



**CONSOLIDATED
FINANCIAL STATEMENTS**

YEAR ENDED

JUNE 30, 2019

Mount Royal University

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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Independent Auditor's Report

To the Board of Governors of Mount Royal University

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of Mount Royal University (the Group), which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statements of operations, change in net financial assets, remeasurement gains and losses, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the consolidated financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the 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 Group'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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

My 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 my 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Group'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 Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group 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 Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

October 28, 2019
Edmonton, Alberta

Statement of management responsibility

The consolidated financial statements of Mount Royal University (“the University”) have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements present fairly the financial position of the University as at June 30, 2019 and the results of its operations, change in net financial assets, remeasurement gains and losses, and cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that the University’s assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

The Board of Governors is responsible for reviewing and approving the consolidated financial statements, and overseeing management’s performance of its financial reporting responsibilities.

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit and Risk Committee. With the exception of the president, members of the Audit and Risk Committee are not employees of the University. The Audit and Risk Committee meets with management and the external auditors and internal auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Audit and Risk Committee, with and without the presence of management.

These consolidated financial statements have been reported on by the Auditor General of Alberta, the auditor appointed under the *Post-secondary Learning Act*. The Independent Auditor’s Report outlines the scope of the audit and provides the audit opinion on the fairness of presentation of the information in the consolidated financial statements.

[Original signed by]

Tim Rahilly, PhD

President and vice-chancellor, Mount Royal University

[Original signed by]

Annalise Van Ham, CPA, CGA

Vice-President, Finance and Administration, Mount Royal University



Mount Royal University
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019
(thousands of dollars)

	2019	2018
Financial assets excluding portfolio investments restricted for endowments		
Cash	\$ 167	\$ 347
Portfolio investments - non-endowment (note 4)	79,996	77,417
Accounts receivable (note 6)	13,381	19,712
Inventories held for sale	1,084	407
	94,628	97,883
Liabilities		
Accounts payable and accrued liabilities	26,401	22,884
Employee future benefit liabilities (note 7)	2,358	3,059
Debt (note 8)	62,061	70,679
Deferred revenue (note 9)	28,403	32,171
	118,223	128,793
(Net debt) excluding portfolio investments restricted for endowments	(23,595)	(30,910)
Portfolio investments - restricted for endowments (note 4)	64,848	60,731
Net financial assets	41,253	29,821
Non-financial assets		
Tangible capital assets (note 11)	349,152	360,814
Inventories of supplies	65	62
Prepaid expenses	382	-
	349,589	360,876
Net assets before spent deferred capital contributions	\$ 390,842	\$ 390,697
Spent deferred capital contributions (note 10)	263,109	272,680
Net assets (note 12)	\$ 127,733	\$ 118,017
Net assets is comprised of:		
Accumulated surplus	119,212	108,822
Accumulated remeasurement gains	8,521	9,195
	\$ 127,733	\$ 118,017

Contingent assets and contractual rights (notes 14 and 16)
 Contingent liabilities and contractual obligations (notes 15 and 17)

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



Mount Royal University
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2019
(thousands of dollars)

	Budget	2019	2018
Revenues			
Government of Alberta grants (note 21)	\$ 115,816	\$ 115,606	\$ 116,011
Federal and other government grants (note 21)	2,289	2,480	2,066
Sales of services and products	29,850	31,320	29,789
Student tuition and fees	78,449	78,041	75,199
Donations and other grants	4,596	4,505	4,507
Investment income	6,909	8,170	8,341
	<u>237,909</u>	<u>240,122</u>	<u>235,913</u>
Expenses (note 18)			
Instruction and non-sponsored research	94,419	90,951	94,855
Academic and student support	46,151	47,052	45,054
Facility operations and maintenance	36,749	37,441	39,281
Institutional support	36,532	36,057	36,851
Ancillary services	18,140	19,572	20,212
Sponsored research	3,039	3,820	2,895
	<u>235,030</u>	<u>234,893</u>	<u>239,148</u>
Annual operating surplus (deficit)	<u>2,879</u>	<u>5,229</u>	<u>(3,235)</u>
Endowment contributions (note 12)		3,353	536
Endowment capitalized investment income (note 12)		1,808	1,609
		<u>5,161</u>	<u>2,145</u>
Annual surplus (deficit)	<u>2,879</u>	<u>10,390</u>	<u>(1,090)</u>
Accumulated surplus, beginning of year	<u>108,822</u>	<u>108,822</u>	<u>109,912</u>
Accumulated surplus, end of year	<u>\$ 111,701</u>	<u>\$ 119,212</u>	<u>\$ 108,822</u>

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



Mount Royal University

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

	Budget	2019	2018
Annual surplus (deficit)	\$ 2,879	\$ 10,390	\$ (1,090)
Acquisition of tangible capital assets	(4,505)	(7,783)	(22,907)
Proceeds from sale of tangible capital assets		689	24
Amortization of tangible capital assets	18,464	18,702	18,391
Loss on disposal of tangible capital assets		54	8
Change in inventories of supplies		7	6
Change in prepaid expenses		(382)	-
Change in spent deferred capital contributions (note 10)	(11,790)	(9,571)	3,818
Change in accumulated remeasurement gains		(674)	(187)
Increase (decrease) in net financial assets	5,048	11,432	(1,937)
Net financial assets, beginning of year	29,821	29,821	31,758
Net financial assets, end of year	\$ 34,869	\$ 41,253	\$ 29,821

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



Mount Royal University

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

	2019	2018
Accumulated remeasurement gains, beginning of year	\$ 9,195	\$ 9,382
Unrealized (losses) gains attributable to:		
Quoted in active market financial instruments:		
Portfolio investments - non-endowment	(225)	886
Amounts reclassified to the consolidated statement of operations:		
Quoted in active market financial instruments:		
Portfolio investments - non-endowment	(449)	(1,073)
Accumulated remeasurement gains, end of year	\$ 8,521	\$ 9,195

