Financial Statements of

REDEEMER UNIVERSITY

And Independent Auditors' Report thereon

Year ended April 30, 2022

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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, 2022
- 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, 2022, 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.

REDEEMER UNIVERSITY

Statement of Financial Position

Year ended April 30, 2022 with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 14,605,424	$ 11,025,141
Accounts receivable (note 2)	649,622	1,579,302
Inventory	197,034	105,002
Prepaid expenses and deposits	697,613	637,431
	16,149,693	13,346,876
Investments	-	510,000
Restricted investments (note 3(a))	6,220,855	4,853,584
Restricted assets (note 3(b))	150,000	150,000
Capital assets, net (note 4)	72,687,176	58,784,266
	$ 95,207,724	$ 77,644,726
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 2,278,708	$ 4,789,206
Deferred revenue	200,901	182,833
Deposits held	368,943	257,244
Current portion of long-term debt (note 6)	4,051,419	2,514,823
	6,899,971	7,744,106
Long-term debt (note 6)	24,382,585	12,343,725
Deferred contributions (note 7(a))	1,067,294	1,408,655
Deferred capital contributions (note 7(b))	19,653,245	15,524,559
	52,003,095	37,021,045
Net assets (deficiency):		
Unrestricted	3,653,159	(4,603,047)
Invested in capital assets (note 8)	31,830,615	35,113,422
Internally restricted (note 13)	1,500,000	5,259,722
Endowments (note 3(a))	6,220,855	4,853,584
	43,204,629	40,623,681
Commitments and contingencies (note 11)		
	$ 95,207,724	$ 77,644,726

See accompanying notes to financial statements.

On behalf of the Board:

Governor

Governor

REDEEMER UNIVERSITY

Statement of Operations

Year ended April 30, 2022 with comparative information for 2021

	2022	2021
Revenues:		
Net fees (tuition and residence)	$ 14,700,610	$ 12,281,046
Donations	6,031,544	5,404,580
Community use	1,223,089	528,493
Church support	912,618	994,631
Book sales	410,356	311,606
Grants	1,344,247	4,604,089

REDEEMER UNIVERSITY

Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2022 with comparative information for 2021

	Unrestricted	Invested in capital assets (note 8)	Internally restricted (note 13)	Endowments	2022 Total	2021 Total
Net assets (deficiency), beginning of year	$ (4,603,047)	$ 35,113,422	$ 5,259,722	$ 4,853,584	$ 40,623,681	$ 38,068,652
Excess (deficiency) of revenues over expenditures for the year	2,752,033	(1,538,356)	-	-	1,213,677	2,365,366
Change in investment in capital assets (note 8)	1,744,451	(1,744,451)	-	-	-	-
Endowment contributions, net of distributions (note 3 (a))	-	-	-	1,172,343	1,172,343	(143,825)
Net change in endowment investments (note 3 (a))	-	-	-	194,928	194,928	333,488
Transfer (note 13)	3,759,722	-	(3,759,722)	-	-	-
Net assets, end of year	$ 3,653,159	$ 31,830,615	$ 1,500,000	$ 6,220,855	$ 43,204,629	$ 40,623,681

See accompanying notes to financial statements.

REDEEMER UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2022 with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenditures	$ 1,213,677	$ 2,365,366
Items not affecting cash:		
Amortization of capital assets	2,304,440	1,762,563
Amortization of deferred capital contributions	(781,609)	(678,683)
Deferred contributions recognized as revenue (note 7(a))	(490,343)	(471,541)
Loss on disposal of capital assets	15,525	11,994
Net change in non-cash working capital balances related to operations (note 9)	(2,408,963)	(376,783)
	(147,273)	2,612,916
Investing and financing activities:		
Capital asset purchases (note 4)	(15,417,177)	(7,504,392)
Contributions and investment income restricted for capital purposes (note 7(b))	4,855,295	3,978,786

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.

(c) Revenue recognition:

Tuition and residence fees are recognized as revenue in the academic year to which they relate; accordingly, registration deposits and tuition fees for the following academic year are deferred.

Pledges are not recorded. Unrestricted contributions are recognized as revenue when received or receivable, as long as the amount can be estimated and collection is reasonably assured. Donations and grants received by the University for a specific purpose are recognized as revenue in the year to which they relate; accordingly, donations and grants related to future years are recorded as deferred revenue. Scholarship contributions are deferred until the year in which the scholarship is awarded.

Capital contributions received for the purpose of acquiring capital assets are deferred and amortized on the same basis, and over the same periods, as the related capital assets.

