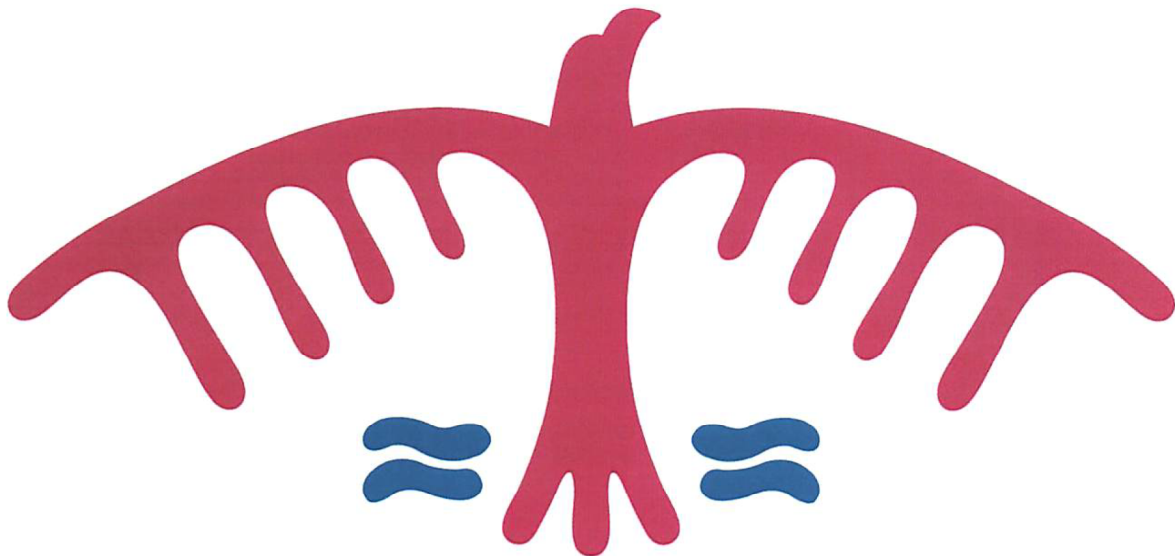


# Algoma University

## Consolidated Financial Statements

For the year ended April 30, 2021



***We wish to acknowledge that the campuses of Algoma University are located on the traditional lands of the Anishinaabek, the Mississaugas of the Credit, and the Mushkegowuk Cree, as well as hereditary lands of the Métis Nation. We also acknowledge that the Sault Ste. Marie campus is located on sacred lands set aside for education as envisioned by Chief Shingwauk for our children and for those as yet unborn.***

# **Algoma University**

## **Consolidated Financial Statements**

**For the year ended April 30, 2021**

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## Independent Auditor's Report

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To the Board of Governors of Algoma University

### Opinion

We have audited the consolidated financial statements of Algoma University and its controlled entities (the University), which comprise the consolidated statement of financial position as at April 30, 2021, and the consolidated statements of operations, the consolidated changes in net assets and the consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as at April 30, 2021, and its consolidated results of operations and its consolidated 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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## Independent Auditor's Report (continued)

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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 consolidated 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 University'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 University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the University to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario  
September 29, 2021