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



Mount Royal University
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(thousands of dollars)

	2019	2018
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ 10,390	\$ (1,090)
Add (deduct) non-cash items:		
Amortization of tangible capital assets	18,702	18,391
(Gain) on sale of portfolio investments	(759)	(1,777)
Loss on disposal of tangible capital assets	54	8
Expended capital recognized as revenue	(12,235)	(11,997)
(Decrease) in employee future benefit liabilities	(701)	(550)
Change in non-cash items	15,451	2,985
Decrease (increase) in accounts receivable	6,331	(6,538)
(Increase) in inventories held for sale	(677)	(33)
Increase (decrease) in accounts payable and accrued liabilities	2,517	(12,559)
Decrease in inventories of supplies	7	6
(Decrease) in deferred revenue	(2,722)	(14,131)
(Increase) in prepaid expenses	(382)	-
Cash provided by (applied to) operating transactions	20,525	(30,270)
INVESTING TRANSACTIONS		
Purchases of portfolio investments	(22,341)	(31,902)
Proceeds on sale of portfolio investments	14,684	39,327
Cash (applied to) provided by investing transactions	(7,657)	7,425
FINANCING TRANSACTIONS		
Debt - repayment	(16,467)	(4,178)
Debt - new financing	7,849	12,811
Increase in spent deferred capital contributions, less expended capital recognized as revenue, less in-kind donations	2,647	15,814
Cash (applied to) provided by financing transactions	(5,971)	24,447
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets, less in-kind donations	(7,766)	(22,905)
Proceeds on disposal of tangible capital assets	689	24
Cash (applied to) capital transactions	(7,077)	(22,881)
(Decrease) in cash	(180)	(21,279)
Cash, beginning of year	347	21,626
Cash, end of year	\$ 167	\$ 347

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



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

1. Authority and Purpose

The Board of Governors of Mount Royal University is a corporation that manages and operates Mount Royal University ("the University") under the *Post-secondary Learning Act* (Alberta). All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education, with the exception of the President, who is an ex officio member.

Effective February 1, 2019 the University is an undergraduate university under the *Post-secondary Learning Act*. The roles of an undergraduate university are as follows:

- a) provide undergraduate degree programs;
- b) collaborate with other post-secondary institutions to support regional access to undergraduate degree programs;
- c) provide approved foundational learning, diploma or certificate programs; and
- d) undertake research and scholarly activities that enrich undergraduate education.

Prior to February 1, 2019 the University was a Baccalaureate and Applied Studies Institution under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, offering baccalaureate degrees, certificates, diplomas and applied degrees as well as a full range of continuing education programs and activities.

The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

2. Summary of Significant Accounting Policies and Reporting Practices

a. General - Public Sector Accounting Standards (PSAS) and Use of Estimates

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. The University management uses judgment to determine such estimates. Employee future benefit liabilities, amortization of tangible capital assets and the revenue recognition for expended capital are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b. Valuation of Financial Assets and Liabilities

The University's financial assets and liabilities are generally measured as follows:

Financial Statement Component	Measurement
Cash	Cost
Portfolio investments	Fair value
Accounts receivable	Amortized cost
Inventories held for sale	Lower of cost or net realizable value
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost

Unrealized gains and losses from changes in the fair value of financial assets and liabilities are recognized in the consolidated statement of remeasurement gains and losses. When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recognized in the consolidated statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial assets and liabilities measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

2. Summary of Significant Accounting Policies and Reporting Practices (continued)

b. Valuation of Financial Assets and Liabilities (continued)

purchase and sale of cash and portfolio investments are accounted for using trade date accounting.

The University does not use foreign currency contracts or any other type of derivative financial instruments for trading or speculative purposes.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the University's normal purchase, sale or usage requirements are not recognized as financial assets or liabilities. The University does not have any embedded derivatives.

c. Revenue Recognition

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as deferred revenue.

Government grants, non-government grants and donations

Government transfers are referred to as government grants.

Restricted grants and donations are recognized as deferred revenue if the terms for the use, or the terms along with the University's actions and communications as to the use, create a liability. These grants and donations are recognized as revenue as the terms are met. If the grants and donations are used to acquire or construct tangible capital assets, revenue will be recognized over the useful life of the tangible capital assets.

Government grants without terms for the use of the grant are recognized as revenue when the University is eligible to receive the funds. Unrestricted non-government grants and donations are recognized as revenue in the year received or in the year the funds are committed to the University if the amount can be reasonably estimated and collection is reasonably assured.

In-kind donations of services, materials and tangible capital assets are recognized at fair value when such value can reasonably be determined. Transfers of tangible capital assets from related parties are recognized at the carrying value.

Grants and donations related to land

Grants and donations for the purchase of land are recognized as deferred revenue when received, and recognized as revenue when the land is purchased.

The University recognizes in-kind contributions of land as revenue at the fair value of the land when a fair value can be reasonably determined. When the University cannot determine the fair value, it recognizes such in-kind contributions at nominal value.

Endowment donations

Endowment donations are recognized as revenue in the consolidated statement of operations in the year in which they are received, and are required by donors to be maintained intact in perpetuity.

Investment income

Investment income includes dividends, interest income and realized gains or losses on the sale of portfolio investments. Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as investment income when the terms of the grant or donation are met. The endowment spending allocation portion of investment income earned by endowments is recognized as deferred revenue when the terms for the use by the endowment create a liability. Realized investment income allocated to endowment balances for the preservation of endowment capital purchasing power is recognized in the consolidated statement of operations.

d. Endowments

Endowments consist of:

- Externally restricted donations received by the University, the principal of which is required to be maintained intact in perpetuity.
- Investment income earned (excluding unrealized income) by the endowments in excess of the amount required for spending

Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

2. Summary of Significant Accounting Policies and Reporting Practices (continued)

d. Endowments (continued)

allocation is capitalized to maintain and grow the real value of the endowments. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and by reinvesting unexpended income.

