

Renison University College

Financial Statements
April 30, 2016



September 14, 2016

Independent Auditor's Report

To the Board of Governors of Renison University College

We have audited the accompanying financial statements of Renison University College, which comprise the statement of financial position as at April 30, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Renison University College as at April 30, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Renison University College

Statement of Financial Position

As at April 30, 2016

	2016 \$	2015 \$ (note 14)
Assets		
Current assets		
Cash	4,923,522	5,970,317
Accounts receivable (note 3)	204,463	478,883
Prepaid expenses	117,245	80,964
	<u>5,245,230</u>	<u>6,530,164</u>
Investments		
Capital assets (notes 4 and 9)	2,458,432	2,506,558
	<u>31,878,552</u>	<u>30,514,961</u>
	<u>39,582,214</u>	<u>39,551,683</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	697,099	2,488,496
Student deposits and fee advances	871,386	1,190,476
Accrued vacation pay	293,565	309,220
Due to University of Waterloo (note 11)	1,462,416	1,878,830
Current portion of long-term debt (note 9)	2,958,454	5,730,040
	<u>6,282,920</u>	<u>11,597,062</u>
Long-term note payable (note 8)	222,491	389,360
Long-term debt (note 9)	8,346,492	3,840,616
Deferred contributions (note 5)	3,321,126	3,557,148
Employee future benefits obligation (note 7)	2,544,699	3,022,033
	<u>20,717,728</u>	<u>22,406,219</u>
Net assets		
Unrestricted net assets	(2,641,087)	(7,122,226)
Internally restricted net assets (note 13)	1,241,743	3,851,253
Internally restricted net assets - research (note 13)	178,833	125,111
Investment in capital assets (note 6)	17,397,838	17,505,550
Endowment funds	2,687,159	2,785,776
	<u>18,864,486</u>	<u>17,145,464</u>
	<u>39,582,214</u>	<u>39,551,683</u>

Approved by the Board

Governor

Governor

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

Renison University College

Statement of Operations

For the year ended April 30, 2016

	2016 \$	2015 \$
Revenue		
Government grants	4,915,047	4,939,429
Tuition	10,224,283	9,816,576
Residence fees	2,518,842	2,677,549
Donations	239,783	136,087
Chapel donations	46,134	45,497
Conferences	115,006	19,757
Interest and investment income	140,512	208,700
Amortization of deferred research grant contributions (note 5)	502,640	542,249
Amortization of deferred capital contributions (notes 5 and 6)	95,940	90,600
Ancillary income	1,063,081	659,358
	<u>19,861,268</u>	<u>19,135,802</u>
Expenses		
Salaries, wages and benefits	12,459,700	11,209,794
Research	66,846	43,740
Catering and laundry	887,591	948,499
University services (note 11)	1,336,335	1,313,447
Repairs and maintenance	607,834	523,478
Library and academic support costs	29,913	29,555
Chapel	12,486	9,533
Utilities	256,152	288,339
Promotion and public relations	82,084	103,605
Scholarships	278,753	233,127
Office supplies and telephone	301,181	286,966
Interest on long-term debt	405,227	320,764
Other interest and bank charges	17,666	16,549
Registrar	39,281	36,730
Development	81,881	68,418
Professional fees	74,087	128,047
Insurance	85,358	71,233
Other	654,881	677,808
Amortization of capital assets	1,101,642	718,388
	<u>18,778,898</u>	<u>17,028,020</u>
Excess of revenues over expenses before undernoted	1,082,370	2,107,782
Loss on disposal of capital assets	<u>(136,485)</u>	<u>-</u>
Excess of revenues over expenses	<u>945,885</u>	<u>2,107,782</u>

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

Renison University College

Statement of Changes in Net Assets

For the year ended April 30, 2016

						2016	2015
	Unrestricted net assets \$	Internally restricted net assets \$	Internally restricted net assets - research \$	Investment in capital assets \$	Endowment fund \$	Total \$	Total \$ (note 14)
Net assets - Beginning of year	(7,122,226)	3,851,253	125,111	17,505,550	2,785,776	17,145,464	14,407,185
Excess of revenues over expenses	2,159,295	7,042	(21,278)	(1,142,187)	(56,987)	945,885	2,107,782
Change in remeasurement of accrued employee benefits obligation	814,767	-	-	-	-	814,767	531,316
Change in investment in capital assets	(1,034,475)		-	1,034,475	-	-	-
Interfund transfers	2,541,552	(2,616,552)	75,000	-	-	-	-
Endowment - fair market value adjustments on investments	-	-	-	-	(102,575)	(102,575)	57,117
Endowment contributions	-	-	-	-	60,945	60,945	42,064
Balance - End of year	(2,641,087)	1,241,743	178,833	17,397,838	2,687,159	18,864,486	17,145,464

