KRIENS~LAROSE, LLP
CHARTERED PROFESSIONAL
ACCOUNTANTS

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PONTIFICAL INSTITUTE OF MEDIAEVAL STUDIES

FINANCIAL STATEMENTS

APRIL 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of
Pontifical Institute of Mediaeval Studies

Report on the Financial Statements

We have audited the accompanying financial statements of Pontifical Institute of Mediaeval Studies, which comprise the statement of financial position as at April 30, 2018, and the statement of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KRIENS~LAROSE, LLP
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ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT (Continued)

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pontifical Institute of Mediaeval Studies as at April 30, 2018, and its financial performance and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

KRIENS~LAROSE, LLP

Kriens ~ LaRose, LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 25, 2018

STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2018

	2018 $	2017 $
ASSETS		
CURRENT		
Cash	195,671	50,340
Accounts receivable (Note 3)	84,411	87,685
	280,082	138,025
INVESTMENTS (Note 4)	497,920	681,046
EQUIPMENT (Note 5)	397,094	385,866
	1,175,096	1,204,937

See accompanying notes to the financial statements

STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2018

	2018 $	2017 $
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	30,592	20,600
LONG-TERM		
Post-employment benefits liability (Note 8)	227,317	334,239
Deferred contributions (Note 6)	525,153	459,127
Deferred capital contributions (Note 7)	135,039	140,666
	887,509	934,032
	918,101	954,632
NET ASSETS		
UNRESTRICTED	(50,053)	(35,136)
INTERNALLY RESTRICTED (Note 9)	307,048	285,441
	256,995	250,305
	1,175,096	1,204,937

APPROVED ON BEHALF OF THE BOARD:

________________________, Director

________________________, Director

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN NET ASSETS
AS AT APRIL 30, 2018

	Unrestricted $	Internally Restricted $	Total 2018 $	Total 2017 $
Balance, beginning of year	(35,136)	285,441	250,305	140,032
(Deficiency) of revenues over expenses for the year	(78,390)	-	(78,390)	(14,540)
Pension plan actuarial gains	85,080	-	85,080	124,813
Internally restricted (Note 9)	(21,607)	21,607	-	-
Balance, end of year	(50,053)	307,048	256,995	250,305

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED APRIL 30, 2018

	2018 $	2017 $
REVENUES		
Grants, bequests and donations	1,060,911	1,049,773
Plant, administrative and library subsidy from The University of St. Michael's College (Note 1)	986,760	987,153
Book sales	199,462	254,589
Block grant under the Memorandum Agreement with the University of Toronto (Note 10)	250,667	249,089
Donations of rare books and other items	93,935	105,173
Amortization of deferred capital contributions	42,773	39,094
Other revenue	36,915	59,330
Investment income (Note 4)	10,637	25,548
	2,682,060	2,769,749
EXPENSES		
Plant, administrative and library expenses from The University of St. Michael's College (Note 1)	1,039,764	1,040,157
Salaries and benefits	986,087	957,472
Fellowships	198,428	202,392
Cost of sales	120,013	144,648
Amortization	150,795	140,092
Supplies and services	102,250	125,452
Donations of rare books and other items	93,935	105,173
Other expenses	37,410	37,527
Insurance, legal and audit	31,768	31,376
	2,760,450	2,784,289
(DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	(78,390)	(14,540)

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED APRIL 30, 2018

	2018 $	2017 $
CASH WAS PROVIDED BY (USED IN):		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from grants	1,138,154	1,871,327
Cash receipts from book sales	211,450	241,251
Cash receipts from donations	225,424	245,730
Cash receipts from other income	33,670	59,181
Interest received	15,666	18,334
Cash paid to suppliers and employees	(1,540,810)	(1,582,496)
	83,554	853,327
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(162,024)	(143,768)
Purchase/redemption of investments	186,655	19,432
	24,631	(124,336)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred contribution transferred to Mediaeval Studies Foundation	(5,500)	(785,000)
Contributions and transfers restricted for capital purposes	42,646	15,200
	37,146	(769,800)
Change in cash	145,331	(40,809)
Cash, beginning of year	50,340	91,149
Cash, end of year	195,671	50,340

PURPOSE OF THE ORGANIZATION

The Pontifical Institute of Mediaeval Studies (the "Institute") is an institute for graduate study and research. The Institute is incorporated by a Private Act of the Legislature of Ontario and is a registered charity under the Income Tax Act (Canada).

1. BASIS OF PRESENTATION

On December 15, 2005, the Institute was incorporated as a separate legal entity with the passing of the Pontifical Institute of Mediaeval Studies Act (2005) by the Ontario Legislature. Previously, the Institute operated as an academically autonomous Institute for graduate study and research within the University of St. Michael's College (the "University"). Under the Institute's current governing legislation, the University has representation on the Institute's Board of Governors, but does not have control over the Institute. A protocol arrangement exists between the Institute and the University under which the University provides a plant, administrative and library subsidy to the Institute. The Protocol arrangement is for a period of ten years from December 15, 2005 and will continue thereafter, subject to periodic review.