Under the *Post-secondary Learning Act*, the University has the authority to alter the terms and conditions of endowments to enable:

- Income earned by the endowments to be withheld from distribution to avoid fluctuations in the amounts distributed, generally to regulate the distribution of income earned by the endowments.
- Encroachment on the capital of the endowments to avoid fluctuations in the amounts distributed and generally to regulate the distribution of investment income earned by the endowments if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the accumulated capitalized investment income. However, for individual endowments without sufficient accumulated capitalized investment income, endowment principal is used in that year and is expected to be recovered by future investment income.

e. Inventories Held for Sale

Inventories held for sale are valued at the lower of cost and expected net realizable value and are determined using the first in, first out (FIFO) method. Inventories of supplies are valued at cost.

f. Tangible Capital Assets

Tangible capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the construction of new buildings. Work in progress, which includes facilities and improvement projects and development of information systems, is not amortized until after the project is complete and the asset is in service.

Capital lease liabilities are recognized at the present value of future minimum lease payments at the inception of the lease, excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the University's rate for incremental borrowing or the interest rate implicit in the lease.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over the estimated useful lives as follows:

Asset Category	Estimated Useful Lives
Buildings	20 - 40 years
Learning resources	10 years
Furnishings, equipment and systems	3 - 20 years

Tangible capital asset write-downs are recognized when conditions indicate they no longer contribute to the University's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Net write-downs are recognized as expenses.

Intangible assets, works of art, historical treasures and collections are expensed when acquired and not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made.

g. Foreign Currency Translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the consolidated statement of financial position date. Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains and losses.

In the period of settlement, foreign exchange gains and losses are reclassified to the consolidated statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains and losses.



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

2. Summary of Significant Accounting Policies and Reporting Practices (continued)

g. Foreign Currency Translation (continued)

Foreign exchange gains and losses are not significant and are therefore not disclosed separately in the consolidated statement of remeasurement gains and losses.

h. Employee Future Benefits

Pension

The University participates with other employers in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit pension plan that provides pensions for the University's participating employees based on years of service and earnings.

The University does not have sufficient plan information on the LAPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recognized for the LAPP is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

Long-term disability

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains or losses on the accrued benefit obligation are recognized immediately.

Administrative leave and deferred salary plans

The University provides for certain executives to accrue a paid leave of absence at the end of their administrative appointment. The expense for these plans is estimated using the projected benefit method prorated on service. Gains and losses on the accrued benefit obligation are recognized immediately.

The University provided compensated absences for its employees under two deferred leave plans. Participating faculty members contributed 15% of their pre-tax annual salary for four years and then are paid 85% of their salary during their year of leave. The deferred salary plan for management and support staff is wholly self funded by participating employees who contributed between 15% and 20% of their pre-tax annual salary for four years and then draw on the accumulated sum during their year of leave. This benefit has been discontinued as of July 1, 2018.

Supplementary executive retirement plans (SERP) - Defined Benefit

The University has a former executive member participating in a defined benefit pension that is self-funded. The actuarial value of this liability is included in these statements. The pension expense for this plan is actuarially determined using the projected benefit method prorated over the expected remaining service life. Actuarial gains or losses on the accrued benefit obligation are amortized over the remaining expected average service life of the plan.

Supplementary executive retirement plans (SERP) - Defined Contribution

The University provides non-contributory defined benefit supplementary executive retirement benefits under a defined contribution plan to current executive members. The pension expense for the defined contribution supplementary executive retirement plan is the employer's current year contribution to the plan as calculated in accordance with the plan rules.



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

2. Summary of Significant Accounting Policies and Reporting Practices (continued)

i. Basis of Consolidation

The consolidated financial statements use the line-by-line method to record entities controlled by the University.

- The Mount Royal University Foundation is a wholly owned non-profit organization that receives donations and endowments on behalf of the University. The Mount Royal University Foundation is incorporated under the *Companies Act of Alberta*.
- The Mount Royal University Child Care Centre is a non-profit organization that is incorporated under the *Societies Act of Alberta*.

These entities are not material to the University's consolidated financial statements, and therefore, separate condensed financial information is not presented.

j. Environmental Liabilities

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the university is directly responsible or accepts responsibility;
- iv. it is expected that future economic benefits will be given up; and
- v. a reasonable estimate of the amount can be made.

As at June 30, 2019 there was no liability for remediation of contaminated sites.

k. Expense by Function

The University uses the following categories of functions on its consolidated statement of operations:

Instruction and non-sponsored research

Expenses relating to the University's instruction and non-sponsored research and scholarly activity undertaken by faculty and within academic departments that contribute jointly to instruction and research functions. Non-credit instruction expenses related to the activities that are part of the non-credit programming are also included.

Academic and student support

Expenses relating to the support for the academic functions of the University. Admissions and registry functions and all other activities that support the student body are also included.

Facility operations and maintenance

Expenses relating to the maintenance and renewal of facilities that house all teaching, research and administrative activities within the University. These include utilities, facilities administration, building maintenance, custodial services, landscaping and groundskeeping, major repairs and renovations, and tangible capital asset amortization on all non-ancillary capital.

Institutional support

Expenses incurred in support of the computing, networking, data communications and other information technology functions. University wide administrative services expenses are also included.

Ancillary services

Expenses relating to services and products provided to the University community and to external individuals and organizations. Services include the University bookstore, printing, student residences, events and conference services, and parking services.

Sponsored research

Expenses for all sponsored research activities specifically funded by restricted grants and donations.

l. Funds and Reserves

Certain amounts, as approved by the Board of Governors, are set aside in accumulated operating surplus for future operating and capital purposes. Transfers to or from funds and reserves are an adjustment to the respective fund when approved by the Board of Governors.



