

Financial Statements of

**THE UNIVERSITY OF
ST. MICHAEL'S COLLEGE**

And Independent Auditors' Report thereon

Year ended April 30, 2022



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the balance sheet as at April 30, 2022
- the statement of revenue and expenses for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at April 30, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our 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.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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

Vaughan, Canada

October 12, 2022

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Balance Sheet
(In thousands of dollars)

April 30, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 1,689	\$ 1,475
Accounts receivable (notes 10 and 15(a))	631	1,130
Prepaid expenses	168	164
Interest rate swap (note 13(a) and (b))	398	—
	<u>2,886</u>	<u>2,769</u>
Investments (note 2)	136,670	135,768
Post-employment benefit asset (note 9)	1,519	3,427
Capital assets, net (note 3)	37,157	35,806
	<u>\$ 178,232</u>	<u>\$ 177,770</u>
Liabilities and Net Assets		
Current liabilities:		
Bank indebtedness (note 12)	\$ 3,601	\$ 5,598
Accounts payable and accrued liabilities (note 14)	5,149	4,629
Deferred revenue	507	389
Residence demand loans (note 13(a))	5,754	5,984
Capital expenditure loan (note 13(b))	2,883	3,129
Interest rate swap (note 13(a) and (b))	—	227
	<u>17,894</u>	<u>19,956</u>
Loan from University of Toronto (note 13(c))	5,200	—
Post-employment benefit liability (note 9)	5,889	5,658
Deferred contributions (note 6)	27,476	25,041
Deferred capital contributions (note 7)	13,449	12,681
	<u>69,908</u>	<u>63,336</u>
Net assets:		
Deficit	(9,343)	(6,218)
Invested in capital assets, net (note 4)	19,694	17,801
Endowments (note 8)	97,973	102,851
	<u>108,324</u>	<u>114,434</u>
Commitments and contingencies (note 16)		
Subsequent event (note 17)		
	<u>\$ 178,232</u>	<u>\$ 177,770</u>

See accompanying notes to financial statements.

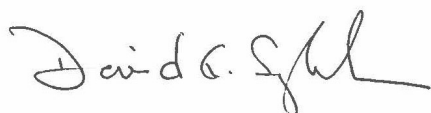
THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Statement of Revenue and Expenses
(In thousands of dollars)

Year ended April 30, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Student fees	\$ 8,994	\$ 5,595
Grants and donations (note 6)	6,068	5,182
Block grant from the University of Toronto (note 5)	7,403	7,079
Sales and services	920	983
Investment income (note 2(b))	546	5,076
Amortization of deferred capital contributions (note 7)	967	926
Formula grants from the Toronto School of Theology	224	241
Sundry income	614	525
	<u>25,736</u>	<u>25,607</u>
Expenses:		
Salaries and benefits	12,849	12,069
Materials and supplies	4,201	3,535
Amortization of capital assets	2,773	2,682
Cost of sales	2,083	974
Student awards	1,348	1,621
Utilities	1,174	960
Repairs and maintenance	602	802
Post-employment benefits	265	369
Interest (notes 12 and 13)	265	226
Other	178	104
	<u>25,738</u>	<u>23,342</u>
Net revenue (loss)	(2)	2,265
Change in fair value of interest rate swap (note 13(a) and (b))	625	384
Excess of revenue over expenses	<u>\$ 623</u>	<u>\$ 2,649</u>

See accompanying notes to financial statements.



THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

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

Year ended April 30, 2022, with comparative information for 2021

	Deficit	Invested in capital assets (note 4)	Endowments	Total
Net assets, April 30, 2020	\$ (6,127)	\$ 16,424	\$ 88,540	\$ 98,837
Excess of revenue over expenses	2,649	–	–	2,649
Remeasurements related to post-employment benefits	(709)	–	–	(709)
Endowment contributions	–	–	2,259	2,259
Allocation of investment gain (note 2(b))	–	–	11,398	11,398
Internally invested restricted, net Transfers to (from) internally restricted endowments (note 8)	(1,157)	1,157	–	–
	(874)	220	654	–
Net assets, April 30, 2021	(6,218)	17,801	102,851	114,434
Excess of revenue over expenses	623	–	–	623
Remeasurements related to post-employment benefits	(2,192)	–	–	(2,192)
Endowment contributions	–	–	959	959
Allocation of investment loss (note 2(b))	–	–	(5,500)	(5,500)
Internally invested restricted, net Transfers to (from) internally restricted endowments (note 8)	(1,775)	1,775	–	–
	219	118	(337)	–
Net assets, April 30, 2022	\$ (9,343)	\$ 19,694	\$ 97,973	\$ 108,324

See accompanying notes to financial statements.