**Algoma University**  
**Consolidated Statement of Financial Position**  
**As at April 30, 2021 and April 30, 2020**

	Notes	April 30, 2021	April 30, 2020 Restated (Note 16)
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 51,372,721	\$ 27,062,952
Accounts receivable fees	2	2,129,208	1,221,460
Accounts receivable other	2	2,471,048	2,873,676
Prepaid expenses and inventory		407,164	449,562
<b>Total current assets</b>		<b>56,380,141</b>	<b>31,607,650</b>
<b>Non-current assets</b>			
Accrued pension asset	7	3,078,000	-
Investments	3	7,064,439	6,037,152
Capital assets	4	52,601,109	47,266,864
<b>Total non-current assets</b>		<b>62,743,548</b>	<b>53,304,016</b>
<b>Total assets</b>		<b>\$ 119,123,689</b>	<b>\$ 84,911,666</b>
<b>Liabilities and Net Assets</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 6,719,842	\$ 6,028,881
Fees received in advance		19,246,798	7,347,949
Deferred government grants, program and campaign revenue		20,641,996	14,199,563
Current portion of long term debt	6	1,365,050	802,366
<b>Total current liabilities</b>		<b>47,973,686</b>	<b>28,378,759</b>
<b>Non-current liabilities</b>			
Long term debt	6	9,956,546	11,535,230
Accrued pension obligation	7	-	213,000
Deferred contributions - capital assets	8	33,705,275	27,979,762
<b>Total non-current liabilities</b>		<b>43,661,821</b>	<b>39,727,992</b>
<b>Total liabilities</b>		<b>91,635,507</b>	<b>68,106,751</b>
<b>Net assets</b>			
Unrestricted	9	7,574,238	6,949,506
Internally restricted	10	16,107,318	6,120,872
Endowments	11	3,806,626	3,734,537
<b>Total net assets</b>		<b>27,488,182</b>	<b>16,804,915</b>
<b>Total liabilities and net assets</b>		<b>\$ 119,123,689</b>	<b>\$ 84,911,666</b>

On behalf of the Board of Governors

*Shelley Schell*

*Mike Moraca*

Shelley Schell, Chair

Mike Moraca, Vice-Chair

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

**Algoma University**  
**Consolidated Statement of Changes in Net Assets**  
**For the years ended April 30, 2021 and 2020**

For the year ended April 30	Unrestricted	Internally Restricted	Endowments	Total April 30, 2021	Total April 30, 2020 Restated (Note 16)
Balance, beginning of year	\$ 6,949,506	\$ 6,120,872	\$ 3,734,537	\$ 16,804,915	\$ 10,704,981
Excess of revenues over expenses	7,492,567	-	-	7,492,567	7,506,834
Post employment benefit remeasurement	(100,300)	3,291,000		3,190,700	(1,406,900)
Endowment fund contributions and other adjustments	(72,089)		72,089	-	-
Internal restrictions					
Transfer to internal restrictions	(6,695,446)	6,695,446		-	-
Balance, end of year	\$ 7,574,238	\$ 16,107,318	\$ 3,806,626	\$ 27,488,182	\$ 16,804,915

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

**Algoma University**  
**Consolidated Statement of Operations**  
**For the years ended April 30, 2021 and 2020**

	2021	2020 Restated (Notes 16 & 18)
<b>Revenue</b>		
Student tuition	\$ 23,513,995	\$ 26,705,834
Government grants	13,744,997	13,667,865
Sales and services	1,574,923	3,063,269
Research revenue	1,306,467	796,198
Foundation revenue	284,917	619,051
Miscellaneous income	1,299,812	2,435,525
Amortization of deferred capital contributions	1,417,899	1,274,000
	<b>43,143,010</b>	<b>48,561,742</b>
<b>Expenses</b>		
Salaries and benefits	24,883,497	24,171,709
Operating and research	5,659,670	7,430,777
Scholarships and bursaries	3,242,709	659,535
Amortization	2,577,712	2,268,865
Advertising and communication	2,307,821	3,803,149
Occupancy	2,332,330	2,508,466
Interest	307,490	332,910
	<b>41,311,229</b>	<b>41,175,411</b>
Excess of revenue over expenses from operations	1,831,781	7,386,331
Investment gain (loss)	376,878	(1,419)
COVID-19 relief funding (Note 17)	5,283,908	0
<b>Excess of revenue over expenses</b>	<b>7,492,567</b>	<b>7,384,912</b>
Post-employment benefit remeasurement (recovery)	3,190,700	(1,406,900)
Recognition of prior surplus amounts	-	121,922
<b>Net Surplus</b>	<b>\$ 10,683,267</b>	<b>\$ 6,099,934</b>

