Financial Statements of

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

And Independent Auditors' Report thereon

Year ended April 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Collegium of The University of St. Michael's College

Opinion

We have audited the financial statements of The University of St. Michael's College (the Entity), which comprise:

- the balance sheet as at April 30, 2020
- the statement of revenue and expenses for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and 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 Entity 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 responsibilities 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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical 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.

Other Matter - Comparative Information

The financial statements for the year ended April 30, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 25, 2019.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibility 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 auditors' 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 risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 represents 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

September 23, 2020

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Balance Sheet
(In thousands of dollars)

April 30, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 1,610	$ 635
Accounts receivable (notes 10 and 15)	1,194	943
Prepaid expenses	147	169
	2,951	1,747
Investments (note 2)	118,020	118,204
Post-employment benefit asset (note 9)	3,439	3,479
Capital assets, net (note 3)	33,765	35,047
	$ 158,175	$ 158,477
Liabilities and Net Assets		
Current liabilities:		
Bank indebtedness (note 12)	$ 598	$ 5,918
Accounts payable and accrued liabilities (note 14)	3,881	3,185
Deferred revenue	3,566	249
Residence demand loans (note 13(a))	6,205	6,413
Capital expenditure loan (note 13(b))	3,365	3,592
Interest rate swap (note 13(a) and (b))	611	(17)
	18,226	19,340
Post-employment benefit liability (note 9)	5,056	5,812
Deferred contributions (note 6)	24,265	23,135
Deferred capital contributions (note 7)	11,791	12,342
	59,338	60,629
Net assets:		
Deficit	(6,127)	(6,901)
Invested in capital assets, net (note 4)	16,424	16,968
Endowments (note 8)	88,540	87,781
	98,837	97,848
Commitments and contingencies (note 16)		
Subsequent event (note 17)		
	$ 158,175	$ 158,477

See accompanying notes to financial statements.

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Statement of Revenue and Expenses
(In thousands of dollars)

Year ended April 30, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Student fees	$ 9,782	$ 9,507
Grants and donations (note 6)	4,998	5,443
Block grant from the University of Toronto (note 5)	6,804	6,241
Sales and services	2,659	2,548
Investment income (note 2(b))	691	1,786
Amortization of deferred capital contributions (note 7)	929	947
Formula grants from the Toronto School of Theology	299	183
Sundry income	1,025	883
	27,187	27,538
Expenses:		
Salaries and benefits	11,687	11,783
Materials and supplies	3,877	4,119
Cost of sales	2,881	3,124
Amortization of capital assets	2,672	2,641
Repairs and maintenance	383	622
Student awards	1,588	1,280
Utilities	1,217	1,181
Post-employment benefits	1,105	1,106
Interest (notes 12 and 13)	237	248
Other	209	216
	25,856	26,320
Net revenue	1,331	1,218
Change in fair value of interest rate swap (note 13(a) and (b))	(628)	(390)
Excess of revenue over expenses	$ 703	$ 828

See accompanying notes to financial statements.

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Statement of Changes in Net Assets
(In thousands of dollars)

Year ended April 30, 2020, with comparative information for 2019

	Deficit	Invested in capital assets	Endowments	Total
Net assets, April 30, 2018	$ (6,958)	$ 13,953	$ 86,565	$ 93,560
Excess of revenue over expenses	828	–	–	828
Remeasurements related to post-employment benefits	743	–	–	743
Endowment contributions	–	–	2,309	2,309
Allocation of investment income (note 2(b))	–	–	408	408
Internally invested restricted, net	(1,404)	1,404	–	–
Transfers to (from) internally restricted endowments	(110)	1,611	(1,501)	–
Net assets, April 30, 2019	(6,901)	16,968	87,781	97,848
Excess of revenue over expenses	703	–	–	703
Remeasurements related to post-employment benefits	(441)	–	–	(441)
Endowment contributions	–	–	2,920	2,920
Allocation of investment loss (note 2(b))	–	–	(2,193)	(2,193)
Internally invested restricted, net	682	(682)	–	–
Transfers to (from) internally restricted endowments	(170)	138	32	–
Net assets, April 30, 2020	$ (6,127)	$ 16,424	$ 88,540	$ 98,837

See accompanying notes to financial statements.

