Financial Statements of

RENISON UNIVERSITY COLLEGE

And Independent Auditors' Report thereon

Year ended April 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Renison University College

Opinion

We have audited the financial statements of Renison University College (the Entity), which comprise:

- the statement of financial position as at April 30, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets 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 and other explanatory information

  (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, is 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.

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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

- 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 represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
October 30, 2020

RENISON UNIVERSITY COLLEGE

Statement of Financial Position

April 30, 2020, with comparative information for 2019

		2020		2019
Assets				
Current assets:				
Cash	$	5,941,243	$	9,009,317
Accounts receivable (note 2)		142,778		93,688
Due from University of Waterloo (note 5)		583,262		168,474
Prepaid expenses		156,177		122,104
Inventories		12,652		13,968
		6,836,112		9,407,551
Investments		2,546,212		2,552,451
Capital assets (note 3)		32,934,272		30,707,100
	$	42,316,596	$	42,667,102
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 4)	$	525,408	$	713,201
Student deposits and fee advances		650,159		1,379,242
Due to University of Waterloo (note 5)		1,555,248		1,482,235
Current portion of long-term debt (note 6)		2,358,526		2,607,955
		5,089,341		6,182,633
Long-term debt (note 6)		8,895,577		7,006,184
Deferred contributions (note 8)		2,939,952		3,042,580
Employee future benefits (note 9)		2,224,050		2,924,548
		14,059,579		12,973,312
		19,148,920		19,155,945
Net assets:				
Unrestricted net assets		1,422,332		1,390,523
Internally restricted - capital		274,199		1,239,064
Internally restricted - other (note 10)		938,082		1,631,066
Internally restricted - employee future benefits		(1,627,081)		(2,327,579)
Investment in capital assets (note 11)		19,265,158		18,575,694
Endowment funds		2,894,986		3,002,389
		23,167,676		23,511,157
Commitments (note 13)				
	$	42,316,596	$	42,667,102

See accompanying notes to financial statements.

On behalf of the Board:

Ashton Romney Governor

Brian Headley Governor

RENISON UNIVERSITY COLLEGE

Statement of Operations

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

	2020	2019
Revenue:		
Government grants	$ 5,337,460	$ 5,496,559
Tuition	12,420,290	13,824,416
Residence fees	2,751,180	2,755,873
Food services sales	1,008,566	1,047,598
Donations	75,508	95,560
Chapel donations	45,436	44,598
Conferences	33,192	68,258
Interest and investment income	278,213	415,902
Amortization of deferred research grant contributions (note 8)	341,195	374,704
Amortization of deferred capital contributions (note 8)	102,256	91,720
Miscellaneous income	1,166,920	648,746
	23,560,216	24,863,934
Expenses:		
Salaries, wages and benefits	17,691,655	16,864,248
University services (note 5)	1,473,457	1,503,052
Amortization of capital assets	1,141,700	1,078,800
Contracted services	935,103	1,088,721
Office, general and admin	687,331	558,678
Scholarships	411,319	368,345
Interest and bank charges	397,153	408,609
Food service purchases	375,005	479,675
Repairs and maintenance	344,517	361,564
Promotion and public relations	317,775	311,454
Student activities	309,576	278,505
Professional fees	276,676	194,102
Utilities	190,177	339,471
Other	145,022	59,192
Library and academic support costs	127,045	135,667
Insurance	109,664	98,055
Research	36,475	69,866
	24,969,650	24,198,004
Excess (deficiency) of revenue over expenses before the undernoted	(1,409,434)	665,930
Loss on disposal of capital assets	-	(7,043)
Excess (deficiency) of revenue over expenses	$ (1,409,434)	$ 658,887

See accompanying notes to financial statements.

RENISON UNIVERSITY COLLEGE

Statement of Changes in Net Assets

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

	Unrestricted	Internally restricted - capital	Internally restricted - other	Internally restricted - employee future benefits	Investment in capital assets	Endowment fund	Total 2020	Total 2019
Balance, beginning of year	$1,390,523	$ 1,239,064	$1,631,066	$ (2,327,579)	$18,575,694	$ 3,002,389	$ 23,511,157	$ 22,657,929
Excess (deficiency) of revenue over expenses	795,852	-	(692,984)	(371,694)	(1,039,444)	(101,164)	(1,409,434)	658,887
Investment in capital assets (note 11)	(1,728,908)	-	-	-	1,728,908	-	-	-
Interfund transfers (note 10)	964,865	(964,865)	-	-	-	-	-	-
Remeasurement of employee future benefits	-	-	-	1,072,192	-	-	1,072,192	172,198
Endowment - fair market value adjustment on investments	-	-	-	-	-	(14,564)	(14,564)	14,593
Endowment contributions	-	-	-	-	-	8,325	8,325	7,550
Balance, end of year	$1,422,332	$ 274,199	$ 938,082	$ (1,627,081)	$19,265,158	$ 2,894,986	$ 23,167,676	$ 23,511,157

See accompanying notes to financial statements.