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

2. Summary of Significant Accounting Policies and Reporting Practices (continued)

m. Future Accounting Changes

In August 2018, the Public Sector Accounting Board issued PS 3280 Asset retirement obligations. This accounting standard is effective for fiscal years starting on or after April 1, 2021. Asset retirement obligations provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

In November 2018, the Public Sector Accounting Board approved PS 3400 Revenue. This accounting standard is effective for fiscal years starting on or after April 1, 2022 and provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions.

Management is currently assessing the impact of these new standards on the consolidated financial statements.

3. Adoption of New Accounting Standards

The University has prospectively adopted PS 3430 Restructuring transactions. This accounting standard is effective for fiscal years starting on or after April 1, 2018. Restructuring transactions defines and establishes disclosure standards for restructuring transactions. The adoption of this standard did not affect the consolidated financial statements.



Mount Royal University **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** **YEAR ENDED JUNE 30, 2019** **(thousands of dollars)**

4. Portfolio Investments

	2019	2018
Portfolio investments - non-endowment	\$ 79,996	\$ 77,417
Portfolio investments - restricted for endowments	64,848	60,731
	<u>\$ 144,844</u>	<u>\$ 138,148</u>

The composition of portfolio investments measured at fair value is as follows:

	2019		
	Level 2	Level 3	Total
Portfolio investments at fair value			
Pooled investments in bonds			
Canadian bonds	\$ 29,821	\$ -	\$ 29,821
Pooled investments in equities			
Canadian equities	21,743	-	21,743
Foreign equities	63,630	-	63,630
Pooled real estate units	-	29,637	29,637
Other ^(a)	-	13	13
Total portfolio investments	<u>115,194</u>	<u>29,650</u>	<u>144,844</u>
	<u>80 %</u>	<u>20 %</u>	<u>100 %</u>

	2018		
	Level 2	Level 3	Total
Portfolio investments at fair value			
Pooled investments in bonds			
Canadian bonds	\$ 32,595	\$ -	\$ 32,595
Pooled investments in equities			
Canadian equities	24,488	-	24,488
Foreign equities	65,758	-	65,758
Pooled real estate units	-	15,296	15,296
Other ^(a)	-	11	11
Total portfolio investments	<u>122,841</u>	<u>15,307</u>	<u>138,148</u>
	<u>89 %</u>	<u>11 %</u>	<u>100 %</u>

(a) Other portfolio investment is composed of a donated life insurance policy.

Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

4. Portfolio Investments (continued)

The fair value measurements are those derived from:

Level 1 – Quoted prices in active markets for identical assets;

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

The following table reconciles the changes in fair value of level 3 investments:

	2019	2018
Balance, beginning of year	\$ 15,307	\$ 14,314
Purchases	12,600	-
Unrealized gains	1,743	993
Balance, end of year	\$ 29,650	\$ 15,307

5. Financial Risk Management

The University is exposed to the following risks:

a. Market price risk

The University is exposed to market price risk - the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the University has established an investment policy with a target asset mix that is diversified by asset class with individual issuer limits and is designed to achieve a long-term rate of return that in real terms equals or exceeds total endowment expenditures with an acceptable level of risk.

At June 30, 2019, the impact of a change in the rate of return on the investment portfolio is as follows:

Fair Value	2.5% Decrease	1.0% Decrease	1.0% Increase	2.5% Increase
Canadian bonds	\$ 29,821	\$ (746)	\$ (298)	\$ 298
Canadian equities	21,743	(544)	(217)	217
Foreign equities	63,630	(1,591)	(636)	636
Real estate	29,637	30	12	(12)
\$ 144,831	\$ (2,851)	\$ (1,139)	\$ 1,139	\$ 2,851

Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

5. Financial Risk Management (continued)

b. Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The University is exposed to foreign exchange risk on investments that are denominated in foreign currencies. The University is also exposed to foreign currency risk on a United States dollar operating bank account. The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. The University's exposure to foreign exchange risk is very low due to minimal business activities conducted in a foreign currency.

The impact of a change in the most material value of the foreign currency portfolio is shown below:

	Fair value	2.5% Decrease	1.0% Decrease	1.0% Increase	2.5% Increase
US dollar investments	\$ 36,327	\$ (518)	\$ (207)	\$ 207	\$ 518
Euro	6,280	(15)	(6)	6	15
British pound	3,271	(4)	(2)	2	4
Japanese yen	4,613	(8)	(3)	3	8
	<u>\$ 50,491</u>	<u>\$ (545)</u>	<u>\$ (218)</u>	<u>\$ 218</u>	<u>\$ 545</u>

c. Credit risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the University. The University is exposed to credit risk on investments and has established an investment policy with required minimum credit quality standards and issuer limits to manage this risk. The credit risk from non-tuition accounts receivable is low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricted enrolment activities for students with delinquent balances and maintaining standard collection procedures.

The credit risks on investments held are as follows:

	2019	2018
Credit rating		
AAA	38.00 %	38.66 %
AA	37.50	32.42
A	12.70	17.15
BBB	11.70	11.63
Not rated	0.10	0.14
	<u>100.00 %</u>	<u>100.00 %</u>

d. Liquidity risk

Liquidity risk is the risk that the University will encounter difficulty in meeting obligations associated with its financial liabilities. The University maintains a short-term line of credit of \$15 million that is designed to ensure that funds are available to meet current and forecasted financial requirements in the most cost effective manner. At June 30, 2019, the University has committed borrowing facilities of \$6,727 (2018 - \$12,074).



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

5. Financial Risk Management (continued)

e. Interest rate risk

Interest rate risk is the risk to the University's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income securities that the University holds. Interest risk on the University's debt is managed through fixed-rate agreements with Alberta Capital Finance Authority (note 8).