These financial statements do not include the accounts of the Mediaeval Studies Foundation (the "Foundation"), which is a separate legal entity that holds and administers endowment assets for the benefit of the Institute. The Foundation distributes income and, periodically, unrestricted net assets to the Institute by way of grants for operating purposes (Note 11).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook and include the following significant accounting policies:

Financial Instruments

The Institute measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Institute subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities.

Continued...

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Gains or losses arising from the translation of foreign currencies are included in the statement of operations.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and fixed income investments with maturities of less than 90 days.

Investments

Investments are valued at fair value based on the latest closing prices. Short-term investments are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Revenue Recognition

The Institute follows the deferral method of accounting for contributions, which include donations and government grants. Contributions which have no restrictions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges receivable are not recorded in the accounts.

Restricted Contributions

Externally restricted contributions are initially deferred and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for amortizable assets are deferred and amortized over the useful lives of the assets to which they relate.

Sales and Services Revenues

Sales and service revenues are recognized at the point of sale, when goods are shipped and title passes, or when services are provided.

Continued...

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Income

Investment Income consists of interest, dividends and realized and unrealized gains and losses. Investment income earned on deferred contributions balances and deferred capital contribution balances that must be spent on donor-restricted activities is added to the respective deferred contribution and deferred capital contribution balances.

Investment income and losses on unrestricted balances are recognized in the statement of operations.

Contributed Materials and Services

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

Equipment

Purchased equipment is recorded at cost. Contributed equipment is recorded at their fair market value at the date of contribution. Donations and grants for the acquisition of equipment are recorded as deferred capital contributions.

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

Furniture and equipment	3 to 10 years
Library books	5 years
Computer equipment	3 years

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

Deferred capital contributions are amortized over the useful lives of the assets to which they relate.

Where equipment no longer has any long-term service potential to the Institute, the excess of their net carrying amount over any residual value is recognized as an expense in the statement of operations.

Continued...

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Post-Employment Benefits

Employees of the Institute are members of the defined benefit plans sponsored by the University that provide pension and post-employment health benefits for most of its employees. A share of the total post-employment benefit cost as determined by the actuary has been apportioned to the Institute. The Institute accounts for these plans using the immediate recognition approach. Under this approach, the Institute recognizes the amount of the accrued obligation net of the fair value of the plan assets in the statement of financial position. Actuarial gains and losses are included in the statement of changes in net assets.

The accrued liability for the pension plan is determined based on an actuarial valuation report for funding purposes. This report is required to be prepared at least on a triennial basis by the applicable regulations. The pension plan's assets are measured at fair value at the date of the statement of financial position.

The accrued liability for post-employment health benefits is determined based on an actuarial valuation using accounting assumptions that are prepared at least every three years. In years where an actuarial valuation is not prepared, the Institute uses a roll-forward technique to estimate the accrued liability using assumptions from the most recent actuarial valuation report.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Significant financial statement items that require the use of estimates relate to the assumptions used in the determination of the valuation of pension and post-employment benefits. These estimates are reviewed periodically and adjustments are made, as appropriate, in the statement of operations in the year they become known.

Continued...

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2018 $	2017 $
Publication sales	57,946	69,934
Grant receivable	14,902	12,039
HST receivable	8,193	4,947
Other	3,370	765
	84,411	87,685

The Institute sells its publications through third parties and directly to a number of customers. As at April 30, 2018, one of these third parties accounted for 81% (2017- 69%) of the accounts receivable balance for publication sales.

Continued...

4. INVESTMENTS

Investments at fair value consist of the following:

	2018 $	2017 $
Cash and Canadian equities	497,920	681,046

Investment income (loss) recorded in the statement of operations is calculated as follows:

	2018	2017
Interest and dividend income earned	16,771	18,320
Realized gain (loss) on sale of investments	(24,627)	111,772
Change in unrealized gain (loss) on investments	28,156	(33,490)
	20,300	96,602
Less income allocated to:		
Deferred contributions (Note 6)	9,663	71,054
	10,637	25,548

5. EQUIPMENT

	2018		2017	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Library books	834,507	450,452	777,092	413,542
Furniture and equipment	20,399	12,606	20,399	8,526
Computer equipment	18,535	13,289	17,694	7,251
	873,441	476,347	815,185	429,319
Accumulated amortization	(476,347)		(429,319)	
	397,094		385,866	

Continued...