RENISON UNIVERSITY COLLEGE

Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ (1,409,434)	$ 658,887
Items not involving cash:		
Amortization of capital assets	1,141,700	1,078,800
Amortization of deferred contributions (note 8)	(443,451)	(466,424)
Employee future benefits expense	447,794	425,896
Loss on disposal of capital assets	-	7,043
Change in non-cash operating working capital	(1,308,688)	385,488
Contributions to employee future benefits	(76,100)	(86,100)
	(1,648,179)	2,003,590
Investing activities:		
Purchase of capital assets	(3,400,682)	(1,767,690)
Purchase of investments, net	(8,325)	(7,550)
	(3,409,007)	(1,775,240)
Financing activities:		
Repayment of long-term debt	(560,036)	(572,645)
Advance of long-term debt	2,200,000	-
Deferred contributions received (note 8)	340,823	250,059
Endowment contributions	8,325	7,550
	1,989,112	(315,036)
Decrease in cash	(3,068,074)	(86,686)
Cash, beginning of year	9,009,317	9,096,003
Cash, end of year	$ 5,941,243	$ 9,009,317
Non-cash items:		
Change in accounts payable and accrued liabilities related to capital asset additions	$ 31,810	$ 56,870

See accompanying notes to financial statements.

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 programmes in Arts and the Social Sciences for credit towards the Bachelor of Arts degree from 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 registered charity under Section 149 of the Income Tax Act (Canada) and, is therefore, exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants Handbook Part III - Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

(a) 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. 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.

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

1. Significant accounting policies (continued):

(b) 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 (or effective interest rate 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 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 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.

(c) 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.

(d) Capital assets:

Capital assets include the original cost of buildings, grounds and roads, trucks and equipment, furniture and fixtures, which includes capitalized interest incurred on major buildings during the period of construction. 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.

1. Significant accounting policies (continued):

(d) Capital assets (continued):

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 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:

Asset	Basis	Rate
Buildings	Declining balance and straight-line	4% or 40 years
Grounds and roads	Declining balance and straight-line	4% or 15 years
Trucks and equipment	Straight-line	10 years
Furniture and fixtures	Straight-line	3-15 years

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.

(e) Employee future benefits:

Renison's employees are covered by a defined benefit based pension plan, which forms part of the multiemployer defined benefit pension plan of the University of Waterloo and other related colleges. Under this plan the University of Waterloo establishes the contribution rate on an annual basis. The most recent actuarial valuation was as of January 1, 2020, and the next required valuation will be as of January 1, 2023. Canadian accounting standards for not-for-profit organizations require that a multiemployer plan be accounted for following the standards for a defined contribution plan where insufficient information is available to determine the proportionate share of the plan assets required to account for as a defined benefit plan. The total overall plan surplus (deficit) for the University of Waterloo multiemployer plan is as follows:

		2020		2019
Fair value of plan assets	$	1,878,568,000	$	1,843,418,000
Accrued benefit obligation		2,054,055,000		1,877,084,000
Plan surplus (deficit)	$	(175,478,000)	$	(33,666,000)

1. Significant accounting policies (continued):

(e) Employee future benefits (continued):

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 this plan. Renison accrues its obligations under this plan as the employees render the services necessary to earn the benefits. The actuarial determination of the accrued benefit obligations for non-pension post-retirement 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 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 net actuarial gain or loss is amortized on a straight-line basis over the average remaining service life of the active employees calculated using the corridor method.

The most recent actuarial valuation of the benefit plans for funding purposes was as of January 1, 2020, and the next required valuation will be as of January 1, 2023.

Renison recognizes the accrued benefit obligations for the non-pension post-retirement plan net of the fair value of any plan assets adjusted for any valuation allowance 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; (ii) the actual return on plan assets; and (iii) the change in the valuation allowance is recorded in income.

Actuarial gains (losses) on plan assets and past service costs arising from plan amendments are immediately recognized into income at the date of the amendment.

(f) 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 term 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 gain or loss is recognized in income.

The fair value of the interest rate swaps at the year-end date are disclosed in the notes to the financial statements. The fair value of derivative financial instruments reflects the daily quoted market amount of those instruments. Investment dealer quotes or quotes from a bank are available for Renison's derivative financial instruments.

1. Significant accounting policies (continued):

(g) 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.

(h) Pledges receivable:

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

(i) 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.

(j) New accounting standards:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions- Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of three new handbook sections in the accounting standards for not-for-profit organizations - Part III of the Handbook (the "Handbook") as follows:

i. *Section 4433, Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of *Section 3061, Property Plant and Equipment* in the accounting standards for private enterprises - Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

ii. *Section 4434, Intangible assets held by not-for-profit organizations*, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expense should the net carrying value be higher than the asset's fair value or replacement cost.

1. Significant accounting policies (continued):

(j) New accounting standards (continued):

iii. *Section 4441, Collections held by not-for-profit organizations*, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019. The implementation of these changes had no impact on the financial statements.

2. Accounts receivable:

	2020	2019
Students	$ -	$ 10,926
Sales tax receivable	18,861	47,829
Other	123,917	34,933
	$ 142,778	$ 93,688

No allowance for impairment of accounts receivable has been recorded at April 30, 2020 (2019 - $nil).

3. Capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	$ 7,680,000	$ -	$ 7,680,000	$ 7,680,000
Buildings	32,930,177	9,435,392	23,494,785	21,241,542
Grounds and roads	846,336	98,819	747,517	803,770
Furniture and fixtures	2,662,263	1,650,293	1,011,970	981,788
	$ 44,118,776	$ 11,184,504	$ 32,934,272	$ 30,707,100

Included in furniture and fixtures is $25,060 (2019 - $56,614) of equipment purchased not yet installed and currently not being amortized.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $270 (2019 - $nil), which includes amounts payable for HST and payroll related taxes.

5. University of Waterloo:

Renison University College and the University of Waterloo are affiliated. Students of Renison are able to take courses at the University of Waterloo and vice versa. Students of Renison who complete their degree receive a University of Waterloo degree. Students of Renison are also able to use all the facilities of the University of Waterloo.

For Renison, the University of Waterloo processes its payroll, maintains its pension plan and its endowment funds, and collects and then remits its credit tuition and government grant payments.

The University of Waterloo charges Renison a fee for services and the use of its facilities by Renison students. For 2020, this fee was $1,473,457 (2019 - $1,503,052).

These activities result in amounts payable to or receivable from the University of Waterloo. As at April 30, 2020, the amount due to the University of Waterloo was $1,555,248 (2019 - $1,482,235) and the amount due from the University of Waterloo was $583,262 (2019 - $168,474).

All transactions are in the normal course of operations and are accounted for using the exchange amount. All amounts are non-interest bearing.

6. Long-term debt:

		2020		2019
TD:				
Committed term facility bearing interest at 2.75%, and monthly payments of $27,110, including principal and interest. The loan matures October 30, 2020. Principal repayments deferred until September 30, 2020.	$	4,140,089	$	4,313,844
Banker's acceptance bearing interest of 0.75%, due on demand, renewed on a monthly basis. Principal repayments deferred until October 5, 2020.		2,026,669		2,147,768
Banker's acceptance bearing floating interest plus 0.50%, due January 1, 2030, renewed on a monthly basis. Principal repayments deferred until October 1, 2020.		2,186,017		-
Bank of Montreal ("BMO"):				
Mortgages payable with interest rates ranging from the Canadian dealer offered rate plus 0.25% to 0.35%, maturities between October 1, 2027 and September 1, 2031 and monthly instalments between $11,930 and $24,151 (2019 - $11,680 and $24,214), including principal and interest. Subsequent to year-end, principal repayments deferred until December 1, 2020.		2,901,328		3,152,527
		11,254,103		9,614,139
Current portion of long-term debt		2,358,526		2,607,955
Long-term debt	$	8,895,577	$	7,006,184

Renison was granted a six month principal payment deferral on all TD debt to ease the financial burden resulting from the pandemic. Subsequent to year-end, Renison was granted a six month principal payment deferral on the outstanding BMO debt. The impact of these deferrals are reflected in the current portion of the long-term debt as of April 30, 2020.

During the year, Renison obtained term financing of $1,430,000 pursuant to its agreement with BMO dated April 7, 2020. The credit facility is intended to provide long-term financing of the building expansion for the School of Social Work. As of April 30, 2020, the outstanding balance on the term loan is $nil. The interest rate to be determined at the time of the advance.

6. Long-term debt (continued):

Renison has entered into fixed interest rate swaps on certain long-term TD and BMO debt. At April 30, 2020, the difference between the fair value and the carrying value of the related debt, being the fair value of the interest rate swaps was a loss of $881,020 (2019 – loss of $599,817).

The land and buildings of Renison at 240 Westmount Road North, Waterloo, Ontario are pledged as collateral for the loans held by BMO. The total approved amount of all BMO facilities shall not exceed $5,458,768 at any time.

Future minimum annual debt principal repayments for the long-term debt are as follows:

2021	$ 2,358,526
2022	581,955
2023	606,977
2024	632,988
2025	660,817
Thereafter	6,412,840
	$ 11,254,103

Included in interest and bank charges is interest on long-term debt of $371,984 (2019 - $381,559).

At April 30, 2020, Renison was in violation of the TD financial covenants as set by the agreement dated April 29, 2019. A waiver has been obtained from the bank for the existing default pertaining to all outstanding TD debt outstanding as of April 30, 2020. Management has assessed its compliance with the covenants for fiscal 2021 based on forecasted figures and does not believe that the violation will continue for the balance of fiscal 2021. Accordingly, the principal amounts relating to the TD loans have been classified as long-term liabilities where appropriate.

Subsequent to year-end, on June 10, 2020, Renison obtained a $2.5 million TD operating loan with interest at 0.75% per annum to finance ongoing working capital requirements.

7. Interest rate swap contracts:

Renison entered into interest rate swap contracts to manage the interest rate exposure associated with certain long-term debt obligations. The contracts have the effect of converting the floating rate of interest on these debt obligations to a fixed rate.

The notional amounts of the derivative financial instruments do not represent amounts exchanged between parties and are not a measure of Renison's exposure resulting from the use of financial instrument contracts. The amounts exchanged are based on the applicable rates applied to the notional amounts.

Renison is exposed to credit related losses in the event of non-performance by counterparties to these financial instruments, but it does not expect any counterparties to fail to meet their obligations. Renison limits its derivative financial instruments' credit risk by only dealing with Canadian chartered banks that are rated AA or better.

8. Deferred contributions:

Deferred contributions represent restricted contributions with which capital assets are to be purchased and certain restricted research funds shown as research grants.

The deferred contributions balance consists of the following amounts:

	2020	2019
Deferred capital contributions	$ 2,415,011	$ 2,517,267
Deferred operating contributions	524,941	525,313
	$ 2,939,952	$ 3,042,580

8. Deferred contributions (continued):

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

	2020	2019
Balance, beginning of year	$ 2,517,267	$ 2,607,287
Contributions received during the year	-	1,700
Amounts amortized to revenue	(102,256)	(91,720)
Balance, end of year	$ 2,415,011	$ 2,517,267

The changes in the deferred operating contributions balance during the year are as follows:

	2020	2019
Balance, beginning of year	$ 525,313	$ 651,658
Contributions received during the year	340,823	248,359
Amounts amortized to revenue	(341,195)	(374,704)
Balance, end of year	$ 524,941	$ 525,313

9. 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.

The University maintains an unregistered non-contributory defined benefit private payroll pension plan. 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 benefits paid to or for employees in Renison's defined benefit based pension plan within the University of Waterloo's multi-employer pension plan for the year ended April 30, 2020, were $826,439 (2019 - $752,195). The expense incurred and contributions made to this multi-employer plan were $1,364,054 (2019 - $1,232,376).

Renison has a plan which provides extended health and dental benefits to eligible retirees. The figures stated below include the information from this plan and the unregistered non-contributory plan.

9. Employee future benefits (continued):

		2020		2019
Change in benefit obligation:				
Benefit obligation, beginning of year	$	2,924,548	$	2,756,950
Current service cost		245,000		241,000
Interest cost		171,094		155,096
New claims reserve		31,700		29,800
Benefits paid		(76,100)		(86,100)
Plan amendment		5,200		9,900
Actuarial gain		(1,077,392)		(182,098)
Benefit obligation, end of year	$	2,224,050	$	2,924,548

For measurement purposes, a 6.70% increase in the per capita cost of prescription drug costs are assumed for 2020, with the rate of the annual increase decreasing by 0.15% per annum until the annual rate of increase reaches an ultimate rate of 4% in 2038. In addition, a 5.5255% increase in the per capita cost of health care are assumed for 2020, with the rate of the annual increase decreasing by 0.0845% per annum until the annual rate of increase reaches an ultimate rate of 4% in 2038. The annual increase in the cost of dental of 4.5% was assumed for 2020. The annual increase in the cost of a semi-private hospital of 4.05% was assumed. Lastly, the annual increase in the cost of other medical of 4.12% was assumed.

	2020	2019
For determining benefit obligations as at April 30:		
Discount rate	5.60%	5.70%
Rate of compensation increase	4.00%	4.00%
For determining benefit costs for the year ending April 30:		
Discount rate	5.70%	5.50%
Rate of compensation increase	4.00%	4.00%

		2020		2019
Components of benefit expense:				
Current service costs	$	245,000	$	241,000
Interest costs		171,094		155,096
New claims reserve		31,700		29,800
Benefit expense	$	447,794	$	425,896

10. Internally restricted funds - other:

Internally restricted funds - other include amounts restricted by board motion for the following purposes:

	2020	2019
Faculty research	$ 376,314	$ 643,831
International initiatives	510,956	520,956
Strategic resourcing	40,639	381,279
Student life	10,173	85,000
	$ 938,082	$ 1,631,066

11. Investment in capital assets:

	2020	2019
Capital assets	$ 32,934,272	$ 30,707,100
Amounts financed by long-term debt and construction credit facility	(11,254,103)	(9,614,139)
Deferred capital contributions	(2,415,011)	(2,517,267)
Balance, end of year	$ 19,265,158	$ 18,575,694

The change in investment in capital assets is as follows:

	2020	2019
Repayment of long-term debt	$ 560,036	$ 572,645
Advances of long-term debt and note payable	(2,200,000)	-
Purchase of capital assets	3,368,872	1,668,159
Deferred contributions received for capital assets	-	(1,700)
Change in investment in capital assets	1,728,908	2,239,104
Amortization of capital assets	(1,141,700)	(1,078,800)
Amortization of deferred capital contributions	102,256	91,720
Losson disposal of capital assets	-	(7,043)
Net increase in investment in capital assets	$ 689,464	$ 1,244,981

12. Interfund Transfer:

The board approved an interfund transfer of $984,865 (2019 – $nil) from the internally restricted – capital fund to cover the third floor expansion.

13. Commitments:

The College has entered into various agreements for supplies, repair and maintenance and services. The commitments for the next four years regarding these agreements are:

2021	$	49,900
2022		18,410
2023		10,840
2024		8,942
	$	88,092

14. Financial risks:

(a) Credit risk:

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Renison is exposed to credit risk with respect to the accounts receivable, investments and interest rate swap contracts. Renison assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. Renison deals with reputable institutions to manage its risk with respect to cash investments and interest rate swap contracts.

(b) Liquidity risk:

Liquidity risk is the risk that Renison will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Renison manages its liquidity risk by monitoring its operating requirements. Renison prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Market risk:

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Renison is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, Renison's investments are managed under the investment policy of the University of Waterloo.

15. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

(a) Current year transactions:

At the time of approval of these financial statements, Renison has experienced the following in relation to the pandemic:

- Movement to an online learning environment for the foreseeable future;
- Closure of non-essential facilities and ancillary services for the masses based on public health recommendations;
- Mandatory working from home requirements for those able to do so;
- Temporary declines in the fair value of investments and investment income; and
- Additional costs incurred to maintain the health and well-being of the Renison community at large.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management has assessed the financial impacts which is isolated to the current portion and long-term portions of debt outstanding at year-end.

Prior to year-end on March 27, 2020, Renison was granted a six month principal payment deferral on all TD debt to ease the financial burden resulting from the pandemic. Subsequent to year-end on June 8, 2020, Renison was granted a six month principal payment deferral on the outstanding BMO debt. As these effects are quantifiable and confirm conditions known as at April 30, 2020, the adjustments have been reflected in these financial statements.

(b) Subsequent events related to COVID-19

The ultimate duration and magnitude of the COVID-19 pandemic's impact on Renison's operations and financial position is not known at this time. There remains uncertainty over the following for the upcoming year:

- Enrolment for the upcoming fall and winter terms;
- Availability of ancillary services for students;
- Potential for temporary and/or permanent termination of employees; and
- Variability in future donations resulting from economic uncertainty.

These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on Renison is not practicable at this time.