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

**Algoma University**  
**Consolidated Statement of Cash Flows**  
**For the years ended April 30, 2021 and 2020**

	April 30, 2021	April 30, 2020 Restated (Note 16)
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses	\$ 10,683,267	\$ 6,099,934
Items not involving cash		
Amortization of tangible capital assets	2,577,712	2,268,865
Gain (loss) on sale of marketable securities	(376,878)	1,419
Amortization of deferred contributions	(1,417,899)	(1,274,000)
	11,466,202	7,096,218
Changes in non-cash working capital balances		
Accounts receivable - fees	(907,748)	(650,252)
Accounts receivable - other	402,628	(460,858)
Prepaid expenses and inventory	42,398	314,079
Accrued pension obligation (net of changes in measurement)	(3,291,000)	1,119,000
Accounts payable and accrued liabilities	690,961	4,277,300
Fees received in advance	11,898,849	3,027,621
Deferred government grants and program revenue	6,442,433	2,202,083
	26,744,723	16,925,191
<b>Cash flow from investing activities</b>		
Purchase of tangible capital assets	(7,911,957)	(4,171,260)
Unrealized (gain) loss of investments	(709,744)	503,018
Sale (purchase) of investments	59,335	(468,836)
	(8,562,366)	(4,137,078)
<b>Cash flow from financing activities</b>		
Repayment of long term debt	(1,016,000)	(789,454)
Deferred capital contributions received	7,143,412	770,337
	6,127,412	(19,117)
Increase in cash and cash equivalents	24,309,769	12,768,996
Cash and cash equivalents, beginning of year	27,062,952	14,293,956
<b>Cash and cash equivalents, end of year</b>	<b>\$ 51,372,721</b>	<b>\$ 27,062,952</b>

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

# **Algoma University**

## **Notes to Consolidated Financial Statements**

For the years ended April 30, 2021 and 2020

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### **1. Summary of significant accounting policies**

#### **Nature of operations**

Algoma University is a provincially funded university offering educational programs and upgrading to the accessing communities. The University is a registered charity and under the provisions of Section 149 of the Income Tax Act (Canada) is exempt from income taxes.

#### **Basis of accounting**

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Basis of consolidation**

These consolidated financial statements reflect the assets, liabilities and the results of the Northern Ontario Research, Development, Ideas and Knowledge Institute (Nordik Research Institute) as it is a controlled entity.

#### **Inventory**

Inventory is valued at the lower of cost or net realizable value, with cost being determined on a first-in, first-out basis.

#### **Revenue recognition**

The University follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are allocated directly to net assets in the year received. Income generated from endowment funds are recognized in the statement of operations.

Tuition fees for courses which are offered substantially after the fiscal year end are deferred.

Sales and services revenue is recognized at point of sale or when services have been provided.

#### **Endowment funds**

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Net investment income earned is available for distribution according to the terms of the endowment.



## **Algoma University**

### **Notes to Consolidated Financial Statements**

For the years ended April 30, 2021 and 2020

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#### **1. Summary of significant accounting policies (continued)**

##### **Use of estimates**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Specifically, estimates related to rate of return on assets used in valuing the future pension benefit obligation are affected by the uncertainty of predictions concerning future events. Should the underlying assumptions change, the estimated pension benefit obligation disclosed in notes to the consolidated financial statements may change by a material amount. Other items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for accounts receivable; and accrued liabilities. These estimates are reviewed periodically, and, as adjustments become necessary, they are recognized in the financial statements in the year in which they become known.