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent externally restricted grants and donations for research, publications and other purposes. The changes in the deferred contributions balance are as follows:

	2018 $	2017 $
Balance, beginning of year	459,127	460,774
Contributions received during the year	298,992	953,272
Investment income (Note 4)	9,663	71,054
Amounts recognized as revenue during the year	(229,738)	(234,773)
Transfers to:		
Mediaeval Studies Foundation	(5,500)	(785,000)
Deferred capital contributions (Note 7)	(7,391)	(6,200)
	525,153	459,127

Deferred contributions consist of the following:

	2018 $	2017 $
Grants in aid of publications	201,300	198,229
Manuscript studies	82,659	166,337
Donald Finlay Library Reference Room	68,061	-
Dr. Gerald Guest Book Conservation Fund	60,001	-
Publication of the Dictionary of Old English Fund	27,675	26,583
The Journal in Medieval Latin	24,003	-
Toronto Mediaeval Latin Text Fund	23,876	23,891
3 Abrahamic Faiths in the Middle Ages	15,000	15,000
Other research grants	11,652	16,091
Carr Memorial Fund	5,948	5,948
Friends of the Library Fund	4,978	7,048
	525,153	459,127

Continued...

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized balance of externally restricted grants and donations received for the purchase of equipment. The changes in the deferred capital contributions balance are as follows:

	2018 $	2017 $
Balance, beginning of year	140,666	164,560
Transfers from deferred contributions (Note 6)	7,391	6,200
Contributions received during the year	29,755	9,000
Amortization of deferred capital contributions	(42,773)	(39,094)
	135,039	140,666

Deferred capital contributions consist of the following:

	2018	2017
Contributions and income for which expenditures have been made	230,063	206,990
Accumulated amortization	(140,017)	(106,565)
	90,046	100,425
Contributions and income for which expenditures have not been made	44,993	40,241
	135,039	140,666

8. POST-EMPLOYMENT BENEFITS

Employees of the Institute are members of the defined benefit plans sponsored by the University that provide pension and post-employment health benefits for most of its employees.

Employee pension benefits are provided under the Retirement Plan for Employees of the University (the "Retirement Plan"), a contributory defined benefit pension plan. Employees who belong to a religious order are required to contribute 7.4% of their gross salary to the Retirement Plan. All other employees are required to contribute 5.9% of their gross salary up to the yearly maximum pensionable earnings plus 7.4% of their gross salary in excess of the yearly maximum pensionable earnings. The Institute is required to provide its share of the balance of the funding, based on triennial actuarial valuations, necessary to ensure that benefits will be fully provided for at retirement.

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

The Institute measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at April 30 of each year. The most recent actuarial valuations of the pension plan and post-employment benefit plans were as of January 1, 2013 and May 1, 2013 respectively.

Information about the Institute's share of the post-employment benefits is as follows:

	2018		2017	
	Pension benefit plan $	Health benefit plan $	Pension benefit plan $	Health benefit plan $
Fair value of plan assets	3,845,983	-	3,629,573	-
Accrued benefits obligation	3,612,667	460,633	3,511,505	452,307
Funded status (deficit)	233,316	(460,633)	118,068	(452,307)

9. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets represent the amount of equipment internally funded.

	2018 $	2017 $
Equipment, net	397,094	385,866
Less amounts financed by:		
Deferred capital contributions (Note 7)	90,046	100,425
	307,048	285,441

10. AGREEMENT WITH THE UNIVERSITY OF TORONTO

Under an agreement with the University of Toronto dated July 1, 2008, the Institute receives a share of a block grant provided to the University by the University of Toronto to cover certain operating costs. This agreement is effective beginning July 1, 2008 for a period of ten years, and is renewed automatically unless either the University or the University of Toronto serves notice of intention not to renew three years before the next renewal date.

Continued...

11. MEDIAEVAL STUDIES FOUNDATION

The Institute has an economic interest in the Foundation. At December 31, 2017 and 2016, the net assets of the Foundation were approximately $15,773,000 and $14,927,000 respectively.

During the year, the Foundation granted a total of $598,000 (2017- $590,000) to the Institute to fund operating expenses.

12. GOVERNMENT REMITTANCES PAYABLE

As at April 30, 2018 and 2017, there was no amount payable with respect to government remittances.

Continued...

13. FINANCIAL INSTRUMENTS

The Institute is exposed to various risks through its financial instruments. The following presents the Institute's risk exposure and concentrations at April 30, 2018.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Institute is exposed to credit risk in connection with its accounts receivable and its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. The allowance for doubtful accounts is $0 (2017: $0).

Liquidity Risk
Liquidity risk is the risk that the Institute will encounter difficulties in meeting obligations associated with financial liabilities. The Institute is exposed to liquidity risk to the extent that it will encounter difficulty in meeting obligations associated with its financial instruments. The Institute expects to meet these obligations as they come due by generating sufficient cash flow from operations. There has been no change in the risk assessment from the prior fiscal year.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk. There has been no change in the risk assessment from the prior fiscal year.

Currency Risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Institute is exposed to foreign currency risk with respect to its cash and accounts receivable denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Institute is exposed to fair value risk due to changes in market rates of interest.

Other Price Risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Institute is exposed to other price risk through changes in market prices (other than changes arising from interest or currency risks) in connection with its investments in equity securities.