



Financial Statements of

McMASTER DIVINITY COLLEGE

Year ended April 30, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of McMaster Divinity College

We have audited the accompanying financial statements of McMaster Divinity College which comprise the statement of financial position as at April 30, 2018, the statements of operations and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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



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 McMaster Divinity College as at April 30, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

A handwritten signature of "KPMG LLP" in black ink, with a horizontal line underneath it.

Chartered Public Accountants, Licensed Public Accountants

Hamilton, Canada

June 12, 2018

McMASTER DIVINITY COLLEGE

STATEMENT OF FINANCIAL POSITION

APRIL 30, 2018, WITH COMPARATIVE INFORMATION FOR 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 14,494	\$ 82,194
Accounts receivable	32,983	35,862
Prepaid expenses	16,899	3,237
	<hr/> 64,376	<hr/> 121,293
Investments:		
Marketable securities (note 3)	29,724,543	29,695,309
Mortgages receivable plus accrued interest	13,067	24,464
	<hr/> 29,737,610	<hr/> 29,719,773
Capital assets, net (note 5)	1,254,075	1,130,538
Total Assets	\$ 31,056,061	\$ 30,971,604
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 130,970	\$ 159,207
Due to McMaster University	585,674	426,878
	<hr/> 716,644	<hr/> 586,085
Deferred contributions (note 6):		
Deferred contributions for future expenses	9,219,331	10,022,355
Deferred capital contributions	3,151,753	2,568,993
	<hr/> 12,371,084	<hr/> 12,591,348
Net assets (note 7):		
Unrestricted net assets	1,412,160	1,632,697
Reserves	2,726,547	2,801,848
Internally restricted endowments	114,667	144,667
Externally restricted endowments	13,714,959	13,214,959
	<hr/> 17,968,333	<hr/> 17,794,171
Total Liabilities, Deferred Contributions and Net Assets	\$ 31,056,061	\$ 30,971,604

See accompanying notes to financial statements.

On behalf of the Board:

Trustee

Trustee

McMASTER DIVINITY COLLEGE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED APRIL 30, 2018, WITH COMPARATIVE INFORMATION FOR 2017

	2018	2017
Revenues:		
Grants from:		
Canadian Baptists of Ontario and Quebec	\$ 65,000	\$ 72,000
Province of Ontario	147,909	147,324
Tuition fees	1,518,783	1,490,064
Investment income (note 4)	1,151,810	1,111,175
Donations	209,096	346,943
Other academic fees	25,446	14,071
Other revenues	193,162	129,439
	<u>3,311,206</u>	<u>3,311,016</u>
Expenses:		
Salaries	1,787,519	1,609,192
Employee benefits	505,530	431,355
Supplies and services	415,650	398,621
Student financial aid	491,405	471,470
Maintenance of building and grounds	180,625	162,874
Share of McMaster University overhead expenses	64,000	63,083
Amortization of capital assets	77,919	58,644
	<u>3,522,648</u>	<u>3,195,239</u>
(Deficiency) excess of operating revenues over expenses	(211,442)	115,777
Bequests and unusual	5,000	18,963
Market value adjustment (note 4)	(119,396)	492,799
	<u>(114,396)</u>	<u>511,762</u>
(Deficiency) excess of revenues over expenses before the following:	(325,838)	627,539
Transfer from internally restricted endowments (note 7)	30,000	30,000
Decrease (increase) in reserves (note 7)	75,301	(664,027)
	<u>105,301</u>	<u>(634,027)</u>
Decrease in unrestricted net assets	(220,537)	(6,488)
Unrestricted net assets, beginning of year	1,632,697	1,639,185
Unrestricted net assets, end of year	<u>\$ 1,412,160</u>	<u>\$ 1,632,697</u>

See accompanying notes to financial statements.