The impact of a change in interest rates for various instruments is shown below:

	Fair Value	2.5% Decrease	1.0% Decrease	1.0% Increase	2.5% Increase
Bonds	29,821	6,483	2,594	(2,204)	(5,505)
Real estate	29,637	593	237	(237)	(593)

The maturity and average effective market yield of interest bearing investments are as follows:

	<1 year %	1-5 years %	> 5 years %	Average effective market yield %
Portfolio investments, fixed income	-	42	58	7.36

6. Accounts Receivable

	2019	2018
Accounts receivable	\$ 3,472	\$ 4,470
Receivable from sale of portfolio investment	-	5,000
Receivable from the Students Association of Mount Royal University (note 8)	9,909	10,242
	<u>\$ 13,381</u>	<u>\$ 19,712</u>

Accounts receivable are unsecured and non-interest bearing.

On June 29, 2018 the University transitioned \$5 million of the investment portfolio into operating assets. The cash settlement of this transaction occurred on July 5, 2018, resulting in an outstanding receivable at June 30, 2018.

In 2007, the University and the Students Association of Mount Royal University (SAMRU) entered into an agreement to finance the expansion of the SAMRU's Wyckham Student facilities on campus. The University borrowed the sum of \$13 million to fund the costs of construction for the expansion, and the SAMRU is repaying the amount on the same terms and conditions as the borrowing outlined in note 8.



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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7. Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2019	2018
Long-term disability	\$ 1,864	\$ 1,668
Administrative leave including deferred salary plans	219	852
Supplementary executive retirement plans - defined benefit	209	229
Supplementary executive retirement plans - defined contribution (note 22)	66	310
	<u>\$ 2,358</u>	<u>\$ 3,059</u>

a. Long-term disability

The University contributes the employer portion of LAPP pension premiums for all employees on long-term disability for the duration of their leave, until retirement age, or until the termination of the benefit, whichever is longer. The most recent actuarial valuation for this accrued obligation was completed at June 30, 2019. The next actuarial valuation will be carried out June 30, 2020.

b. Administrative leave

The University provides for certain senior executives to accrue a paid leave of absence at the end of their administrative appointment. Upon completing their term of service, the individual's salary and benefits in effect at the end of the service are paid for the duration of the leave.

c. Supplementary executive retirement plan (SERP) - defined benefit

The University provides a non-contributory supplementary executive defined retirement benefit to a past executive member. An actuarial valuation of these benefits was carried out as at June 30, 2019. The next actuarial valuation will be carried out June 30, 2022.

d. Supplementary executive retirement plan (SERP) - defined contribution

The University provides non-contributory defined supplementary executive retirement benefits under a defined contribution plan to certain executive members. The pension expense recorded in these consolidated financial statements is \$64 (2018 - \$68).



Mount Royal University
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(thousands of dollars)

7. Employee Future Benefit Liabilities (continued)

The expense and financial position of these employee future benefit plans are as follows:

	2019			
	Long-term disability	Administrative leave	Defined benefit	Defined contribution
Expense				
Current service cost	\$ 196	\$ 38	\$ -	\$ 64
Interest cost	-	-	7	-
Amortization of net actuarial loss	-	-	10	-
Total expense	\$ 196	\$ 38	\$ 17	\$ 64
Financial Position				
Accrued benefit obligation:				
Balance, beginning of year	\$ 1,668	\$ 539	\$ 229	\$ 310
Current service cost	196	38	-	64
Interest cost	-	-	7	-
Amortization of net actuarial loss	-	-	10	-
Benefits paid	-	(441)	(37)	(308)
Balance, end of year	\$ 1,864	\$ 136	\$ 209	\$ 66
	2018			
	Long-term disability	Administrative leave	Defined benefit	Defined contribution
Expense				
Current service cost	\$ (624)	\$ 226	\$ -	\$ 68
Interest cost	-	-	8	-
Amortization of net actuarial loss	-	-	10	-
Total expense	\$ (624)	\$ 226	\$ 18	\$ 68
Financial Position				
Accrued benefit obligation:				
Balance, beginning of year	\$ 2,292	\$ 477	\$ 248	\$ 242
Current service cost	(624)	226	-	68
Interest cost	-	-	8	-
Amortization of net actuarial loss	-	-	10	-
Benefits paid	-	(164)	(37)	-
Balance, end of year	\$ 1,668	\$ 539	\$ 229	\$ 310



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

7. Employee Future Benefit Liabilities (continued)

The significant actuarial assumptions used to measure the accrued benefit obligation are as follows:

	2019		2018	
	Long-term disability	Defined benefit	Long-term disability	Defined benefit
Accrued benefit obligation:				
Discount rate	3.20 %	2.50 %	2.70 %	2.50 %
Benefit cost:				
Discount rate	3.20 %	2.50 %	2.70 %	2.50 %
Inflation (long-term)	2.00 %	2.00 %	2.00 %	2.00 %
Estimated average remaining service life	n/a	9 years	n/a	10 years

The University plans to use its working capital to finance these future obligations.

(e) Multi-employer pension plans

The Local Authority Pension Plan (LAPP) is a multi-employer contributory defined benefit pension plan for University members and is accounted for on a defined contribution basis. At December 31, 2018, the LAPP reported an actuarial surplus of \$3,469,347 (2017 - \$4,835,515). An actuarial valuation of the LAPP was carried out as at December 31, 2017 and was then extrapolated for December 31, 2018. The pension expense recorded in the consolidated financial statements is \$12,395 (2018 - \$13,411). Other than the requirement to make additional contributions, the University does not bear any risk related to the LAPP deficit.



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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8. Debt

Debt is measured at amortized cost and is comprised of the following:

			2019	2018
	Collateral ⁽¹⁾	Maturity	Interest rate %	Amortized cost
Debentures payable to Alberta Capital Finance Authority:				
West Student Residence	1	August 15, 2027	6.1250 %	\$ 17,725
Taylor Centre for the Performing Arts	1	March 17, 2029	3.1250 %	8,960
Mount Royal University Parkade	1	September 24, 2035	4.8675 %	16,444
MRU Student Association's Wyckham Student Centre (note 6)	1	June 15, 2037	5.0030 %	9,909
Short-term line of credit			3.2000 %	6,727
Liabilities under capital leases (note 17)			0.3725 %	2,296
Balance, end of year				\$ 62,061
				\$ 70,679

(1) Collateral consists of cash flows from activities carried out in the facilities.