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Statement of Cash Flows (In thousands of dollars)

Year ended April 30, 2022, with comparative information for 2021

	2022	2021
Operating activities:		
Excess of revenue over expenses	\$ 623	\$ 2,649
Items not affecting cash:		
Donated investments	(1,617)	(1,593)
Amortization of deferred capital contributions	(967)	(926)
Amortization of capital assets	2,773	2,682
Change in fair value of interest rate swap	(625)	(384)
	187	2,428
Employee benefits expense related to post-employment benefit liability	1,460	1,086
Employer contributions related to post-employment benefit liability	(1,514)	(1,181)
Net change in non-cash balances related to operations (note 11)	3,568	(1,606)
Cash provided by operating activities	3,701	727
Investing activities:		
Net change in investments	(4,784)	(4,757)
Additions to capital assets	(4,124)	(4,723)
Cash used in investing activities	(8,908)	(9,480)
Financing activities:		
Increase (decrease) in bank indebtedness	(1,997)	5,000
Contributions restricted for capital purposes	1,735	1,816
Repayment of residence demand loans	(230)	(221)
Repayment of capital expenditure loan	(246)	(236)
Loan from University of Toronto	5,200	—
Endowment contributions	959	2,259
Cash provided by financing activities	5,421	8,618
Increase (decrease) in cash	214	(135)
Cash, beginning of year	1,475	1,610
Cash, end of year	\$ 1,689	\$ 1,475

See accompanying notes to financial statements.

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements
(In thousands of dollars)

Year ended April 30, 2022

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

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

1. Significant accounting policies:

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

(a) Revenue recognition:

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

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

1. Significant accounting policies (continued):

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

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

(b) Cash and cash equivalents:

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

(c) Financial instruments:

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

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

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

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

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

1. Significant accounting policies (continued):

(d) Capital assets:

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

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

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

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

Capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to the University's ability to provide goods and services, or that the value of the future economic benefits or service potential associated with the capital assets are less than their net carrying amounts.

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

1. Significant accounting policies (continued):

(e) Post-employment benefits:

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

(f) Contributed materials and services:

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

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

(g) Foreign currency translation:

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

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

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

1. Significant accounting policies (continued):

(h) Use of estimates:

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

2. Investments:

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

(a) Investments consist of the following:

	2022	2021
Cash and cash equivalents	\$ 129	\$ 128
Fixed income	47,490	—
Canadian equity	23,306	—
Global equity	56,060	—
Balanced	—	129,867
Real estate	9,685	5,773
	<u>\$ 136,670</u>	<u>\$ 135,768</u>

During the year, the University transitioned investment portfolios based on a shift in investment strategy, asset mix and investment managers. The allocation of funds shifted the portfolio away from the use of balanced funds to specialist managers in asset classes in the current year. The balanced portfolio were sold off and reinvested in the new asset classes presented in the current year.

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

2. Investments (continued):

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

	2022	2021
Interest, dividends and pooled fund distributions	\$ 3,645	\$ 2,513
Gain realized on sale of investments	22,801	4,073
Change in unrealized gain (loss) on investments	(25,940)	13,866
	506	20,452
Less income (shortfall) allocated to:		
Deferred contributions (note 6)	5,460	3,978
Endowments (note 8(a))	(5,500)	11,398
	(40)	15,376
	\$ 546	\$ 5,076

3. Capital assets:

Capital assets consist of the following:

	2022		2021	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 642	\$ —	\$ 642	\$ —
Buildings and major renovations	68,449	34,083	65,195	32,110
Furniture and equipment	2,841	1,529	3,023	1,660
Library books	1,340	736	1,339	758
Computer equipment	436	203	351	216
	73,708	36,551	70,550	34,744
Accumulated amortization		(36,551)		(34,744)
Net book value	\$ 37,157		\$ 35,806	

Included in buildings and major renovations is work in progress of \$3,417 (2021 - \$2,293), which has not been amortized.

Fully amortized assets of \$967 (2021 - \$1,589) have been removed from cost and accumulated amortization as they are no longer in use.

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

4. Invested in capital assets:

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

	2022	2021
Capital assets, net	\$ 37,157	\$ 35,806
Less amounts financed by:		
Deferred capital contributions (note 7)	11,827	12,021
Residence demand loans (note 13(a))	5,754	5,984
	17,581	18,005
	\$ 19,576	\$ 17,801

5. Agreement with the University of Toronto:

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

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

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

6. Deferred contributions:

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

	2022	2021
Balance, beginning of year	\$ 25,041	\$ 24,265
Contributions received during the year	2,482	1,643
Investment income (note 2(b))	5,460	3,978
Amounts recognized as grants and donations	(4,650)	(3,845)
Transfer to deferred capital contributions (note 7)	(1,000)	(1,000)
Transfer from externally restricted endowments	143	—
Balance, end of year	\$ 27,476	\$ 25,041

Grants and donations of \$6,068 (2021 - \$5,182) include revenue of \$4,650 (2021 - \$3,845) equal to related expenses incurred.