(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.

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.

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

Construction-in-progress is transferred to the appropriate asset category once the particular project is complete and amortization commences when the assets are ready for use.

The University assesses for partial impairment of capital assets annually. When circumstances indicate that the carrying amount of an asset may not be recoverable, an impairment loss is recognized as a non-reversible impairment expense.

(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.

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 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.

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2. Accounts receivable:

	2022	2021
Student accounts	$ 486,086	$ 418,790
Government subsidy receivable	-	1,061,680
Miscellaneous receivable	118,948	52,641
HST receivable	363,772	383,544
Student loans	94,342	110,398
	1,063,148	2,027,053
Less allowance for doubtful accounts	(413,526)	(447,751)
	$ 649,622	$1,579,302

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 various purposes established by the donors or 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.

Investment income on endowments that is available for spending at the discretion of the University or is available for spending under specific conditions has been recorded in the statement of operations.

Endowment investments consist of the following:

	2022	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 Un

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $21,336 (2021 - $20,248), which includes amounts payable for payroll related taxes.

6. Long-term debt:

Long-term debt consists of the following:

	2022	2021
Bonds (a)	$ 9,316,633	$ 9,975,187
Private loans (b)	4,493,939	4,708,361
Construction loan (c)	14,518,237	-
Forgivable loan from Sodexo bearing interest at 0%, forgiven in annual installments, maturing August 2026 (d)	220,000	175,000
	28,548,809	14,858,548
Financing costs (c)	(114,805)	-
	28,434,004	14,858,548
Less current portion	(4,051,419)	(2,514,823)
	$ 24,382,585	$ 12,343,725

(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 $15,000,000 in constant 2020 dollars. The Mortgage Trust Deed and consequently all bonds issued under it, mature in 2035. 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.

6. Long-term debt (continued):

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

	2022	2021
Series A	$ 3,650,895	$ 3,559,527
Series F	5,601,004	6,345,842
Interest accrued on bonds	64,734	69,818

7. Deferred contributions (continued):

Included in contributions received for capital purposes is an amount of $55,000 (2021 - $35,000) related to the forgiven portion of the Sodexo loan (see note 6(d)).

As at April 30, 2022, deferred capital contributions of $2,736,749 (2021 - $2,003,902) have been received but not spent.

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

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

	2022	2021
Net change in invested in capital assets:		
Purchase of capital assets	$ 16,222,875	$ 10,598,106
Amounts funded by deferred capital contributions	(4,177,448)	(2,596,114)
Amount funded by debt	(14,503,432)	-
Repayment of long-term debt	55,000	135,000
Issuance of bonds	(76,670)	(113,220)
Repayment of bonds	735,224	892,481
	$ (1,744,451)	$ 8,916,253
Deficiency of revenues over expenditures:		
Amortization of capital assets	$ (2,304,440)	$ (1,762,563)
Amortization of deferred capital contributions	781,609	678,683
Loss on disposal of capital assets	(15,525)	(11,994)
	$ (1,538,356)	$ (1,095,874)

9. Statement of cash flows:

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

	2022	2021
Accounts receivable	$ 929,680	$ (391,088)
Inventory	(92,032)	22,491
Prepaid expenses and deposits	(60,182)	(504,753)
Accounts payable and accrued liabilities	(3,316,196)	455,814
Deferred revenue	18,068	72,316
Deposits held	111,699	(31,563)
	$ (2,408,963)	$ (376,783)

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 $790,735 (2021 - $737,877) 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, 2021 indicate the plan has a funding surplus of 3.51% (August 31, 2020 – shortfall of 3.73%) on a going concern basis.

11. Commitments and contingencies:

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

	Operating leases
2023	$ 58,712
2024	31,912
2025	31,912
2026	19,164
	$ 141,700

(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 $515,903 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.

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, 2022, $nil of letters of credit (2021 - $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

13. Internally restricted assets:

The Board has internally restricted $1,500,000 (2021 - $5,259,722) for program and facility initiatives.

14. Financial risks:

(a) Currency risk:

The University is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the University makes purchases denominated in U.S. dollars. The University does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2021.

(b) 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. The University prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2021.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The University is exposed to credit risk with respect to the accounts receivable and student loans. The University assesses, on a continuous basis and accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(d) Interest rate risk:

The University is exposed to interest rate risk on its variable interest rate financial instruments. Further details about the investments are included in note 3 and variable rate debt in note 6.

REDEEMER UNIVERSITY