##### **Tangible capital assets**

Tangible capital assets are recorded at cost. Amortization, based on the estimated useful life of the asset, is provided by the straight line basis over the following periods:

Buildings	20 - 40 years
Furniture and equipment	5 years
Library books	5 years
Parking lot	15 years
Computer software system	5 -10 years
Leasehold improvements	10 years

Construction in progress is capitalized as work is completed. Upon completion of the projects, capitalized construction in progress costs are transferred to the various categories of tangible capital assets and are amortized on a basis consistent with similar assets. Contributed rare books and other collections are recorded as revenue and expensed at fair market value at the date of contribution.

# **Algoma University**

## **Notes to Consolidated Financial Statements**

For the years ended April 30, 2021 and 2020

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### **1. Summary of significant accounting policies (continued)**

#### **Employee future benefits**

The University maintains a defined benefit plan covering the faculty and management staff employed by the University up to 2006. Contributions to the pension plan are made in accordance with the Pension Commission of Ontario actuarial requirements. The University accounts for its employee benefit plans using the immediate recognition approach. The University recognizes the amount of the accrued benefit obligations, net of the fair value of plan assets at year end, adjusted for any valuation allowances. Current service and finance costs are expensed during the year. Remeasurements and other items related to actuarial gains and losses and differences between actual and expected returns on plan assets and past service costs are recognized as a direct increase or decrease in net asset. The accrued benefit obligations for employee benefit plans are determined based on actuarial valuation reports prepared for funding purposes. These reports are required to be prepared at least on a triennial basis. In years where actuarial valuations are not prepared, the University uses a roll-forward technique to estimate the accrued liability using assumptions from the most recent actuarial valuation reports. Subsequent to 2006, faculty, management and staff are eligible to participate in a defined contribution group retirement savings plan.

#### **Financial instruments**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value with any unrealized gains and losses reported in operations. In addition, all balanced funds are classified in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each consolidated statement of financial position date and charged to the financial instrument for those measured at amortized cost. Freestanding derivative instruments that are not in a qualifying hedging relationship that are quoted in an active market are subsequently measured at fair value.

**Algoma University****Notes to Consolidated Financial Statements**

For the years ended April 30, 2021 and 2020

**2. Accounts receivables**

	2021	2020
Student accounts receivable	\$2,623,467	\$1,644,039
Allowance for doubtful accounts	(494,259)	(422,579)
<b>Accounts receivable - fees</b>	<b>\$2,129,208</b>	<b>\$1,221,460</b>
<b>Accounts receivable - other</b>	<b>\$2,471,048</b>	<b>\$2,873,676</b>

**3. Investments**

	2021	2020
Pooled fund at cost	\$6,746,038	\$8,194,802
Pooled fund at market	\$7,064,439	\$6,037,152

**Algoma University****Notes to Consolidated Financial Statements**

For the years ended April 30, 2021 and 2020

**4. Tangible capital assets**

	2021		2020	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$371,816	\$-	\$371,816	\$-
Buildings	63,773,495	23,078,282	63,773,495	21,362,617
Leasehold improvements	2,750,792	494,243	2,168,847	219,164
Furniture and equipment	8,808,185	8,414,417	8,708,288	8,216,081
Computer software system	3,051,312	530,686	250,616	250,616
Parking lot	2,129,431	1,774,135	2,129,431	1,665,572
Library	645,303	645,303	645,303	645,303
Construction in progress	6,007,842	-	1,578,421	-
	\$87,538,175	\$34,937,066	\$79,626,217	\$32,359,353
<b>Net book value</b>		<b>\$52,601,109</b>		<b>\$47,266,864</b>

**5. Line of credit**

The University has an operating line of credit due on demand in the amount of \$2,000,000. The facility bears interest at the bank's prime lending rate minus 0.5% with advances made in multiples of \$25,000. As at April 30, 2021, the entire facility was available to the University.