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended April 30, 2020, with comparative information for 2019

	2020	2019
Operating activities:		
Excess of revenue over expenses	$ 703	$ 828
Items not affecting cash:		
Donated investments	(177)	(237)
Amortization of deferred capital contributions	(929)	(947)
Amortization of capital assets	2,672	2,641
Change in fair value of interest rate swap	628	390
	2,897	2,675
Employee benefits expense related to post-employment benefit liability	1,033	1,193
Net change in non-cash balances related to operations (note 11)	4,914	388
Cash provided by operating activities	8,844	4,256
Investing activities:		
Net change in investments	(1,832)	1,295
Additions to capital assets	(1,390)	(6,765)
Cash used in investing activities	(3,222)	(5,470)
Financing activities:		
Decrease in bank indebtedness	(5,320)	(194)
Contributions restricted for capital purposes	378	1,772
Repayment of residence demand loans	(208)	(213)
Repayment of capital expenditure loan	(227)	(226)
Employer contributions related to post-employment benefit liability	(2,190)	(2,173)
Endowment contributions	2,920	2,309
Cash provided by (used in) financing activities	(4,647)	1,275
Increase in cash	975	61
Cash, beginning of year	635	574
Cash, end of year	$ 1,610	$ 635

See accompanying notes to financial statements.

The University of St. Michael's College (the "University") is a Catholic post-secondary educational and research institution federated with the University of Toronto. The University offers undergraduate courses in the arts and sciences through its Arts and Science Division, theological education of an academic and professional nature through its Faculty of Theology, and part-time special interest courses through its Continuing Education Division. Scholarships and bursaries are made available to qualifying students in order to promote academic excellence and to assist those students in financial need. A full residence programme is also offered to students in co-operation with Loretto College. The University is incorporated by an Act of the Ontario Legislature and is a registered charity under the Income Tax Act (Canada), as such is exempt from income taxes.

These financial statements do not include the accounts of St. Michael's College Foundation (the "Foundation"), which is a separate legal entity formed to encourage and promote education at the University (note 10).

1. Significant accounting policies:

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook - Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

(a) Revenue recognition:

The University follows the deferral method of accounting for contributions, which include government grants, bequests and other donations. Grants and bequests are recorded as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are initially deferred when recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for amortizable capital assets are deferred and amortized over the useful lives of the assets to which they relate. Externally restricted endowment contributions are recognized as direct increases in net assets in the year in which they are received.

1. Significant accounting policies (continued):

Student fees are recorded as revenue when courses and seminars are held. Sales and services revenue is recorded at the point of sale, when goods are shipped and title passes, or when services are provided.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, is recorded as revenue in the statement of revenue and expenses, except to the extent it is externally restricted, in which case it is added to or deducted from endowment net assets or other restricted balances.

(b) Cash and cash equivalents:

Cash and cash equivalents represent cash on deposit and short-term investments with a short term to maturity of approximately three months or less from the date of purchase unless they are held for investment purposes rather than for liquidity purposes, in which case they are classified as long-term investments.

(c) Financial instruments:

Investments are recorded at fair value based on the latest closing prices for equity investments and reported net asset value per unit for pooled funds. Short-term investments are recorded at cost plus accrued income, which approximates fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Alternative investments comprise investments in private equity pooled funds and are valued at the net asset value per unit reported by the fund manager, which represents fair value.

Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes to notional contract amounts, and are used to manage interest volatility on residence financing. Derivative contracts are recorded at fair value as an asset or liability based on quoted market prices or dealer quotes, with changes in fair value of the contract during the year being recorded in the statement of revenue and expenses.

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provision for impairment.