7. Deferred capital contributions:

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

	2022	2021
Balance, beginning of year	\$ 12,681	\$ 11,791
Contributions restricted for capital purposes	1,735	1,816
Amortization of deferred capital contributions	(967)	(926)
Transfer from deferred contributions (note 6)	1,000	1,000
Transfer to operations	(1,000)	(1,000)
Balance, end of year	\$ 13,449	\$ 12,681

Consisting of:

Contributions for which expenditures have been made	\$ 25,815	\$ 25,550
Accumulated amortization	(13,988)	(13,529)
	11,827	12,021
Contributions for which expenditures have not been made	1,622	660
	\$ 13,449	\$ 12,681

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

8. Endowments:

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

The endowment principal is required to be preserved. Investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Collegium. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

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

(a) Endowments consist of the following:

	2022	2021
Externally restricted	\$ 77,267	\$ 81,808
Internally restricted	20,706	21,043
	<u>\$ 97,973</u>	<u>\$ 102,851</u>

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

8. Endowments (continued):

In 2022, \$26 of net investment loss (2021 - \$19,120 of net investment income) was earned on endowment investments. Of the amounts made available for spending, \$5,460 (2021 - \$3,978) earned on externally restricted endowments was recorded in deferred contributions on the balance sheet and \$14 (2021 - \$3,744) earned on internally restricted endowments was recorded in the statement of revenue and expenses. An amount of \$539 (2021 - \$259) was made available to cover administrative expenses and was recorded in investment income in the statement of revenue and expenses.

The remaining allocated loss of \$5,500 (2021 - gain of \$11,398) was recorded directly to endowment net assets.

During the year, the use of \$225 (2021 - \$164) from internally endowed funds, and internal restrictions of \$7 (2021 - \$930) were approved by the Collegium or made in accordance with the approved policies of the University. In addition, the Collegium approved to move \$118 (2021 - \$111) from internally restricted endowments to invested in capital assets and \$219 (2021 - \$874) to the unrestricted deficit from endowments.

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

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

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

8. Endowments (continued):

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

				2022	2021
	OSOTFI	OSOTFII	OTSS	Total	Total
Balance, beginning of year	\$ 8,980	\$ 1,451	\$ 4,807	\$ 15,238	\$ 14,986
Contributions received	8	—	8	16	10
Investment income (capital preservation)	204	33	109	346	242
Balance, end of year	\$ 9,192	\$ 1,484	\$ 4,924	\$ 15,600	\$ 15,238

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

				2022	2021
	OSOTFI	OSOTFII	OTSS	Total	Total
Balance, beginning of year	\$ 3,101	\$ 623	\$ 1,888	\$ 5,612	\$ 5,196
Investment income	1,397	244	778	2,419	1,171
Bursaries awarded	(497)	(22)	(220)	(739)	(755)
Balance, end of year	\$ 4,001	\$ 845	\$ 2,446	\$ 7,292	\$ 5,612

The fair value of the OSOTF Phase I endowment and expendable funds at year end is \$13,193 (2021 - \$12,081). For the year ended April 30, 2022, there were 133 (2021 - 256) OSOTF Phase I award recipients.

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

9. Post-employment benefits:

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

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

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

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

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

2022	Pension plans	Health benefits	Total
Fair value of plan assets	\$ 39,651	\$ —	\$ 39,651
Accrued benefit obligation	(38,132)	(5,889)	(44,021)
Funded status - plan surplus (deficit)	\$ 1,519	\$ (5,889)	\$ (4,370)

2021	Pension plans	Health benefits	Total
Fair value of plan assets	\$ 41,295	\$ —	\$ 41,295
Accrued benefit obligation	(37,868)	(5,658)	(43,526)
Funded status - plan surplus (deficit)	\$ 3,427	\$ (5,658)	\$ (2,231)

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

9. Post-employment benefits (continued):

The significant actuarial assumptions used in the measurement of the University's benefit obligation are shown in the following table:

	2022	2021
Inflation	2.00%	2.00%
Discount rate:		
Retirement plan	5.10%	5.10%
Health plan	5.00%	5.10%
Rate of compensation increase	2.00%	2.00%

10. St. Michael's College Foundation:

The University has an economic interest in the Foundation. The Foundation has total assets of \$2,134 (2021 - \$2,134), which is comprised of cash and short-term investment of \$134 (2021 - \$134) and investments, with no quoted market value of \$2,000 (2021 - \$2,000). As at December 31, 2021, the audited net assets of the Foundation were \$1,959 (2020 - \$1,966).

The University has an outstanding accounts receivable balance of \$170 (2021 - \$163) from the Foundation as at April 30, 2022.