**Algoma University****Notes to Consolidated Financial Statements**

For the years ended April 30, 2021 and 2020

**6. Long term debt**

	2021	2020
TD George Leach Centre loan, repayable \$12,089 monthly including interest at 1.40%, secured by a general security agreement, maturing November 2025	\$1,912,500	\$2,026,364
Bank of Montreal parking lot loan, repayable \$8,600 monthly plus interest at 2.75%, paid in full February 2021	-	348,000
Scotiabank Bioscience and Technology Convergence Centre interest rate swap loan(a), repayable \$30,267 monthly including interest at 1.90%, secured by property with a carrying amount of \$13,363,433 and general security agreement, matured March 2021	-	3,536,557
TD Bioscience and Technology Convergence Centre loan, repayable \$20,964 monthly including interest at 1.82%, secured by a general security agreement, maturing March 2026	3,278,471	-
Scotiabank Windsor Park Retirement Home Inc. loan, repayable \$7,749 monthly including interest at 2.23%, secured by a general security agreement, maturing March 2022	826,583	900,244
Scotiabank Students' Residence interest rate swap loan (b), repayable \$32,816 monthly including interest at 3.55%, secured by property with a carrying amount of \$5,712,254 and a general security agreement, maturing April 2023	5,304,042	5,526,431
Total	11,321,596	12,337,596
Less: current portion	1,365,050	802,366
<b>Long term debt</b>	<b>\$9,956,546</b>	<b>\$11,535,230</b>



## Algoma University

### Notes to Consolidated Financial Statements

For the years ended April 30, 2021 and 2020

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#### 6. Long term debt (continued)

Interest on long term debt during the year amounted to \$307,490 (2020 - \$332,910).

Principal payments required on long term debt for the next five years and thereafter, assuming refinancing under similar terms, with the exception of the Windsor Park loan which is anticipated to be paid in full in March 2022, are as follows:

Year	Amount
2022	\$1,365,050
2023	556,914
2024	548,520
2025	562,537
2026	572,267
Thereafter	7,716,308
Total	\$11,321,596

(a). The University had entered into an interest rate derivative agreement to manage the volatility of the interest rate on the loan. The University converted floating rate of debt for fixed rate of debt of 1.15%. The interest rate swap agreement expired in March 2021. The change in the fair value of the interest rate swap of \$19,048 was not recorded by the entity in 2020.

(b). The University has entered into an interest rate derivative agreement to manage the volatility of the interest rate on the loan. The University converted floating rate of debt for fixed rate of debt of 2.8%. The change in the fair value of the interest rate swap of \$218,900 (2020 – \$334,596) is not recorded by the entity. The interest rate swap agreement expires in April 2023.

## Algoma University

### Notes to Consolidated Financial Statements

For the years ended April 30, 2021 and 2020

#### 7. Pension plans

##### Defined benefit pension plan

The University maintains a defined benefit plan covering faculty hired prior to 2006. Actuarial reports, which were based on projections of employee's compensation levels to the time of retirement, indicate the net assets available to provide for benefits, and the present value of accrued pension benefits at April 30, are as follows:

	2021	2020
Assets, at market value	\$30,436,000	\$26,585,000
Pension benefit obligation	(27,358,000)	(26,798,000)
<b>Plan surplus (deficit)</b>	<b>\$3,078,000</b>	<b>\$(213,000)</b>

The most recent actuarial valuation for post-employment benefits was performed as at April 30, 2018.

The plan assets consist of the following asset categories:

	2021	2020
Canadian equities	36%	35%
Foreign equities	21%	23%
Fixed income	43%	42%
Cash and short term deposits	-%	-%
	<b>100%</b>	<b>100%</b>

The pension expense amounts totaled \$501,700 (2020 - \$419,100) and is included in salaries and benefits on the statement of operations. Employer contributions paid and payable during the year were \$602,000 (2020 - \$707,000).

The discount rate used is 4.90% (2020 - 4.90%), the estimated rate of salary increases used is 2.50% (2020 - 2.50%) and the estimated rate of return on assets used is 4.90% (2020 - 4.90%).