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their fair value at the date of contribution. Donations and grants for the acquisition of capital assets are recorded as deferred capital contributions on the balance sheet.

Financing costs relating to property undergoing major renovations are not capitalized until substantial completion of the renovations.

During the year, the University, prospectively, adopted the change in accounting standards Section 4433, Tangible Capital Assets Held by Not-for-Profit Organizations, which replaced Section 4431 of the CPA Canada Handbook Accounting Part III. This change required capital assets to be componentized according to their useful life, as a result newly acquired, constructed or developed capital assets will be categorized and amortized accordingly.

Amortization is calculated using the straight-line method with rates based on the estimated useful lives of the assets as follows:

Buildings and major renovations	15 to 40 years
Furniture and equipment	5 to 10 years
Library books	5 years
Computer equipment	3 years

1. Significant accounting policies (continued):

(e) Post-employment benefits:

The University maintains defined benefit plans providing pension, other retirement and post-employment health benefits for most of its employees and accounts for these using the immediate recognition approach. Under this approach, the University recognizes the amount of the accrued obligation net of the fair value of plan assets in the balance sheet. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net assets. The accrued liability for pension plans is determined based on an actuarial valuation report for funding purposes. This report is required to be prepared at least on a triennial basis by the applicable regulations. The pension plan's assets are measured at fair value as at the date of the balance sheet. The accrued liability for post-employment health benefits is prepared on a basis consistent with the funded pension plan. In those years where an actuarial valuation is not prepared, the University uses a roll-forward technique to estimate the accrued liability using assumptions from the most recent actuarial valuation report.

(f) Contributed materials and services:

Contributed materials and services are recorded at fair market value where such value can be reasonably estimated, and they are used in the normal course of operations and would otherwise have been purchased.

Contributed rare books, artwork and other collections are expensed in the year received.

(g) Foreign currency translation:

Investments denominated in foreign currencies are translated into Canadian dollars at the closing rate prevailing as at the balance sheet date. Purchases and sales of investments, revenue and expenses are recorded at the rate of exchange prevailing on the date of the transaction.

Gains or losses arising from these translations are included in net revenue except to the extent that they relate to investments, in which case they are recognized in the same manner as investment income (loss).

(In thousands of dollars)

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenue and expenses and disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include the assumptions used in the determination of the valuation of pension and post-employment health benefits and the recording of contingencies. Actual results could differ from those estimates.

2. Investments:

The University's investment portfolio consists of cash and cash equivalents and Canadian and global pooled equity funds. These investments are held for endowments and deferred contributions.

(a) Investments consist of the following:

	2020	2019
Cash and cash equivalents	$ 8,066	$ 2,831
Short-term investments	–	22,424
Pool funds units:		
Balanced	107,375	92,949
Real estate	2,579	–
	$ 118,020	$ 118,204

The 2019 short-term investments consisted of two guaranteed investment certificates of $22,243 and $181, bore interest at 2.5% and 2.1%, respectively, and matured in December 2019 and March 2020, respectively.

(In thousands of dollars)

2. Investments (continued):

(b) Investment income (loss) recorded in the statement of revenue and expenses is calculated as follows:

	2020	2019
Interest, dividends and pooled fund distributions	$ 3,191	$ 2,375
Gain realized on sale of investments	2,201	7,440
Change in unrealized gain on investments	(3,501)	(3,781)
	1,891	6,034
Less income (shortfall) allocated to:		
Deferred contributions (note 6)	3,393	3,840
Endowments (note 8(a))	(2,193)	408
	1,200	4,248
	$ 691	$ 1,786

3. Capital assets:

Capital assets consist of the following:

	2020		2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	$ 642	$ –	$ 642	$ –
Buildings and major renovations	62,369	30,812	61,613	28,925
Furniture and equipment	2,769	1,884	3,973	2,930
Library books	1,354	779	1,322	764
Computer equipment	282	176	373	257
	67,416	33,651	67,923	32,876
Less accumulated amortization	33,651		32,876	
Net book value	$ 33,765		$ 35,047	

Included in buildings and major renovations is work in progress of $231 (2019 - $295), which has not been amortized.