Renison University College

Statement of Cash Flows

For the year ended April 30, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses	945,885	2,107,782
Items not affecting cash		
Amortization of capital assets	1,101,642	718,388
Amortization of deferred contributions (note 5)	(598,580)	(632,849)
Gain (loss) on investments	(102,575)	57,118
Loss on disposal of capital assets	136,485	-
Change in remeasurement of employee future benefit obligation	814,767	531,316
Changes in non-cash operating working capital	(2,781,751)	3,185,117
	<u>(484,127)</u>	<u>5,966,872</u>
Investing activities		
Purchase of capital assets	(2,601,718)	(11,206,696)
(Decrease) increase in investments	48,126	(67,579)
Deferred contributions (note 5)	362,558	820,308
Endowment contributions	60,945	42,064
	<u>(2,130,089)</u>	<u>(10,411,903)</u>
Financing activities		
Repayment of long-term debt	(701,807)	(941,994)
Advance of long-term debt	2,436,097	5,533,507
Long-term note payable	(166,869)	556,228
	<u>1,567,421</u>	<u>5,147,741</u>
(Decrease) increase in cash	(1,046,795)	702,710
Cash - Beginning of year	<u>5,970,317</u>	<u>5,267,607</u>
Cash - End of year	<u>4,923,522</u>	<u>5,970,317</u>

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

Renison University College

Notes to Financial Statements

April 30, 2016

1 Nature of operations

Renison University College (“Renison”) was founded as a result of the efforts of Anglican laity in Kitchener and Waterloo and under the authority of the Synod of the Diocese of Huron. It was incorporated on January 14, 1959, by a charter of the Province of Ontario. Renison continues to enjoy support from the community and, in particular, from within the Diocese.

Renison was named in memory of Robert John Renison, 1875-1957, a former Metropolitan of Ontario and Archbishop of Moosonee. On July 1, 1960, it entered an affiliation with the University of Waterloo with the right to offer courses and programs in Arts and the Social Sciences for credit towards the Bachelor of Arts degree of the University of Waterloo.

These financial statements reflect the assets, liabilities, net assets, revenues and expenses and other transactions of all operations of Renison. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants, donations and other miscellaneous revenue.

Renison is a charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with the Canadian Institute of Chartered Professional Accountants of Canada Handbook Part III - Canadian accounting standards for not-for-profit organizations.

Unrestricted net assets

The unrestricted net assets present the academic, administrative and other operating activities of Renison.

Internally restricted net assets

The internally restricted net assets presents the funds restricted for both capital maintenance projects and new construction projects. In the current year \$nil (2015 - \$715,556) has been restricted for new construction projects.

Investment in capital assets

The investment in capital assets presents the funds received and expended on capital assets.

Renison University College

Notes to Financial Statements

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Endowment funds

Contributions restricted for endowment purposes consist of restricted donations received by Renison and donations internally designated by the Board of Governors. The endowment principal is to be permanently maintained. The investment income generated from endowments must be used for the purposes designated by the donors or Board of Governors. Renison ensures that all funds received for restricted purposes are expended for those purposes for which they were provided.

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. Renison has elected to carry all investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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, Renison determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial assets. 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 Renison expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Investments and interest income

Investment income consists of distributions on the investments held by the University of Waterloo endowment fund and interest received on cash balances. Interest income is recorded as interest income in the statement of operations and changes in the fair values of the investments are recorded in the appropriate fund to which the investments relate.

Revenue recognition

Renison follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted and internally restricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured. The perpetual fund is an internally restricted fund for spending at the discretion of the Board of Governors. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenses are recognized. Endowment contributions are recognized as a direct increase in net assets in the period in which they are received.

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Notes to Financial Statements

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Tuition and other academic fees are recorded as income on the accrual basis of accounting. All fees that relate to an academic term occurring within the fiscal year are included as income. Fees billed and collected that relate to academic terms commencing after the end of the fiscal year are included in "Student deposits and fee advances".