## **Algoma University**

### **Notes to Consolidated Financial Statements**

For the years ended April 30, 2021 and 2020

#### **7. Pension plans (continued)**

##### **Group retirement savings plan**

Employees hired subsequent to 2006 are eligible to participate in a defined contribution group retirement savings plan. Employer contributions totaled \$914,349 for 2021 (2020 - \$786,759) and were fully expensed.

#### **8. Deferred contributions related to tangible capital assets**

Deferred contributions related to tangible capital assets relate to grants received for purchase or construction of tangible capital assets and are amortized over the life of the tangible capital assets. The changes in deferred contributions are as follows:

	<b>2021</b>	<b>2020</b>
Balance, beginning of year	\$27,979,762	\$28,483,425
Contributions	7,143,412	770,337
Transfers to revenue	(1,417,899)	(1,274,000)
<b>Balance, end of year</b>	<b>\$33,705,275</b>	<b>\$27,979,762</b>

#### **9. Unrestricted net assets**

	<b>2021</b>	<b>2020</b>
Investment in capital assets		
Capital assets	\$52,601,109	\$47,266,864
Long term debt	(11,321,596)	(12,337,596)
Deferred capital contributions	(33,705,275)	(27,979,762)
Investment in capital assets, net of financing	7,574,238	6,949,506
Accumulated deficit	-	-
<b>Unrestricted net assets</b>	<b>\$7,574,238</b>	<b>\$6,949,506</b>

## Algoma University

### Notes to Consolidated Financial Statements

For the years ended April 30, 2021 and 2020

#### 10. Net assets internally restricted

The following balances represent net assets set aside by the Board of Governors for the specific purpose of:

	2021	2020 Restated (Note 16)
Operating	\$3,194,809	\$1,852,859
Future capital projects	8,288,104	3,558,481
Defined benefit pension plan	3,078,000	(213,000)
Foundation	(507,157)	(558,320)
Advancement	1,145,666	994,937
Nordik Institute	101,450	95,342
Anishinaabe Peoples' Council operating	133,434	194,177
Anishinaabe Peoples' Council capital	173,012	173,012
Future research initiatives	500,000	-
HII	-	862
ISRI	-	9,460
CAPT	-	13,062
<b>Restricted net assets</b>	<b>\$16,107,318</b>	<b>\$6,120,872</b>

#### 11. Endowments (Restated - Note 16)

Endowments consist of externally restricted donations received by the University. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors. 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 market value of the investment portfolio for endowed funds included in the total investments disclosed in Note 3 is equal to \$3,806,626 (2020 - \$3,734,537).

## **Algoma University**

### **Notes to Consolidated Financial Statements**

For the years ended April 30, 2021 and 2020

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#### **12. Contingent liabilities**

The University is a member of the Canadian Universities Reciprocal Insurance Exchange ("CURIE"). CURIE insures general liability, university property and errors and omissions. Annual premiums paid by the university are determined by the CURIE Board, on the advice of the actuary. There is a provision under the agreement for assessments to all member universities if these premiums are not sufficient to cover losses. As of December 31, 2020, the date of the latest financial statements available, CURIE had a surplus of \$99,400,000 (2019- \$90,200,000). Additional insurance for automoves, artwork, miscellaneous property, and major construction projects is purchased through commercial insurers to provide coverage for losses not insured by CURIE.

The University is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of the administration, a liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the university.

#### **13. Government remittances**

Included in accounts payable and accrued liabilities are the following government remittances:

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	2021	2020
EHT Payable	\$162,751	\$37,630

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## **Algoma University**

### **Notes to Consolidated Financial Statements**

For the years ended April 30, 2021 and 2020

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#### **14. Commitments**

The following are the future minimum annual lease payments for campus buildings and capital commitments for online learning platform due over the next five years:

<b>Year</b>	<b>Amount</b>
2022	\$3,368,225
2023	2,911,645
2024	1,890,395
2025	1,477,408
2026	859,602
<b>Total</b>	<b>\$10,507,275</b>

#### **15. Financial instruments**

The University's management monitors, evaluates and manages the principal risks assumed with financial instruments on a daily basis. The risks that arise from transacting financial instruments include liquidity risk, credit and concentration of credit risk.