Fully amortized assets of $1,896 (2019 - $982) have been removed from cost and accumulated amortization as they are no longer in use.

(In thousands of dollars)

4. Invested in capital assets:

Invested in capital assets represent the amount of capital assets internally funded as follows:

	2020	2019
Capital assets, net	$ 33,765	$ 35,047
Less amounts financed by:		
Deferred capital contributions (note 7)	11,136	11,666
Residence demand loans (note 13(a))	6,205	6,413
	17,341	18,079
	$ 16,424	$ 16,968

5. Agreement with the University of Toronto:

Under an agreement with the University of Toronto, dated July 1, 2008, the tuition fees for students in the Faculty of Arts and Science are paid to the University of Toronto. In turn, the University of Toronto reimburses the University for certain operating costs through a block grant. This agreement is effective beginning July 1, 2008 for a period of 10 years and is renewed automatically unless either party serves notice of intention not to renew at least three years before the next renewal date. The agreement was automatically renewed July 1, 2018.

In addition, the University has entered into a separate operating agreement with the University of Toronto that provides for certain financial and accountability arrangements. The agreement is effective for a period of five years that began in June 2008 and was renewed automatically for another five years as neither party served notice of intention not to renew before the next renewal date. The agreement's automatic renewal term expired June 30, 2018. The University has continued to operate under the existing agreement.

(In thousands of dollars)

6. Deferred contributions:

Deferred contributions consist of externally restricted grants, donations and related investment income for scholarships, bursaries and other purposes. The changes in the deferred contributions balance are as follows:

	2020	2019
Balance, beginning of year	$ 23,135	$ 21,774
Contributions received during the year	1,992	1,877
Investment income (note 2(b))	3,393	3,840
Amounts recognized as grants and donations	(4,223)	(4,327)
Transfer to deferred capital contributions (note 7)	–	(800)
Transfer from (to) externally restricted endowments	(16)	771
Transfer to Operating	(16)	–
Balance, end of year	$ 24,265	$ 23,135

Grants and donations of $4,998 (2019 - $5,443) include revenue of $4,223 (2019 - $4,327) equal to related expenses incurred.

7. Deferred capital contributions:

The changes in the deferred capital contributions balance are as follows:

	2020	2019
Balance, beginning of year	$ 12,342	$ 11,517
Contributions restricted for capital purposes	378	972
Amortization of deferred capital contributions	(929)	(947)
Transfer from deferred contributions (note 6)	–	800
Balance, end of year	$ 11,791	$ 12,342

Consisting of:

	2020	2019
Contributions for which expenditures have been made	$ 24,550	$ 24,539
Accumulated amortization	(13,414)	(12,873)
	11,136	11,666
Contributions for which expenditures have not been made	655	676
	$ 11,791	$ 12,342

8. Endowments:

Endowments include restricted donations received by the University and donations designated by the Collegium in the exercise of its discretion as endowments, rather than as a result of externally imposed restrictions. In such cases, the Collegium may decide to remove the designation.

The endowment principal is required to be preserved. Investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Collegium. 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.

The University has adopted a policy on externally restricted endowments with the intent of providing more consistency of investment income made available to support donor-designated purposes, while continuing to protect the real value of the endowments. Investment income for the purposes of this policy includes interest, dividends and realized and unrealized gains and losses net of management fees. The amount of income currently made available for spending is based on the anticipated long-term real rate of return on investments of 4% of the sum of the opening market value of the endowment net assets plus one-half of new contributions during the year and is assessed periodically by the University. In addition, an amount is made available to cover the administrative expenses incurred by the University. In any particular year, if investment income exceeds the amount made available for spending, the excess will be recognized as a direct increase in endowment net assets and available for future use. In the event that net investment income is insufficient to fund the amount made available for spending, or the investment return is negative, the shortfall will be recognized as a direct decrease in endowment net assets.