McMASTER DIVINITY COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED APRIL 30, 2018, WITH COMPARATIVE INFORMATION FOR 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
(Deficiency) excess of revenues over expenses	\$ (325,838)	\$ 627,539
Items not involving cash:		
Amortization of capital assets	77,919	58,644
Earned capital contributions	(6,521)	(5,199)
Change in unrealized gain in cash and marketable securities	1,028,511	(3,076,982)
Net change in non-cash working capital:		
Accounts receivable	2,879	269
Prepaid expenses	(13,662)	13,333
Accounts payable and accrued liabilities	(28,237)	(14,708)
Due to McMaster University	158,796	81,468
Cash provided by (used in) operating activities	893,847	(2,315,636)
Financing and investing activities:		
Contributions restricted for capital assets	589,281	2,057,533
Acquisition of capital assets	(201,456)	(291,210)
Net (decrease) increase in deferred contributions restricted for future expenses	(803,024)	2,576,659
Net acquisition of marketable securities	(1,057,745)	(2,224,064)
Net decrease in mortgages receivable	11,397	10,954
Contributions to externally restricted endowments	500,000	134,861
Cash (used in) provided by financing and investing activities	(961,547)	2,264,733
Decrease in cash	(67,700)	(50,903)
Cash, beginning of year	82,194	133,097
Cash, end of year	<u>\$ 14,494</u>	<u>\$ 82,194</u>

See accompanying notes to financial statements.

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

1. AUTHORITY AND PURPOSE:

McMaster Divinity College (the "College") operates by authority of The McMaster Divinity College Act, 1957. It is governed by a Board of Trustees and Senate, the powers and responsibility of which are set out in the Act. It is a graduate professional school dedicated to helping prepare people for ministry in the church, in society and in the academy, throughout the world. The College is located on the campus of McMaster University, but is independent in governance and resource management. The College does outsource a number of administrative services to the University for reasonable consideration. There is an academic affiliation agreement with McMaster University and some degrees are still granted in the name of McMaster University.

The College is a charitable organization and is therefore exempt from income tax under Section 149 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook.

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of revenues and expenses. Actual results could differ from those estimates.

(a) Accrual accounting:

The College follows the accrual basis of accounting by recording income when earned and expenses when materials or services are received. Commitments for goods and services not yet received are not included in expenses.

Pledges from fundraising and other donations, because of the uncertainty of receipt, are not recorded until the year of receipt of cash or other assets.

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

(b) Revenue recognition:

Operating grants are recognized as revenue in the period received or receivable. Operating grants relating to a future period are recorded as deferred income and recognized as income in the periods to which they relate.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment donations are recognized as a direct increase in net assets held as endowments. Income earned from the investment of the endowment principal, to the extent it is restricted, is recorded as deferred contributions and recorded as revenue in the periods in which the related expenses are incurred.

Other externally-restricted contributions are recorded as deferred contributions and recognized as revenue in the periods in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Gifts-in-kind are recorded at their fair market value on the date of receipt or at nominal value when fair market value cannot be reasonably determined.

(c) Cash:

Cash includes cash on hand and balances in the bank.

(d) Investments:

Investments are carried at estimated fair value, generally evidenced by the quoted market value. The estimated fair values are based upon market conditions at a specific point in time and may not reflect future fair values. Changes in fair values are included in investment income. Changes in unrealized gains and losses on internally restricted investments are recorded through reserves and deferred contributions.

Investments with a term to maturity of 90 days and cash balances included in the investment account are classified as investments.

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

(e) Capital assets:

Capital assets are recorded at cost or, if donated, at the fair value on the date of receipt. Amortization is recorded on a straight-line basis over the following estimated useful lives:

Asset	Years
Land – site improvements	-
Library and art collection	-
Buildings	40
Equipment and furniture	5
Computing equipment	3
Software	3

Amortization is calculated at one-half the normal rate in the year of acquisition.

(f) Contributed services:

The College acknowledges the receipt of donated services. Because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

(g) Reserves:

The College sets aside a portion of the unrestricted net assets into reserves for specific purposes as approved by the Board of Trustees.

(h) Internally restricted endowments:

Internally restricted endowments include unrestricted donations and bequests designated for specific purposes by the Board of Trustees.