Principal and interest repayments are as follows:

Year	Principal	Interest	Total
2020	\$ 11,126	\$ 2,713	\$ 13,839
2021	4,289	2,545	6,834
2022	3,987	2,326	6,313
2023	3,946	2,110	6,056
2024	4,108	1,911	6,019
Thereafter	34,605	8,871	43,476
	\$ 62,061	\$ 20,476	\$ 82,537

Interest expense on debt is \$2,253 (2018 - \$2,461) and is included in the consolidated statement of operations.

The University has a short-term line of credit, unsecured, with an authorized limit of \$15 million. The interest rate is prime less 0.75% (2019 - 3.2%, 2018 - 2.7%), payable monthly. The principal is due on demand or at the borrower's discretion.



Mount Royal University
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
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9. Deferred Revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement:

	2019			2018	
	Unspent externally restricted grants and donations	Unspent externally restricted capital contributions	Tuition and other fees	Total	Total
Balance, beginning of year	\$ 16,531	\$ 9,487	\$ 6,153	\$ 32,171	\$ 46,432
Grants, tuition, donations received during the year	9,461	(2,600)	7,506	14,367	18,310
Investment income	4,084	-	-	4,084	3,598
Unrealized (losses)	(1,046)	-	-	(1,046)	(130)
Transfers to spent deferred capital contributions	(278)	(2,386)	-	(2,664)	(15,815)
Recognized as revenue	(11,860)	(496)	(6,153)	(18,509)	(20,224)
Balance, end of year	\$ 16,892	\$ 4,005	\$ 7,506	\$ 28,403	\$ 32,171

10. Spent Deferred Capital Contributions

Spent deferred capital contributions is comprised of externally restricted grants and donations spent on tangible capital acquisitions (not yet recognized as revenue):

	2019	2018
Spent deferred capital contributions, beginning of year	\$ 272,680	\$ 268,862
Transfers from unspent externally restricted grants and donations	278	1,554
Transfers from unspent deferred capital contributions	2,386	14,261
Expended capital recognized as revenue	(12,235)	(11,997)
Net change for the year	(9,571)	3,818
Balance, end of year	\$ 263,109	\$ 272,680



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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11. Tangible Capital Assets

	2019					2018
	Land	Buildings ⁽¹⁾	Learning resources	Furnishings, equipment and systems ⁽²⁾	Total	Total
Cost						
Balance, beginning of year	\$ 6,815	\$ 484,039	\$ 6,686	\$ 62,037	\$ 559,577	\$ 539,754
Acquisitions	-	1,534	770	5,479	7,783	22,907
Disposals, including write-downs	-	-	(575)	(2,120)	(2,695)	(3,084)
	6,815	485,573	6,881	65,396	564,665	559,577
Accumulated Amortization						
Balance, beginning of year	\$ -	\$ 157,065	\$ 3,289	\$ 38,409	\$ 198,763	\$ 183,424
Amortization expense	-	12,247	746	5,709	18,702	18,391
Effects of disposals, including write-downs	-	-	(575)	(1,377)	(1,952)	(3,052)
	-	169,312	3,460	42,741	215,513	198,763
Net book value, June 30, 2019	6,815	316,261	3,421	22,655	349,152	
Net book value, June 30, 2018	\$ 6,815	\$ 326,974	\$ 3,397	\$ 23,628		\$ 360,814

(1) No interest was capitalized by the University in 2019 or 2018.

(2) Furnishings, equipment and systems include computer software, hardware, and all furniture and non-computing capital equipment.

The University holds a collection of works of art including paintings, sculptures and photographs. Due to the subjective nature of these assets, the values are not reported in this note.



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

12. Net assets

	Accumulated surplus from operations	Internally restricted surplus	Investment in tangible capital assets ⁽¹⁾	Endowments	Total
Net assets, as at June 30, 2017	\$ 10,326	\$ 20,261	\$ 35,967	\$ 52,740	\$ 119,294
Annual operating (deficit)	(3,235)	-	-	-	(3,235)
Endowments					
New donations	-	-	-	536	536
Capitalized investment income	-	-	-	1,609	1,609
Tangible capital assets					
Amortization of tangible capital assets	6,396	-	(6,396)	-	-
Acquisition of tangible capital assets	(4,386)	(2,708)	7,094	-	-
Debt repayment	(3,861)	-	3,861	-	-
Debt - new financing	737	-	(737)	-	-
Net book value of tangible capital asset disposals	32	-	(32)	-	-
Operating expenses funded from internally restricted surplus	5,044	(5,044)	-	-	-
Net Board appropriation to internally restricted surplus	(700)	700	-	-	-
Change in accumulated remeasurement gains	(187)	-	-	-	(187)
Net assets, beginning of year	10,166	13,209	39,757	54,885	118,017
Annual operating surplus	5,229	-	-	-	5,229
Endowments					
New donations	-	-	-	3,353	3,353
Capitalized investment income	-	-	-	1,808	1,808
Tangible capital assets					
Amortization of tangible capital assets	6,464	-	(6,464)	-	-
Acquisition of tangible capital assets	(4,351)	(768)	5,119	-	-
Debt repayment	(4,060)	-	4,060	-	-
Debt - new financing	1,122	-	(1,122)	-	-
Net book value of tangible capital asset disposals	743	-	(743)	-	-
Operating expenses funded from internally restricted surplus	3,166	(3,166)	-	-	-
Net Board appropriation to internally restricted surplus	(8,000)	8,000	-	-	-
Change in accumulated remeasurement gains	(674)	-	-	-	(674)
Net assets, as at June 30, 2019	\$ 9,805	\$ 17,275	\$ 40,607	\$ 60,046	\$ 127,733

(1) Investment in tangible capital assets represents the amount of the University's accumulated operating surplus that has been invested in the University's tangible capital assets.