Sales, service and other income are recognized at point of sale or when the service has been provided.

Capital assets

Capital assets include the original cost of buildings, grounds and roads, trucks and equipment, furniture and fixtures. Interest incurred on major buildings during the period of construction is not capitalized and included in the cost of the building. Land acquired prior to May 1, 2011 is recorded at deemed cost, being its fair value at May 1, 2011, the transition date to Canadian accounting standards for not-for-profit organizations.

Repairs and maintenance costs are charged to expense as incurred. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to Renison's ability to provide services, its carrying amount is written down to its residual value.

Amortization on capital assets is recorded on the following basis:

	Basis	Rate
Buildings	Declining balance and straight-line	4% to 40 years
Grounds and roads	Declining balance	4%
Trucks and equipment	Straight-line	10 years
Furniture and fixtures	Straight-line	5 - 15 years

The art collection is recorded at cost and is not amortized.

Contributions received from capital assets are deferred in the accounts and amortized over the same term on the same basis as the related capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

Employee future benefits

Renison's employees are covered by a defined benefit based pension plan, which forms part of the combined pension plans of the University of Waterloo and other related colleges. Renison also sponsors a defined benefit plan that provides non-pension post-retirement and post-employment benefits, such as extended health care and life insurance coverage, to eligible employees.

Renison uses the immediate recognition approach to account for its defined benefit plans. Renison accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the benefit. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on services. This method involves the use of the market interest rate at the measurement date on high-quality debt instruments for the discount rate and management's best estimates

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regarding assumptions about retirement age, termination rates, mortality rates and expected health care costs. The expected long-term return on pension plan assets is calculated using market-related asset values. The most recent actuarial valuation of the benefit plans for funding purposes was as of April 3, 2014.

Renison recognizes the accrued benefit obligations net of the fair value of any plan assets adjusted for any valuation in the balance sheet at the end of the year. The cost of the plan, comprising (i) changes in the accrued benefit obligation other than those resulting from benefit payments to plan members and net of any employee contributions, and (ii) the actual return on plan assets.

Actuarial gains (losses) on plan assets and past service costs arising from plan amendments are immediately recognized into unrestricted net assets referred to as plan investments at the date of the amendment.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and obligations related to employee future benefits. Actual results could differ from those estimates.

Derivative financial instruments

Renison is subject to interest rate cash flow risk with respect to its floating rate debt. Renison has addressed this risk by entering into interest rate swap agreements that fix the interest rates over the terms of the debt. Renison follows hedge accounting for its interest rate swaps. In order for a derivative to qualify for hedge accounting, the hedge relationship must be identified, designated and formally documented at its inception and reviewed annually for continued effectiveness. In the event that the interest rate swap agreement is terminated or ceases to be effective in part or in whole prior to maturity any associated realized or unrealized gain or loss is recognized in income. In the event that the designated debt is extinguished or matures prior to the termination of the related interest rate swap agreement any realized or unrealized gain or loss is recognized in income.

Contributed material and services

Contributed material and services are only recorded in the financial statements when a fair value can reasonably be estimated and they are used in the normal course of operations.

Pledge receivable

Donations are not recorded in the financial statements until funds are received.

Renison University College

Notes to Financial Statements

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3 Accounts receivable

	2016 \$	2015 \$
Students	149,116	188,665
Sales tax receivable	45,014	247,572
Other	10,919	44,654
	<hr/> 205,049	<hr/> 480,891
Less: Allowance for doubtful accounts	586	2,008
	<hr/> <hr/> 204,463	<hr/> <hr/> 478,883

4 Capital assets

	2016		
	Cost \$	Accumulated amortization \$	Net \$
Land	7,680,000	-	7,680,000
Buildings	28,806,450	5,880,978	22,925,472
Grounds and roads	11,045	3,280	7,765
Furniture and fixtures	2,636,444	1,532,329	1,104,115
Artwork	161,200	-	161,200
	<hr/> 39,295,139	<hr/> 7,416,587	<hr/> 31,878,552

	2015		
	Cost \$	Accumulated amortization \$	Net \$
Land	7,680,000	-	7,680,000
Buildings	26,644,271	5,039,125	21,605,146
Grounds and roads	134,092	77,363	56,729
Furniture and fixtures	2,805,906	1,794,020	1,011,886
Artwork	161,200	-	161,200
	<hr/> 37,425,469	<hr/> 6,910,508	<hr/> 30,514,961