(a) Endowments consist of the following:

	2020	2019
Externally restricted	$ 68,151	$ 67,257
Internally restricted	20,389	20,524
	$ 88,540	$ 87,781

8. Endowments (continued):

In 2020, $1,543 of net investment income was earned on endowment investments. Of the amounts made available for spending, $3,393 earned on externally restricted endowments was recorded in deferred contributions on the balance sheet and $342 earned on internally restricted endowments was recorded in the statement of revenue and expenses. An amount of $249 was made available to cover administrative expenses and was recorded in investment income in the statement of revenue and expenses.

The remaining allocated loss of $2,193 was recorded directly to endowment net assets.

In 2019, $5,680 of net investment income was earned on endowment investments. Of the amounts made available for spending, $3,840 earned on externally restricted endowments was recorded in deferred contributions on the balance sheet and $1,195 earned on internally restricted endowments was recorded in the statement of revenue and expenses. An amount of $237 made available to cover administrative expenses and was recorded in investment income in the statement of revenue and expenses. The excess amount of $408 was recorded directly in endowment net assets.

During the year, the use of $204 (2019 - $218) from internally endowed funds, and internal restrictions of $195 (2019 - $328) were approved by the Collegium or made in accordance with the approved policies of the University. In addition, the Collegium approved to move $138 from internally restricted endowments to deferred capital contributions and $169 from the unrestricted deficit to the endowments.

(b) Ontario Student Opportunity Trust Funds and Ontario Trust for Student Support

Included in externally restricted endowments are matching scholarship and bursary funds from the Government of Ontario and the University of Toronto related to the Ontario Student Opportunity Trust Funds ("OSOTF" and phases "OSOTFI" and "OSOFTII") and the Ontario Trust for Student Support ("OTSS"). The capital portion of the funds is externally restricted, and the income portion is used to support students in financial need. Expendable income earned is recorded in deferred contributions and recognized as revenue in the year in which related scholarship and bursary expenses are recognized.

(In thousands of dollars)

8. Endowments (continued):

The following is a summary of the change in the cost of these endowment funds for the year:

	OSOTFI	OSOTFII	OTSS	2020 Total	2019 Total
Balance, beginning of year	$ 8,682	$ 1,405	$ 4,635	$ 14,722	$ 14,147
Contributions received	8	–	8	16	337
Investment income (capital preservation)	146	23	79	248	238
Balance, end of year	$ 8,836	$ 1,428	$ 4,722	$ 14,986	$ 14,722

Included in deferred contributions are funds available for student support. The change in the cost of these expendable funds for the year is calculated as follows:

	OSOTFI	OSOTFII	OTSS	2020 Total	2019 Total
Balance, beginning of year	$ 3,058	$ 493	$ 1,563	$ 5,114	$ 4,491
Contributions received	–	–	–	–	32
Investment income	433	69	232	734	1,378
Bursaries awarded	(447)	(33)	(172)	(652)	(787)
Balance, end of year	$ 3,044	$ 529	$ 1,623	$ 5,196	$ 5,114

The fair value of the OSOTF Phase I endowment and expendable funds at year-end is $11,880 (2019 - $11,740). For the year ended April 30, 2020, there were 155 (2019 - 230) OSOTF Phase I award recipients.

(In thousands of dollars)

9. Post-employment benefits:

The University sponsors a number of defined benefit plans providing pension, other retirement and post-employment health benefits for most of its employees.

Pension benefit plans include the Retirement Plan of The University of St. Michael's College (the "Retirement Plan"), which is a contributory defined benefit pension plan, and a supplementary executive retirement plan. Substantially all employees of the University are members of the Retirement Plan. Employees who belong to a religious order are required to contribute 7.4% of their gross salary to the Retirement Plan. All other employees are required to contribute 5.9% of their gross salary up to the yearly maximum pensionable earnings plus 7.4% of their gross salary in excess of the yearly maximum pensionable earnings. The University is required to provide the balance of the funding, based on triennial actuarial valuations, necessary to ensure that benefits will be fully provided for at retirement.