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The College has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the College determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the College expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

3. MARKETABLE SECURITIES:

	2018		2017	
	Market	Cost	Market	Cost
GENERAL INVESTMENTS				
Investment cash	\$ 1,508,176	\$ 1,508,176	\$ 131,408	\$ 131,408
Equities:				
Canadian	15,414,487	10,690,800	16,193,667	11,153,028
Foreign	8,710,360	5,670,058	9,518,393	5,799,115
	24,124,847	16,360,858	25,712,060	16,952,143
Fixed income:				
Canadian Corporate Bonds	194,854	199,682	504,171	500,168
Accrued income	18,393	18,393	19,686	19,686
Main fund	\$ 25,846,270	\$ 18,087,109	\$ 26,367,325	\$ 17,603,405
BUILDING FUND				
Investment cash	\$ 4,953	\$ 4,953	\$ -	\$ -
Canadian Government Bonds	1,138,052	1,139,203	499,705	500,000
Guaranteed Investment Certificates	2,051,747	2,059,881	1,804,610	1,805,377
Savings accounts	683,521	667,922	982,105	950,173
Canadian equities	-	-	41,564	42,368
Building fund	\$ 3,878,273	\$ 3,871,959	\$ 3,327,984	\$ 3,297,918
Total marketable securities	\$ 29,724,543	\$ 21,959,068	\$ 29,695,309	\$ 20,901,323

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

4. INVESTMENT INCOME:

	2018	2017
Interest and dividends	\$ 921,904	\$ 876,407
Realized gains	328,872	220,999
Mortgage interest	604	1,046
Change in unrealized gains	(1,028,511)	3,076,982
Total investment return on portfolio	\$ 222,869	\$ 4,175,434
Allocation to deferred contributions – realized income	\$ 956,074	\$ 818,895
Allocation to deferred contributions – unrealized (loss) income	(909,115)	2,584,183
Allocation to operations – realized	295,306	279,557
Allocation to operations – unrealized (loss) income	(119,396)	492,799
	\$ 222,869	\$ 4,175,434
	2018	2017
Income impact on deferred contributions:		
Allocation to deferred contributions – realized income	\$ 956,074	\$ 818,895
Allocation to deferred contributions – unrealized income	(909,115)	2,584,183
	46,959	3,403,078
Trust investment income distribution:		
Student aid	213,691	234,695
Supplies and service	1,854	1,560
Transfer to operations	659,344	610,262
Less donations	(24,906)	(20,098)
	849,983	826,419
Residual remaining in deferred contributions	\$ (803,024)	\$ 2,576,659
Investment income to operations:		
Proportion related to operating fund - realized	\$ 295,306	\$ 279,557
Allocation from deferred contributions	849,983	826,419
Amortization of deferred capital	6,521	5,199
Proportion related to operating fund – realized	1,151,810	1,111,175
Proportion related to operating fund – unrealized (loss) gain	(119,396)	492,799
Total operating fund investment income	\$ 1,032,414	\$ 1,603,974

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

5. CAPITAL ASSETS:

Capital assets consist of the following:

2018	Cost	Accumulated amortization	Net
Land – site improvements	\$ 7,430	\$ -	\$ 7,430
Library and art collection	88,201	-	88,201
Buildings	2,171,547	1,094,395	1,077,152
Equipment and furniture	453,651	437,676	15,975
Computing equipment	404,632	357,453	47,179
Software	60,407	42,269	18,138
	\$ 3,185,868	\$ 1,931,793	\$ 1,254,075

2017	Cost	Accumulated amortization	Net
Land – site improvements	\$ 7,430	\$ -	\$ 7,430
Library and art collection	88,201	-	88,201
Buildings	2,015,931	1,056,458	959,473
Equipment and furniture	452,896	430,431	22,465
Computing equipment	359,547	336,807	22,740
Software	60,407	30,178	30,229
	\$ 2,984,412	\$ 1,853,874	\$ 1,130,538

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

6. DEFERRED CONTRIBUTIONS AND DEFERRED CAPITAL CONTRIBUTIONS:

Deferred contributions represent unexpended donations and investment income earned thereon which are subject to externally imposed restrictions. Deferred capital contributions represent the unamortized amounts of grants and donations used for the purchase of capital assets. Changes during the period are as follows:

	Deferred contributions 2018	Deferred contributions 2017	Deferred capital contributions 2018	Deferred capital contributions 2017
Balance, beginning of year	\$ 10,022,355	\$ 7,445,696	\$ 2,568,993	\$ 516,659
Contributions received and receivable:				
Investment income (note 4)	956,074	818,895	-	-
Donations (note 4)	24,906	20,098	589,281	2,057,533
Transferred to revenue:				
Investment income (note 4)	(849,983)	(826,419)	-	-
Donations	(24,906)	(20,098)	-	-
Amortization of deferred capital contributions	-	-	(6,521)	(5,199)
Unrealized investment income (note 4)	(909,115)	2,584,183	-	-
Balance, end of year	\$ 9,219,331	\$ 10,022,355	\$ 3,151,753	\$ 2,568,993

Included in deferred capital contributions at April 30, 2018 are donation amounts of \$3,151,753 (2017 - \$2,568,993) for capital purposes that remain unspent.

	Deferred contributions 2018	Deferred contributions 2017
Deferred contributions are comprised of:		
General trust unexpended capital	\$ 1,691,871	\$ 1,691,871
General trust unexpended income	183,910	90,699
Specific trusts unexpended income	8,847	(43,602)
Undistributed income	474,771	522,370
Unrealized gains	6,859,932	7,761,017
	\$ 9,219,331	\$10,022,355

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

6. DEFERRED CONTRIBUTIONS AND DEFERRED CAPITAL CONTRIBUTIONS (continued):

Deferred capital contributions are comprised of:

	2018	2017
Pre-existing deferred contributions	\$ 96,266	\$ 102,787
The Future is Clear Building Fund	3,055,487	2,466,206
	<hr/> \$ 3,151,753	<hr/> \$ 2,568,993

7. NET ASSETS:

Net assets are classified as follows:

- (a) Unrestricted net assets: General funds available for future operations or, if negative, cumulative operating deficit.
- (b) Reserves: Funds allocated for specific purposes, including internally generated funds invested in capital assets.
- (c) Internally restricted endowment: Expendable donations and bequests at the direction of the Board of Trustees of the College.
- (d) Externally restricted endowments: Non-expendable donations and bequests (unspent investment income and expendable restricted donations and bequests are shown as deferred contributions).

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

7. NET ASSETS (continued):

Changes in net assets for the year are:

	April 30, 2018				
	Unrestricted	Reserves	Internally restricted endowments	Externally restricted endowments	Total
Balance, beginning of year	\$ 1,632,697	\$ 2,801,848	\$ 144,667	\$ 13,214,959	\$ 17,794,171
Deficiency of revenues over expenses	(325,838)	-	-	-	(325,838)
	1,306,859	2,801,848	144,667	13,214,959	17,468,333
Market value fluctuation reserve decrease	99,607	(99,607)	-	-	-
Capital asset additions	(201,456)	201,456	-	-	-
Capital asset additions funded by reserves	105,752	(105,752)	-	-	-
Capital asset amortization net of amortization of deferred capital contributions	71,398	(71,398)	-	-	-
	75,301	(75,301)	-	-	-
Decrease internally restricted endowment	30,000	-	(30,000)	-	-
Increase externally restricted endowment	-	-	-	500,000	500,000
Balance, end of year	\$ 1,412,160	\$ 2,726,547	\$ 114,667	\$ 13,714,959	\$ 17,968,333