Net assets is comprised of:

Accumulated surplus	\$ 1,284	\$ 17,275	\$ 40,607	\$ 60,046	\$ 119,212
Accumulated remeasurement gains	8,521	-	-	-	8,521
	\$ 9,805	\$ 17,275	\$ 40,607	\$ 60,046	\$ 127,733



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

13. Internally Restricted Surplus

Internally restricted accumulated surplus represent amounts set aside by the University's Board of Governors for specific purposes. Those amounts are not available for other purposes without the approval of the Board and do not have interest allocated to them.

Internally restricted net assets with significant balances include:

2019				
	Balance at beginning of year	Appropriations from unrestricted net assets	Disbursements during the year	Balance at end of year
Appropriations for capital activities				
Capital renewal	\$ 3,053	\$ 3,223	\$ 1,084	\$ 5,192
Business and Retail Services Project Planning	2,419	-	129	2,290
Residence	3,047	-	1,857	1,190
	8,519	3,223	3,070	8,672
Appropriations for operating activities				
Research and special projects	3,045	-	746	2,299
Academic strategic development	1,018	200	49	1,169
University effectiveness and community needs	366	4,577	19	4,924
Scholarships and bursaries	261	-	50	211
	4,690	4,777	864	8,603
Total	\$ 13,209	\$ 8,000	\$ 3,934	\$ 17,275
2018				
	Balance at beginning of year	Appropriations from unrestricted net assets	Disbursements during the year	Balance at end of year
Appropriations for capital activities				
Capital renewal	\$ 6,737	\$ 500	\$ 4,184	\$ 3,053
Business and Retail Services Project Planning	3,054	-	635	2,419
Residence	4,222	-	1,175	3,047
	14,013	500	5,994	8,519
Appropriations for operating activities				
Research and special projects	4,084	325	1,364	3,045
Academic strategic development	1,234	125	341	1,018
University effectiveness and community needs	619	(250)	3	366
Scholarships and bursaries	311	-	50	261
	6,248	200	1,758	4,690
Total	\$ 20,261	\$ 700	\$ 7,752	\$ 13,209



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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14. Contingent Assets

The University initiated legal matters and insurance claims where possible assets are being sought. While the outcomes of these claims cannot be reasonably estimated at this time, the University believes that any settlement will not have a material effect on the financial position or the results of operations of the University. These contingent assets are not recognized in the consolidated financial statements.

15. Contingent Liabilities

a. The University is a defendant in a number of legal proceedings arising in the normal course of business. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Management has concluded that none of the claims meets the criteria for recording a liability.

b. The University has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The liability for these assets will be recorded in the period in which there is certainty that a capital project will proceed and there is sufficient information to estimate fair value of the obligation.

16. Contractual Rights

Contractual rights are rights of the University to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Operating Leases	Other Contracts	Total
2020	\$ 214	\$ 2,538	\$ 2,752
2021	-	1,101	1,101
2022	-	411	411
2023	-	246	246
2024	-	181	181
Thereafter	-	-	-
Total at June 30, 2019	\$ 214	\$ 4,477	\$ 4,691
Total at June 30, 2018	\$ 736	\$ 5,141	\$ 5,877



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

17. Contractual Obligations

The University has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met.

The estimated aggregate amount payable for the unexpired terms of these contractual obligations are as follows:

	Capital Projects ⁽¹⁾	Service Contracts ⁽²⁾	Information Systems and Technology	Long-term Leases	Total
2020	\$ 2,349	\$ 23,189	\$ 1,226	\$ -	\$ 26,764
2021	-	11,849	436	-	12,285
2022	-	6,275	125	-	6,400
2023	-	6,276	45	-	6,321
2024	-	71	-	-	71
Thereafter	-	-	-	-	-
Total at June 30, 2019	\$ 2,349	\$ 47,660	\$ 1,832	\$ -	\$ 51,841
Total at June 30, 2018	\$ 2,033	\$ 56,837	\$ 2,431	\$ 8	\$ 61,309

(1) Capital projects include obligations related to major capital and renovation projects.

(2) Service contracts include contractual obligations the University entered into for services such as electricity, natural gas, information technology maintenance agreements, and other service obligations. The University has contracts to manage its exposure to volatility in the electrical and natural gas industries. Based on management's estimates, the annual costs for the utility contracts for the year ending June 30, 2020 are expected to be approximately \$4.9 million.

18. Expense by Object

The following is a summary of expense by object.

	2019		2018	
	Budget (note 23)	Actual	Actual	
Salaries	\$ 141,276	\$ 140,667	\$ 143,354	
Employee benefits	23,505	22,710	22,824	
Materials, supplies and services	32,489	32,109	33,371	
Cost of goods sold	3,047	3,896	4,283	
Scholarships and bursaries	3,546	3,474	3,185	
Maintenance and repairs	5,106	5,062	6,004	
Utilities	5,458	5,277	5,243	
Amortization of tangible capital assets	18,464	19,445	18,423	
Interest on debt	2,139	2,253	2,461	
	\$ 235,030	\$ 234,893	\$ 239,148	



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(thousands of dollars)

19. Funds Held on Behalf of Others

The University holds the following funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements.

	2019	2018
Associations and others	\$ 30	\$ 9
Recreational clubs	20	(7)
	<u>\$ 50</u>	<u>\$ 2</u>

20. Related Parties

The University is a related party with organizations within the Government of Alberta reporting entity. Key management personnel of the University, their close family members and the Board of Governors are also considered related parties. Transactions with these entities and individuals are considered to be in the normal course of operations and are recorded at the exchange amount, which approximates fair value.

