2020 |
|---------------------------|---------------------|----------------------|
| Series A | \$ 3,559,527 | \$ 3,711,043 |
| Series F | 6,345,842 | 6,957,351 |
| Interest accrued on bonds | 69,818 | 86,054 |
| | <u>\$ 9,975,187</u> | <u>\$ 10,754,448</u> |

During the year, approval was received to maintain the real interest payable on Series A and Series F bonds at 2.2% for the period of January 2021 to December 2021 (2020 – 2.5%).

- (b) Private loans from supporting members bear interest at rates varying from 0% to 2.85%. Loans in the amount of \$2,061,475 will mature within fiscal 2022 of which \$142,352 has been renewed after year end. The specified maturity dates of the loans are as follows:

| | |
|------|---------------------|
| 2022 | \$ 2,061,475 |
| 2023 | 608,462 |
| 2024 | 1,131,257 |
| 2025 | 371,599 |
| 2026 | 535,568 |
| | <u>\$ 4,708,361</u> |

- (c) The City of Hamilton loan was issued to finance part of a soccer facility. It bears no interest and was repayable at \$100,000 per year until maturity on June 25, 2020.
- (d) Sodexo granted the University a non-interest bearing forgivable loan in the amount of \$350,000, to finance the implementation of a Tim Horton's coffee shop. The loan is forgivable in annual amounts over a ten year term in accordance with the amended Sodexo Expansion Agreement extending to August 2026. During the year, \$35,000 (2020 - \$35,000) was forgiven and recognized as a contribution for capital purposes (note 7(b)).

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Notes to Financial Statements (continued)

Year ended April 30, 2021

7. Deferred contributions:

(a) Deferred operating contributions are as follows:

| | 2021 | 2020 |
|--|--------------|--------------|
| Balance, beginning of year | \$ 1,660,038 | \$ 2,105,026 |
| Amount recognized as revenue during the year | (471,541) | (540,769) |
| Amount received related to future years | 220,158 | 95,781 |

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Notes to Financial Statements (continued)

Year ended April 30, 2021

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

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

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Net change in invested in capital assets: | | |
| Purchase of capital assets | \$ 10,598,106 | \$ 1,664,115 |
| Amounts funded by deferred capital contributions | (2,596,114) | (749,078) |
| Repayment of long-term debt | 135,000 | 135,000 |
| Issuance of bonds | (113,220) | - |
| Repayment of bonds | 892,481 | 558,664 |
| | <u>\$ 8,916,253</u> | <u>\$ 1,608,701</u> |

Deficiency of revenues over expenditures:

| | | |
|--|-----------------------|-----------------------|
| Amortization of capital assets | \$ (1,762,563) | \$ (1,696,208) |
| Amortization of deferred capital contributions | 678,683 | 689,727 |
| Loss on disposal of capital assets | (11,994) | (37,368) |
| | <u>\$ (1,095,874)</u> | <u>\$ (1,043,849)</u> |

9. Statement of cash flows:

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

| | 2021 | 2020 |
|--|---------------------|--------------------|
| Accounts receivable | \$ (391,088) | \$ (565,725) |
| Inventory | 22,491 | (9,757) |
| Prepaid expenses and deposits | (504,753) | 1,309 |
| Accounts payable and accrued liabilities | 455,814 | 549,100 |
| Deferred revenue | 72,316 | 42,944 |
| Deposits held | (31,563) | (52,932) |
| | <u>\$ (376,783)</u> | <u>\$ (35,061)</u> |

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Notes to Financial Statements (continued)

Year ended April 30, 2021

10. 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"), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The Plan is accounted for as a defined contribution plan. The University's contributions to the Plan during the year amounted to \$737,877 (2020 - \$686,474) and are included in salary and benefits in the statement of operations. The most recent audited financial statements of the Plan as of August 31, 2020 indicate the plan has a funding shortfall of 3.73% (August 31, 2019 – shortfall of 5.69%) on a going concern basis.

11. Commitments and contingencies:

- (a) The University has committed to future minimum lease payments over the next five years for equipment as follows:

| | Operating leases |
|------|------------------------|
| 2022 | \$ 58,712 |
| 2023 | 31,912 |
| 2024 | 31,912 |
| 2025 | 25,552 |
| 2026 | 19,164 |
| | <hr/> \$ 167,252 <hr/> |

- (b) Pursuant to an agreement dated April 12, 1996 between the University, the University's Alumni Association and the University's Student Senate, the University is committed to provide the following:
- (i) an amount of \$206,800 to the Student/Recreation Facility Fund at the time of the next building expansion fundraising drive;
 - (ii) an amount of \$100,000 to the Student/Recreation Facility Fund when the Student/Recreation Facility breaks ground; and
 - (iii) an amount of \$504,798 student contributions with accumulated interest are invested in a GIC to be redeemed when the Student/Recreation Facility breaks ground.

The timing of these commitments is currently not determinable.

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Notes to Financial Statements (continued)

Year ended April 30, 2021

11. 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, 2021, \$nil of letters of credit (2020 - \$nil) has been drawn on the line of credit. This operating line of credit increases to \$3,000,000 for the months of June to August.

The direct advances drawn on the line of credit are due on demand and bear interest at the bank's prime rate plus 0.50%. Letters of credit or guarantees bear interest at 1.5% per annum. A general security agreement, a general assignment of book debts and a collateral mortgage providing a first fixed charge over land and buildings have been provided as collateral for the operating line of credit.

The University has \$150,000 (2020 - \$150,000) available by way of letter of credit in support of the Bachelor of Education program. This line bears interest at 1.00% per annum.

In addition, the University has \$100,000 (2020 - \$100,000) available by way of VISA business cards in support of operations.

- (d) Canadian Universities Reciprocal Insurance Exchange:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange ("CURIE"), a self-insurance cooperative comprised of approximately sixty Canadian universities and colleges. CURIE insures property damage, general liability and errors and omissions risks. If premiums collected are insufficient to cover expenses and claims, the University may be requested to pay additional amounts.

- (e) Certain claims exist against the University. These claims are not expected to have a material impact on the financial position or operating results of the University.
- (f) Construction is under way for a new multi-purpose resi

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Notes to Financial Statements (continued)

Year ended April 30, 2021

13. Internally restricted assets:

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Notes to Financial Statements (continued)

Year ended April 30, 2021

15. Impact of COVID-19: