

Financial Statements of

**RENISON UNIVERSITY
COLLEGE**

Year ended April 30, 2017



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INDEPENDENT AUDITORS' 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, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes comprising 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.

Auditors' 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 our 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, we consider 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.



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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Renison University College as at as at April 30, 2017 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.

Comparative Information

The financial statements of Renison University College as at and for the year ended April 30, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on September 14, 2016.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

September 27, 2017

Waterloo, Canada

RENISON UNIVERSITY COLLEGE

Statement of Financial Position

April 30, 2017, with comparative information for 2016

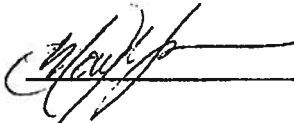
	2017	2016
Assets		
Current assets:		
Cash	\$ 8,000,310	\$ 4,923,522
Accounts receivable (note 2)	68,934	204,463
Due from University of Waterloo (note 12)	401,331	664,904
Prepaid expenses	134,632	117,245
	<u>8,605,207</u>	<u>5,910,134</u>
Investments	2,593,364	2,458,432
Capital assets (note 3)	30,923,328	31,878,552
	<u>\$ 42,121,899</u>	<u>\$ 40,247,118</u>

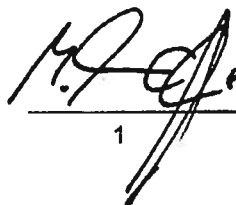
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 864,956	\$ 990,664
Student deposits and fee advances	1,533,208	871,386
Due to University of Waterloo (note 12)	2,203,715	2,127,320
Current portion of long-term debt (note 9)	2,833,531	2,958,454
	<u>7,435,408</u>	<u>6,947,824</u>
Long-term note payable (note 8)	-	222,491
Long-term debt (note 9)	7,906,908	8,346,492
Deferred contributions (note 5)	3,059,550	3,321,126
Employee future benefits obligation (note 7)	2,984,844	2,544,699
	<u>13,951,302</u>	<u>14,434,808</u>
	<u>21,386,710</u>	<u>21,382,632</u>
Net assets:		
Unrestricted net assets	735,680	(96,388)
Internally restricted - capital	1,473,351	1,241,743
Internally restricted - other (note 11)	517,479	178,833
Internally restricted - employee future benefits	(2,387,875)	(2,544,699)
Investment in capital assets	17,491,980	17,397,838
Endowment funds	2,904,574	2,687,159
	<u>20,735,189</u>	<u>18,864,486</u>
	<u>\$ 42,121,899</u>	<u>\$ 40,247,118</u>

See accompanying notes to financial statements.

On behalf of the Board:


Governor


Governor

RENISON UNIVERSITY COLLEGE

Statement of Operations

Year ended April 30, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Government grants	\$ 5,186,253	\$ 4,915,047
Tuition	11,521,507	10,224,283
Residence fees	2,789,968	2,518,842
Donations	160,801	239,783
Chapel donations	40,797	46,134
Conferences	68,276	115,006
Interest and investment income	200,701	140,512
Amortization of deferred research grant contributions (note 5)	362,552	496,367
Amortization of deferred capital contributions (note 5)	47,948	102,213
Miscellaneous income	693,798	1,063,081
	<u>21,072,601</u>	<u>19,861,268</u>
Expenses:		
Salaries, wages and benefits	12,747,400	12,408,586
University services (note 12)	1,380,968	1,336,335
Amortization of capital assets	1,062,693	1,101,642
Catering and laundry	985,036	902,140
Repairs and maintenance	614,731	607,834
Other	548,395	625,485
Interest and bank charges	442,486	420,644
Office supplies and telephone	365,536	352,170
Utilities	338,423	256,152
Scholarships	267,799	278,753
Promotion and public relations	185,563	160,910
Library and academic support costs	125,161	98,980
Insurance	90,031	85,358
Professional fees	84,015	77,063
Research	46,100	66,846
	<u>19,284,337</u>	<u>18,778,898</u>
Excess of revenue over expenses before undernoted	1,788,264	1,082,370
Loss on disposal of capital assets	(14,641)	(136,485)
Excess of revenue over expenses	<u>\$ 1,773,623</u>	<u>\$ 945,885</u>

See accompanying notes to financial statements.

RENISON UNIVERSITY COLLEGE

Statement of Changes in Net Assets

Year ended April 30, 2017, with comparative information for 2016

	Unrestricted	Internally restricted - capital	Internally restricted - other	Internally restricted - employee future benefits	Investment in capital assets	Endowment fund	Total 2017	Total 2016
Balance, beginning of year	\$ (96,388)	\$ 1,241,743	\$ 178,833	\$ (2,544,699)	\$ 17,397,838	\$ 2,687,159	\$ 18,864,486	\$ 17,145,464
Adjustments to net assets (note 14)	107,653	(275,000)	283,147	-	-	10,373	126,173	-
Revised balance, beginning of year	11,265	966,743	461,980	(2,544,699)	17,397,838	2,697,532	18,990,659	17,145,464
Excess (deficiency) of revenue over expenses	2,969,472	1,727	(12,233)	(294,697)	(981,333)	90,687	1,773,623	945,885
Change in investment in capital assets	(1,075,475)	-	-	-	1,075,475	-	-	-
Interfund transfers	200,000	-	(200,000)	-	-	-	-	-
Internally imposed restrictions	(1,369,582)	504,881	267,732	596,969	-	-	-	-
Remeasurement of employee future benefits	-	-	-	(145,448)	-	-	(145,448)	814,767
Endowment - fair market value adjustment on investments	-	-	-	-	-	110,232	110,232	(102,575)
Endowment contributions	-	-	-	-	-	6,123	6,123	60,945
Balance, end of year	\$ 735,680	\$ 1,473,351	\$ 517,479	\$ (2,387,875)	\$ 17,491,980	\$ 2,904,574	\$ 20,735,189	\$ 18,864,486

See accompanying notes to financial statements.

RENISON UNIVERSITY COLLEGE

Statement of Cash Flows

Year ended April 30, 2017, with comparative information for 2016

	2017	2016
Operation activities:		
Excess of revenue over expenses	\$ 1,773,623	\$ 945,885
Items not involving cash:		
Amortization of capital assets	1,062,693	1,101,642
Amortization of deferred contributions (note 5)	(410,500)	(598,580)
Unrealized gain (loss) on investments	110,232	(102,575)
Loss on disposal of capital assets	14,641	136,485
Change in remeasurement of employee future benefit obligation	294,697	814,767
Change in non-cash operating working capital	994,223	(2,781,751)
	<u>3,839,609</u>	<u>(484,127)</u>
Investing activities:		
Purchase of capital assets	(122,110)	(2,601,718)
Change in investments	(134,932)	48,126
	<u>(257,042)</u>	<u>(2,553,592)</u>
Financing activities:		
Repayment of long-term debt	(564,507)	(701,807)
Advance of long-term debt	-	2,436,097
Repayment of long-term note payable	(222,491)	(166,869)
Deferred contributions received (note 5)	275,096	362,558
Endowment contributions	6,123	60,945
	<u>(505,779)</u>	<u>1,990,924</u>
Increase (decrease) in cash	3,076,788	(1,046,795)
Cash, beginning of year	4,923,522	5,970,317
Cash, end of year	<u>\$ 8,000,310</u>	<u>\$ 4,923,522</u>

See accompanying notes to financial statements.

RENISON UNIVERSITY COLLEGE

Notes to Financial Statements

Year ended April 30, 2017

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 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 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. 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.

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.

RENISON UNIVERSITY COLLEGE

Notes to Financial Statements, continued

Year ended April 30, 2017

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.

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.

RENISON UNIVERSITY COLLEGE

Notes to Financial Statements, continued

Year ended April 30, 2017

1. Significant accounting policies (continued):

(d) Capital assets (continued):

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	5-15 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 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 benefits. 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 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, 2016, and the next required valuation will be as of January 1, 2019.

Renison recognizes the accrued benefit obligations 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.

RENISON UNIVERSITY COLLEGE

Notes to Financial Statements, continued

Year ended April 30, 2017

1. Significant accounting policies (continued):

(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.

(h) 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.

(i) Pledges receivable:

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

(j) 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.

RENISON UNIVERSITY COLLEGE

Notes to Financial Statements, continued

Year ended April 30, 2017

2. Accounts receivable:

	2017	2016
Students	\$ 5,833	\$ 149,116
Sales tax receivable	28,829	45,014
Other	34,272	10,919
	68,934	205,049
Less allowance for doubtful accounts	-	586
	\$ 68,934	\$ 204,463

3. Capital assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 7,680,000	\$ -	\$ 7,680,000	\$ 7,680,000
Buildings	28,824,656	6,745,220	22,079,436	22,925,472
Grounds and roads	11,046	3,862	7,184	7,765
Furniture and fixtures	2,546,490	1,550,982	995,508	1,104,115
Artwork	161,200	-	161,200	161,200
	\$ 39,223,392	\$ 8,300,064	\$ 30,923,328	\$ 31,878,552

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$750 (2016 - \$657), which includes amounts payable for HST and payroll related taxes.

RENISON UNIVERSITY COLLEGE

Notes to Financial Statements, continued

Year ended April 30, 2017

5. 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 changes in the deferred contributions balance during the year are as follows:

	2017	2016
Balance, beginning of year	\$ 3,321,126	\$ 3,557,148
Add contributions:		
Amounts related to future years	281,543	362,558
Deduct:		
Amounts amortized to revenue	(410,500)	(598,580)
Amount transferred to net assets	(132,619)	-
Balance, end	\$ 3,059,550	\$ 3,321,126

Included in the balance, end of year, are amounts that were received in contributions but were not yet expended of \$368,641 (2016 - \$534,717).

6. Investment in capital assets:

	2017	2016
Capital assets, net	\$ 30,923,328	\$ 31,878,552
Less:		
Amounts financed by long-term debt and construction credit facility	(10,740,439)	(11,694,305)
Unamortized deferred contributions	(2,690,909)	(2,786,409)
Balance, end of year	\$ 17,491,980	\$ 17,397,838

RENISON UNIVERSITY COLLEGE

Notes to Financial Statements, continued

Year ended April 30, 2017

6. Investment in capital assets (continued):

The change in investment in capital assets is as follows:

	2017	2016
Repayment of long-term debt	\$ 953,865	\$ 868,854
Advances of long-term debt and note payable	-	(2,436,097)
Purchase of capital assets	122,110	2,601,718
Deferred contributions received for capital assets	(500)	-
Change in investment in capital assets	1,075,475	1,034,475
Amortization of capital assets	(1,062,693)	(1,101,642)
Amortization of deferred capital contributions	96,001	95,940
Loss on disposal of capital assets	(14,641)	(136,485)
Net increase (decrease) in investment in capital assets	\$ 94,142	\$ (107,712)

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 April 30, 2017.

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

	2017	2016
Post-employment non-pension accrued benefit obligation	\$ 2,983,100	\$ 2,543,000
Pension plan defined benefit obligation	1,744	1,699
Employee future benefits liability	\$ 2,984,844	\$ 2,544,699

RENISON UNIVERSITY COLLEGE

Notes to Financial Statements, continued

Year ended April 30, 2017

7. Employee future benefits liability (continued):

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

	2017		2016	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
For determining benefit obligations for the year ending April 30				
Discount rate	5.50%	5.50%	5.70%	5.70%
Rate of compensation increase	4.00%		4.00%	
For determining benefit costs for the year ending April 30				
Discount Rate	5.70%	5.70%	5.70%	5.70%
Rate of compensation increase	4.00%		4.00%	
Rate of inflation	2.00%	2.00%	2.00%	2.00%
Weighted average health care cost increase (decreasing to 4% by 2036)		6.43%		6.56%
Dental cost increase		4.00%		4.00%

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, 2017, were \$668,231 (2016 - \$654,869). The expense incurred and contributions made to this multi-employer plan were \$896,730 (2016 - \$866,832).

RENISON UNIVERSITY COLLEGE

Notes to Financial Statements, continued

Year ended April 30, 2017

8. Long-term note payable:

Included in accounts payable and accrued liabilities is the current portion of \$nil (2016 - \$166,868).

9. Long-term debt:

	2017	2016
TD:		
Committed term facility bearing interest at 2.75%, and monthly payments of \$27,110, including principal and interest. The loan matures October 31, 2020	\$ 4,715,587	\$ 4,907,238
Banker's acceptance bearing interest of 0.75%, due May 3, 2017, renewed on a monthly basis	2,411,984	2,557,092
Bank of Montreal ("BMO"):		
Mortgages payable with interest rates ranging from the Canadian dealer offered rate plus 0.25% to 0.35%, maturities between September 1, 2027 and August 31, 2031 and monthly instalments between \$11,680 and \$23,793, including principal and interest	3,612,868	3,840,616
	10,740,439	11,304,946
Current portion of long-term debt	2,833,531	2,958,454
Long-term debt	\$ 7,906,908	\$ 8,346,492

The land and buildings of Renison at 240 Westmount Road North, Waterloo, Ontario are pledged as collateral for the loans held by BMO.

Renison has entered into fixed interest rate swaps on certain long-term debt. At April 30, 2017, the difference between the fair value and the carrying value of the related debt, being the fair value of the interest rate swaps was \$939,981 (2016 - \$1,095,132).

RENISON UNIVERSITY COLLEGE

Notes to Financial Statements, continued

Year ended April 30, 2017

9. Long-term debt (continued):

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

2018	\$	2,833,531
2019		440,537
2020		460,187
2021		481,487
2022		503,568
Thereafter		6,021,129
	\$	10,740,439

Included in interest and bank charges is interest on long-term debt of \$424,243 (2016 - \$405,227).

10. 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.

11. Internally restricted funds - other:

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

	2017	2016
Faculty research	\$ 417,479	\$ 178,833
International initiatives	100,000	-
	\$ 517,479	\$ 178,833

RENISON UNIVERSITY COLLEGE

Notes to Financial Statements, continued

Year ended April 30, 2017

12. 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 2017, this fee was \$1,380,968 (2016 - \$1,336,335).

These activities result in amounts payable to or receivable from the University of Waterloo. As at April 30, 2017, the amount due to the University of Waterloo was \$2,203,715 (2016 - \$2,127,320) and the amount due from the University of Waterloo was \$401,331 (2016 - \$664,904).

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

13. 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.

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Notes to Financial Statements, continued

Year ended April 30, 2017

14. Adjustment to net asset:

Internally restricted net assets were included in deferred contributions in the prior year. These balances have been corrected as an adjustment to the opening net assets in the current year, resulting in an overall increase to net assets of \$126,173.

In addition, the statement presentation has been adjusted to clearly distinguish between internally restricted funds related to capital, employee future benefits, and other (research and International initiatives).

15. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.