11. Statement of cash flows:

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

	2022	2021
Sources (uses) of cash:		
Accounts receivable	\$ 499	\$ 64
Prepaid expenses	(4)	(17)
Accounts payable and accrued liabilities	520	748
Deferred revenue	118	(3,177)
Deferred contributions	2,435	776
	\$ 3,568	\$ (1,606)

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

12. Bank indebtedness:

The University has a revolving bank line of credit of \$15,000 (2021 - \$10,000). As at April 30, 2022, \$3,601 of the bank line of credit was utilized (2021 - \$5,598). The bank indebtedness is collateralized by a general security agreement. The University pays an interest rate of prime less 0.25% per annum. As at April 30, 2022, the effective rate on the University's line of credit was 2.95% (2021 - 2.20%).

13. Demand loans:

(a) The University entered into a \$12,000 banking facility in 2001 to finance construction of the St. Joseph Street residence building. The facility was fully drawn in 2002 and is now in the process of being repaid. In 2017, the University entered into a new \$6,854 credit facility for this demand loan, which consists of a demand instalment loan that is collateralized by a general security agreement. The University has the option to utilize one or more interest rate swaps to effectively fix the underlying interest rate on all or a portion of the loan for up to 10 years following the initial draw. As at April 30, 2022, \$5,754 (2021 - \$5,984) is outstanding in connection with this facility.

In April 2017, to reduce the risk of interest rate volatility on the residence loan, the University entered into an interest rate swap agreement whereby, commencing on April 21, 2017, the interest rate on \$6,854 of the outstanding residence demand loan on that date was effectively fixed at 2.27% for a period of 10 years. As at April 30, 2022, this floating rate of interest was 0.96% (2021 - 0.4%). The University may repay the loan at any time; however, a settlement amount may be due from or receivable by the University. The interest rate swap does not qualify for hedge accounting. Accordingly, the change in the fair value of the interest rate swap, a gain of \$416 (2021 - gain of \$253) is recorded in the statement of revenue and expenses.

(b) On July 7, 2017, the University entered into a \$4,000 demand instalment loan to finance capital projects, which is collateralized by a general security agreement. The University has the option to utilize one or more interest rate swaps to effectively fix the underlying interest rate on all or a portion of the loan for up to 10 years following the initial draw. As at April 30, 2022, \$2,883 (2021 - \$3,129) is outstanding in connection with this facility.

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

13. Demand loans (continued):

In July 2017, to reduce the risk of interest rate volatility on the loan, the University entered into an interest rate swap agreement whereby, commencing on July 10, 2017, the interest rate on \$4,000 of the outstanding loan on that date was effectively fixed at 2.68% for a period of 10 years. As at April 30, 2022, this floating rate of interest was 0.96% (2021 - 0.4%). The University may repay the loan at any time; however, a settlement amount may be due from or receivable by the University. The interest rate swap does not qualify for hedge accounting. Accordingly, the change in the fair value of the interest rate swap, a gain of \$209 (2021 - gain of \$131) is recorded in the statement of revenue and expenses.

- (c) On January 1, 2022, the University received a \$5,200 ancillary interest-free loan. The loan is payable within three years of the five-year term. This interest-free loan bears a fixed interest rate of 3.857% and University of Toronto will cover this interest charge. The first payment of one third of the principal amount is due in 2024-25 with full repayment of the loan by 2026-27.

14. Government remittances payable:

As at April 30, 2022, accounts payable and accrued liabilities include government remittances payable of \$0.20 (2021 - \$0.15).

15. Financial instruments:

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

There have been no changes in the financial instruments risks as compared to the prior year.

- (a) Credit risk:

The University is exposed to credit risk in connection with its accounts receivable and its fixed-income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Accounts receivable are recorded net of an allowance for doubtful accounts of \$4 (2021 - \$24).

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

15. Financial instruments (continued):

(b) Currency risk:

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

(c) Other price risk:

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

(d) Liquidity risk:

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

(e) Market risk:

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

(f) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The College is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

THE UNIVERSITY OF ST. MICHAEL'S COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2022

16. Commitments and contingencies:

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

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

As a member of CURIE, the University will share in the claims and expenses incurred during the five-year underwriting period commencing July 1, 2018. As at December 31, 2021, the latest date that financial statements are available, CURIE had subscribers' equity of \$105,790 (2020 - \$99,449) for the current underwriting period.

17. Subsequent event:

On October 20, 2021, the University entered into a memorandum of agreement with Regis College to establish a Federation to create a graduate theological enterprise called Regis St. Michael's. The Federation will represent the collaboration of Regis and University of St. Michael's College and the operational combination of the University of St. Michael's Faculty of Theology and Regis College. Regis St. Michael's commenced operations on May 1, 2022.