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5 Deferred contributions

Deferred contributions represent restricted contributions with which capital assets are to be purchased, certain restricted research funds shown as research grants, and funds to support the development and implementation of new programs being introduced at Renison. The changes in the deferred contributions balance during the year are as follows:

	2016 \$	2015 \$
Balance - Beginning of year	3,557,148	3,369,689
Add: Contributions		
Amounts related to future years	362,558	820,308
Deduct: Contributions		
Amounts amortized to revenue	(598,580)	(632,849)
Balance - End of year	<u>3,321,126</u>	<u>3,557,148</u>

Included in the balance, end of year, are amounts that were received in contributions but were not yet expended of \$534,717 (2015 - \$674,799) of which relates to research funding, and program support costs.

6 Investment in capital assets

	2016 \$	2015 \$
Capital assets, net	31,878,552	30,514,961
Less: Amounts financed by long-term debt, long-term note payable and construction credit facility	(11,694,305)	(10,127,062)
Unamortized deferred contributions	(2,786,409)	(2,882,349)
Balance - End of year	<u>17,397,838</u>	<u>17,505,550</u>

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Notes to Financial Statements

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The change in investment in capital assets is as follows:

	2016	2015
	\$	\$
Repayment of long-term debt and note payable	868,854	941,994
Advances of long term debt and note payable	(2,436,097)	(6,089,914)
Purchase of capital assets	2,601,718	11,206,696
Deferred contributions received for capital assets	-	(199,340)
	<hr/>	<hr/>
Change in investment in capital assets	1,034,475	5,859,436
Amortization of capital assets	(1,101,642)	(718,388)
Amortization of deferred capital contributions	95,940	90,600
Loss on disposal of capital assets	(136,485)	-
	<hr/>	<hr/>
Net increase (decrease) in investment in capital assets	<u>(107,712)</u>	<u>5,231,648</u>

7 Employee future benefits liability

Renison has a defined benefit plan that provides pension and non-pension post-retirement and post-employment benefits to eligible employees.

Renison's employees are covered by a defined benefit based pension plan, which forms part of the combined pension plans of the University of Waterloo and other related colleges.

The University maintains an unregistered non-contributory defined benefit private payroll pension plan and post-employment non-pension benefits for most of its employees.

The unregistered non-contributory defined benefit private payroll pension plan fund will increase annually by charging the employee benefits line of the statement of operations. The first unregistered pension plan payment was made on July 1, 2002.

The accrued benefit obligations were determined by independent actuaries as at January 1, 2016.

As determined by an actuarial valuation, information about employee future benefit liabilities is as follows:

	2016	2015
	\$	\$
Post-employment non-pension accrued benefit obligation	2,543,000	2,933,000
Pension plan defined benefit obligation	1,699	89,033
	<hr/>	<hr/>
Employee future benefits liability	<u>2,544,699</u>	<u>3,022,033</u>

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The significant actuarial assumptions adopted in measuring Renison's accrued benefit obligation and benefit expense are as follows:

	2016		2015	
	Pension benefit plan %	Other benefit plans %	Pension benefit plan %	Other benefit plans %
Discount rate	5.70	5.70	5.75	5.75
Rate of compensation increase	4.00	4.00	4.00	4.00
Rate of inflation	2.00	2.00	2.00	2.00

The benefits paid to or for employees in the University's defined benefit based pension plan within the University of Waterloo's multi-employer pension plan for the year ended April 30, 2016, were \$654,869 (2015 - \$574,095). The expense incurred and contributions made to this multi-employer plan were \$866,832 (2015 - \$767,438).

8 Long term note payable

The following is a schedule of payments to be made in accordance with the long-term note payable balance:

	\$
2017	166,868
2018	166,868
2019	55,623
	<hr/>
	389,359
	<hr/>

Included in accounts payable and accrued liabilities is the current portion of \$166,868 (2015 - \$167,047).

Renison University College

Notes to Financial Statements

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9 Long-term debt

	2016	2015
	\$	\$
TD		
Demand Interim Construction Facility with interest rates of prime based loans of prime less 0.75% plus bank acceptances of 0.75%, converted into mortgage payable at the completion of construction phase of Building #7		