Health benefit plans represent the cost of certain medical benefits available to employees on retirement from the University. Contributions for post-employment health benefits are funded by the University and the retiree based on current premium rates.

The University measures its accrued benefit obligations and the fair value of plan assets as at April 30 of each year. The most recent actuarial valuations of the pension plans' and post-employment benefit plans were as at January 1, 2020 and May 1, 2019, respectively.

Information about the University's defined benefit plans is as follows:

2020	Pension plans	Health benefits	2020 Total
Fair value of plan assets	$ 34,121	$ –	$ 34,121
Accrued benefit obligation	(30,682)	(5,056)	(35,738)
Funded status - plan surplus (deficit)	$ 3,439	$ (5,056)	$ (1,617)

2019	Pension plans	Health benefits	2019 Total
Fair value of plan assets	$ 33,861	$ –	$ 33,861
Accrued benefit obligation	(30,382)	(5,812)	(36,194)
Funded status - plan surplus (deficit)	$ 3,479	$ (5,812)	$ (2,333)

(In thousands of dollars)

10. St. Michael's College Foundation:

The University has an economic interest in the Foundation. The Foundation has total assets of $2,132 (2018 - $2,132), which is comprised of cash of $132 (2018 - $132) and investments, with no quoted market value of $2,000 (2018 - $2,000). As at December 31, 2019, the audited net assets of the Foundation were $1,971 (2018 - $1,974).

The University has an outstanding accounts receivable balance of $156 (2019 - $135) from the Foundation as at April 30.

11. Statement of cash flows:

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

	2020	2019
Sources (uses) of cash:		
Accounts receivable	$ (251)	$ (317)
Prepaid expenses	22	10
Accounts payable and accrued liabilities	696	(702)
Deferred revenue	3,317	36
Deferred contributions	1,130	1,361
	$ 4,914	$ 388

12. Bank indebtedness:

The University has a revolving bank line of credit of $10,000 (2019 - $10,000). As at April 30, 2020, $598 of the bank line of credit was utilized (2019 - $5,918). The bank indebtedness is collateralized by a general security agreement. The University pays an interest rate of prime less 0.25% per annum. As at April 30, 2020, the effective rate on the University's line of credit was 2.20% (2019 - 3.7%).

13. Demand loans:

(a) The University entered into a $12,000 banking facility in 2001 to finance construction of the St. Joseph Street residence building. The facility was fully drawn in 2002 and is now in the process of being repaid. In 2017, the University entered into a new $6,854 credit facility for this demand loan, which consists of a demand instalment loan that is collateralized by a general security agreement. The University has the option to utilize one or more interest rate swaps to effectively fix the underlying interest rate on all or a portion of the loan for up to 10 years following the initial draw. As at April 30, 2020, $6,205 (2019 - $6,413) is outstanding in connection with this facility.

In April 2017, to reduce the risk of interest rate volatility on the residence loan, the University entered into an interest rate swap agreement whereby, commencing on April 21, 2017, the interest rate on $6,854 of the outstanding residence demand loan on that date was effectively fixed at 2.27% for a period of 10 years. As at April 30, 2020, this floating rate of interest was 0.60% (2019 - 1.98%). The University may repay the loan at any time; however, a settlement amount may be due from or receivable by the University. The interest rate swap does not qualify for hedge accounting. Accordingly, the change in the fair value of the interest rate swap, a loss of $432 (2019 - loss of $269) is recorded in the statement of revenue and expenses.

(b) On July 7, 2017, the University entered into a $4,000 demand instalment loan to finance capital projects, which is collateralized by a general security agreement. The University has the option to utilize one or more interest rate swaps to effectively fix the underlying interest rate on all or a portion of the loan for up to 10 years following the initial draw. As at April 30, 2020, $3,365 (2019 - $3,592) is outstanding in connection with this facility.