##### *Liquidity risk*

Liquidity risk arises from the University's management of accounts payable, long term debt and other current liabilities. It is the risk that the University will encounter difficulty in meeting its financial obligations as they fall due. The University's policy to minimize this risk is to ensure an adequate line of credit exists for the University.

## **Algoma University**

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#### **15. Financial instruments (continued)**

##### *Credit and concentration of credit risk*

Credit risk arises principally from the University's cash and accounts receivable. The cash is held at a reputable institution. The University is also exposed to normal credit risk resulting from the possibility that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The majority of the University's receivables are from student fees and the University sends any overdue accounts more than two years old to the credit bureau for collection. In addition, students are not allowed to register for a future semester if their fees from previous semesters are not paid in full. For the 2020 Spring and Fall semesters, the University allowed students to proceed to register with outstanding balances as a response to the COVID-19 pandemic (Note 16), however this practice ended as of the 2021 Winter semester.

##### *Interest rate risk*

Interest rate risk arises principally from the University's credit facilities. It 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 credit facilities have variable interest rates. Changes to the bank's prime lending rate can cause fluctuations in interest payments and cash flows. The University uses derivative financial instruments to alter the effect of this risk through an interest rate swap.

##### *Market volatility risk*

Market volatility risk arises from the University's investment portfolio, which contains various pooled funds. It is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of general economic and other market factors affecting equity prices.

## **Algoma University**

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#### **16. Prior prior adjustment**

During the year, it was discovered that endowment funds were overstated. As a result of endowment funds being overstated, both deferred revenue and internally restricted net assets were understated. The financial statement amounts that are presented for comparative purposes have been restated to correct these errors as follows:

Increase in 2020 deferred revenue - \$859,964

Increase in 2020 opening internally restricted net assets - \$998,219

Increase in 2020 internally restricted net assets - \$994,937

Decrease in 2020 opening endowments - \$1,963,298

Decrease in 2020 endowments - \$1,854,901

#### **17. COVID-19**

In March 2020, the World Health Organization declared the spread of coronavirus ("COVID19") to constitute a global pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus including travel restrictions in and out of Canada and provincially, and stay at home orders. These restrictions impacted the operations of the University and resulted in the closure of physical premises of all post-secondary institutions.

The extent of such adverse effects on the University's business and financial and operational performance are uncertain and difficult to assess. The financial impacts will depend on future developments, including the duration, spread and severity of the outbreak, physical distancing requirements, the duration and geographic scope of related travel advisories and restrictions, and the extent of disruptions to businesses globally and its related impact on the economy.

During 2021, the levels of on-campus activity were significantly reduced and campus services such as residences, fitness area, and parking revenue were negatively impacted. COVID-19 also impacted global commercial and financial activities. This led to significant volatility and declines in the global public equity markets towards the end of fiscal 2020. These markets subsequently recovered their losses and continued to generate strong returns through the remainder of fiscal 2021, resulting in strong returns for the University's investments. It is uncertain whether market volatility relating to COVID-19 will occur again in the future.

In response, the Ontario Ministry of Colleges and Universities issued additional funding to assist institutions through the pandemic. In 2021 the University received \$5,283,908 in additional one time funding.

## **Algoma University**

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#### **17. COVID-19 (continued)**

The University's budgets and forecasts have taken the expected impacts of the pandemic into account and management continues to manage the University's liquidity to ensure that obligations are met as they become due. The University has access to sufficient liquid resources to support operations in the coming year. Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.

#### **18. Comparative figures**

Comparative figures have been restated where necessary to conform to current year presentation.