The University has liabilities with Alberta Capital Finance as described in Note 8.



Mount Royal University
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(thousands of dollars)

21. Government transfers

	2019	2018
Grants from Government of Alberta		
Advanced Education:		
Operating	\$ 101,951	\$ 101,077
Capital	-	2,549
Other	3,986	3,661
Total Advanced Education	\$ 105,937	\$ 107,287
 Other Post-secondary Institutions	 \$ 25	 \$ 116
 Other Government of Alberta departments and agencies:		
Ministry of Culture and Tourism	133	148
Ministry of Community and Social Services	-	100
Ministry of Environment and Parks	-	1,085
Ministry of Economic Development and Trade	135	250
Ministry of Children's Services	867	307
Ministry of Education	127	-
Ministry of Labour	110	113
Ministry of Health	122	74
Total other Government of Alberta departments and agencies	1,494	2,077
Total contributions received	107,456	109,480
Expended capital recognized as revenue	9,310	9,119
Less: deferred revenue	(1,160)	(2,588)
	\$ 115,606	\$ 116,011
 Accounts receivable		
Advanced Education	\$ 36	\$ 1,277
Other Government of Alberta departments and agencies	88	44
	\$ 124	\$ 1,321
 Federal and other government grants		
Contributions received	\$ 1,300	\$ 940
Expended capital recognized as revenue	1,395	1,368
Less: deferred revenue	(215)	(242)
Revenue	\$ 2,480	\$ 2,066

The University has liabilities with Alberta Capital Finance Authority as described in note 8. The University received a rebate from the Ministry of Environment and Parks for \$86 (2018- \$nil).

Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. Salary and Employee Benefits

	2019			2018	
	Base salary ⁽²⁾	Other cash benefits ⁽³⁾	Other non-cash benefits ⁽⁴⁾⁽⁵⁾	Total	Total
Governance⁽¹⁾					
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -	-
Members of the Board of Governors	-	-	-	-	-
Executive					
President					
Current term commenced May 1, 2019	\$ 51	\$ 1	\$ 12	\$ 64	-
Past term ended April 30, 2019	238	88	26	352	371
Total	\$ 289	\$ 89	\$ 38	\$ 416	371
Provost and Vice-President Academic	\$ 280	\$ -	\$ 122	\$ 402	405
Vice-President Finance and Administration					
Current term commenced January 1, 2018	\$ 250	\$ -	\$ 30	\$ 280	143
Past term ended December 31, 2017	-	-	15	15	331
Total	\$ 250	\$ -	\$ 45	\$ 295	474
Vice-President University Advancement	\$ 215	\$ 22	\$ 27	\$ 264	266
Vice-President Student Affairs and Campus Life	215	-	30	245	246

(1) Effective July 1, 2015, all members of the Board of Governors elected to forego honoraria, redirecting resources to improved electronic reporting systems for Board members.

(2) Base salary includes pensionable base pay.

(3) Other cash benefits include housing allowances, vacation payout, car allowances, professional development, and cash travel allowances. No cash bonuses were paid in 2019 or 2018.

(4) Other non-cash benefits include: the employer's share of all employee benefits and contributions or payments made on behalf of employees, including pension, health care, extended health care, health spending, dental care, long-term disability and group life insurance. The other non-cash benefits also include the employer's share of the cost of additional benefits, including administrative leaves or other special leaves with pay, club, professional memberships and fair market value of parking.

(5) Under the terms of the supplementary executive retirement plan (SERP), executive officers may receive supplemental payments. Retirement arrangement costs, as detailed below, are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the defined annual contributions to the plan on behalf of the plan member, including accrued interest on the accrued liability in the plan.



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019 (thousands of dollars)

22. Salary and Employee Benefits (continued)

The current service cost and accrued obligation for each executive under the SERP is outlined in the following table:

	Accrued Obligation June 30, 2018	Payments	Current Service Cost	Accrued Obligation June 30, 2019
President				
Current term commenced May 1, 2019	\$ -	\$ -	\$ 4	\$ 4
Past term ended April 30, 2019	148	150	17	15
Total	\$ 148	\$ 150	\$ 21	\$ 19
Provost and Vice-President Academic	\$ 23	\$ -	\$ 24	\$ 47
Vice-President Finance and Administration				
Current term commenced January 1, 2018	\$ -	\$ -	\$ -	\$ -
Past term ended December 31, 2017	139	158	19	-
Total	\$ 139	\$ 158	\$ 19	\$ -
	\$ 310	\$ 308	\$ 64	\$ 66

The current service cost and accrued obligation for each executive under the Administrative leave plans is outlined in the following table:

	Accrued Obligation June 30, 2018	Payments	Current Service Cost	Accrued Obligation June 30, 2019
President				
Current term commenced May 1, 2019	\$ -	\$ -	\$ -	\$ -
Past term ended April 30, 2019	231	204	(27)	-
Total	\$ 231	\$ 204	\$ (27)	\$ -
Provost and Vice-President Academic	\$ 68	\$ -	\$ 68	\$ 136
Vice-President Finance and Administration				
Current term commenced January 1, 2018	\$ -	\$ -	\$ -	\$ -
Past term ended December 31, 2017	240	237	(3)	-
Total	\$ 240	\$ 237	\$ (3)	\$ -
	\$ 539	\$ 441	\$ 38	\$ 136



Mount Royal University

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23. Budget Figures

Budgeted figures have been provided for comparison purposes and have been derived from the University's Comprehensive Institutional Plan as approved by the Board of Governors. Certain budget figures from the University's 2018-2019 Comprehensive Institutional Plan have been reclassified to conform with the presentation adopted in the 2019 consolidated financial statements.

24. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Governors of Mount Royal University on October 28, 2019.

25. Comparative Figures

Certain comparative figures have been reclassified to conform to current year presentation.