In July 2017, to reduce the risk of interest rate volatility on the loan, the University entered into an interest rate swap agreement whereby, commencing on July 10, 2017, the interest rate on $4,000 of the outstanding loan on that date was effectively fixed at 2.68% for a period of 10 years. As at April 30, 2020, this floating rate of interest was 0.60% (2019 - 1.98%). The University may repay the loan at any time; however, a settlement amount may be due from or receivable by the University. The interest rate swap does not qualify for hedge accounting. Accordingly, the change in the fair value of the interest rate swap, a loss of $196 (2019 - loss of $121) is recorded in the statement of revenue and expenses.

14. Government remittances payable:

As at April 30, 2020, accounts payable and accrued liabilities include government remittances payable of nil (2019 - $18).

15. Financial instruments:

The University is subject to various financial risks through transactions in financial instruments.

Other than as disclosed in note 17, there have been no changes in the financial instruments risks as compared to the prior year.

(a) Credit risk:

The University is exposed to credit risk in connection with its accounts receivable and its fixed-income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Accounts receivable are recorded net of an allowance for doubtful accounts of $8 (2019 - $19).

(b) Currency risk:

The University is exposed to currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

(c) Other price risk:

The University is exposed to other price risk through changes in market prices (other than changes arising from interest rate risk or currency risk) in connection with its investments in pooled funds.

(d) Liquidity risk:

The University is exposed to liquidity risk to the extent that it will encounter difficulty in meeting obligations associated with its financial instruments.

15. Financial instruments (continued):

(e) Market and interest rate risk:

This arises from the possibility that changes in market prices and rates will affect the value of financial instruments. Accounts receivables and accounts payable are not subject to significant market risk. The University manages the market risk of its investment portfolio by investing in pooled funds in a widely diversified group of asset classes managed by external investment managers. The College monitors the performance of investment managers and their compliance with investment policies on a regular basis.

16. Commitments and contingencies:

The University is a member of a reciprocal exchange of insurance risks in association with over 60 other Canadian universities and colleges. This self-insurance co-operative, the Canadian Universities Reciprocal Insurance Exchange ("CURIE"), involves a contractual agreement to share the insurable property and liability risks of member universities.

The projected cost of claims is funded through members' premiums based on actuarial projections. CURIE has obtained reinsurance from commercial insurers to cover claims in excess of $5,000 to a maximum of $250,000 per occurrence for property losses and claims in excess of $5,000 to a maximum of $50,000 per occurrence for liability and errors and omissions losses. In the event premiums are not sufficient to cover claims settlements, the member universities would be subject to assessments in proportion to their participation.

As a member of CURIE, the University will share in the claims and expenses incurred during the five-year underwriting period commencing July 1, 2018. As at December 31, 2019, the latest date that financial statements are available, CURIE had subscribers' equity of $90,200 for the current underwriting period.

17. Subsequent event:

On March 11, 2020, the World Health Organization declared the coronavirus ("COVID-19") as a global pandemic. This resulted in governments, local and worldwide, to enact emergency measures to combat the spread of the virus. The measures include travel restrictions in and out of Canada, barring gathering of people and requirements to stay at home. These restrictions impacted the operations of the University and resulted in the closure of physical premises of all post-secondary institutions.

17. Subsequent event (continued):

The University continued to operate remotely during COVID-19. The adverse effects on the University's business and financial and operational performance are uncertain and difficult to assess. The financial impacts will depend on future developments, including the duration, spread and severity of the outbreak and physical distancing requirements. The University will evaluate and adjust operations as appropriate.

As of April 30, 2020, the University did not have significant adjustments to reflect the possible future impact of COVID-19. Investments are recorded at fair value which included the impact on financial markets as at year-end and extra emphasis was put on the collectability of receivables and other estimates within the financial statements as at April 30, 2020.