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

7. NET ASSETS (continued):

	April 30, 2017				
	Unrestricted	Reserves	Internally restricted endowments	Externally restricted endowments	Total
Balance, beginning of year	\$ 1,639,185	\$ 2,137,821	\$ 174,667	\$ 13,080,098	\$ 17,031,771
Excess of revenues over expenses	627,539	-	-	-	627,539
	2,266,724	2,137,821	174,667	13,080,098	17,659,310
Transfer to capital reserves	(130,000)	130,000	-	-	-
Market value fluctuation reserve increase	(296,262)	296,262	-	-	-
Capital asset additions	(291,210)	291,210	-	-	-
Capital asset amortization net of amortization of deferred capital contributions	53,445	(53,445)	-	-	-
	(664,027)	664,027	-	-	-
Decrease internally restricted endowment	30,000	-	(30,000)	-	-
Increase externally restricted endowment	-	-	-	134,861	134,861
Balance, end of year	\$ 1,632,697	\$ 2,801,848	\$ 144,667	\$ 13,214,959	\$ 17,794,171

Reserves consist of the following:

	2018	2017
Capital expenditure reserve for building fund	\$ 929,000	\$ 929,000
Student financial aid reserve	(6)	(6)
Market value fluctuation reserve	745,485	845,092
Invested in capital assets	1,052,068	1,027,752
	\$ 2,726,547	\$ 2,801,838

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

8. EMPLOYEE FUTURE BENEFITS:

Under agreements with McMaster University, most of the College's employees participate in the defined benefit plans of the University which provide pension and other post-employment and post-retirement benefits, such as health and dental benefits. The College's estimated proportion of the accrued benefit obligation is less than 0.2% of the overall plans. Based on the immaterial amount and the estimated costs of actuarially determining the College's specific accrued benefit obligation, the College treats these plans as defined contribution plans. Contributions to the plans during fiscal 2018 were \$125,352 (2017 - \$112,497).

9. ONTARIO STUDENT OPPORTUNITY TRUST FUND:

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Trust for Student Support (OTSS) matching program to award student aid as a result of raising an equal amount of endowed donations (previous programs were known as the Ontario Student Opportunity Trust Fund (OSOTF) phases one and two). The funds available for awards at April 30 are included in deferred contributions for future expenses in the Statement of Financial Position.

	OSOTF I		OSOTF II		OTSS	
	2018	2017	2018	2017	2018	2017
Endowment balance	\$ 824,416	\$ 824,416	\$ 42,000	\$ 42,000	\$ 495,348	\$ 495,348
Expendable funds available for awards:						
Beginning of period	225,217	220,609	12,293	12,520	75,571	70,480
Investment income	48,657	51,737	2,479	2,636	33,704	35,837
Bursaries awarded	(41,014)	(47,129)	(1,914)	(2,863)	(24,624)	(30,746)
End of period	232,860	225,217	12,858	12,293	84,651	75,571
Total funds	\$ 1,057,276	\$ 1,049,633	\$ 54,858	\$ 54,293	\$ 579,999	\$ 570,919
Number of bursaries awarded	28	28	4	4	24	24
Market value	\$ 1,508,483	\$ 1,576,001	\$ 78,268	\$ 81,519	\$ 827,521	\$ 857,223

McMASTER DIVINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2018

10. FINANCIAL RISK AND CONCENTRATION OF RISK:

(a) Liquidity risk:

Liquidity risk is the risk that the College will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The College manages its liquidity risk by monitoring its operating requirements. There is sufficient liquidity as the entire investment portfolio is traded on major markets. There are no liabilities with fixed cash flow, therefore there is no requirement to match cash flows. Any of the financial demands are met with the cash flow from operations including investment income.

There have been no significant changes to the liquidity risk exposure from 2017.

(b) Currency risk:

The College is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. A portion of the marketable securities held by the College are denominated in U.S. dollars. The College does not currently enter into forward contracts to mitigate this risk.

There have been no significant changes to the currency risk exposure from 2017.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The College is exposed to credit risk with respect to accounts receivable, marketable securities, mortgage receivables and cash. The College has an established Investment Policy which limits the credit quality of any investment. The investment management team reviews the status of the portfolio credit exposure on a monthly basis. The College assesses, on a continuous basis, all receivable balances and provides for any amounts that are not collectible.

There have been no significant changes to the credit risk exposure from 2017.

(d) Maintaining purchasing power of endowment:

The investment portfolio is invested to achieve returns which exceed the board approved endowment spending by an amount which covers the consumer price index.