

The Mount Royal University Foundation
FINANCIAL STATEMENTS

Year Ended
June 30, 2020

Independent Auditor's Report

To the Board of Directors of Mount Royal University Foundation:

Opinion

We have audited the financial statements of Mount Royal University Foundation (the "Foundation"), which comprise the statement of financial position as at June 30, 2020, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta

September 2, 2020

MNP LLP

Chartered Professional Accountants

THE MOUNT ROYAL UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020, WITH COMPARATIVE INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Cash	<u>\$ 308,681</u>	<u>\$ 98,028</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	<u>308,581</u>	<u>97,928</u>
NET FINANCIAL ASSETS	<u>\$ 100</u>	<u>\$ 100</u>
Net assets is comprised of:		
Accumulated surplus (Note 6)	<u>\$ 100</u>	<u>\$ 100</u>

Approved by the Board of Directors (Note 13):

E-SIGNED by Tania Willumsen

Tania Willumsen, Chair Finance Committee

E-SIGNED by Terry Kellam

Terry Kellam, Executive Director

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

**THE MOUNT ROYAL UNIVERSITY FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2020, WITH COMPARATIVE INFORMATION FOR 2019**

	Budget (Note 12)	2020	2019
REVENUES			
Donations and grants	\$ 9,645,000	\$ 7,995,299	\$ 3,510,675
Contributions from Mount Royal University	2,634,739	2,280,641	2,343,686
Sponsorships	-	259,795	-
Fundraising events	-	4,792	6,271
	<u>12,279,739</u>	<u>10,540,527</u>	<u>5,860,632</u>
EXPENSES (NOTE 7)			
Administration	2,634,739	2,280,641	2,343,686
Transfers to Mount Royal University	9,645,000	8,259,886	3,516,946
	<u>12,279,739</u>	<u>10,540,527</u>	<u>5,860,632</u>
Annual operating surplus	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated surplus, beginning of year	<u>100</u>	<u>100</u>	<u>100</u>
Accumulated surplus, end of year	<u><u>\$ 100</u></u>	<u><u>\$ 100</u></u>	<u><u>\$ 100</u></u>

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

**THE MOUNT ROYAL UNIVERSITY FOUNDATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2020, WITH COMPARATIVE INFORMATION FOR 2019**

	<u>Budget</u>	<u>2020</u>	<u>2019</u>
Net financial assets, beginning of year	\$ 100	\$ 100	\$ 100
Net financial assets, end of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>

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

**THE MOUNT ROYAL UNIVERSITY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020, WITH COMPARATIVE INFORMATION FOR 2019**

	<u>2020</u>	<u>2019</u>
OPERATING TRANSACTIONS		
Annual surplus	\$ -	\$ -
Non-cash items:		
Increase (Decrease) in accounts payable and accrued liabilities	<u>210,653</u>	<u>(217,711)</u>
Cash used by operating transactions	<u>210,653</u>	<u>(217,711)</u>
Increase (Decrease) in cash	210,653	(217,711)
Cash, beginning of year	<u>98,028</u>	<u>315,739</u>
Cash, end of year	<u>\$ 308,681</u>	<u>\$ 98,028</u>

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

**THE MOUNT ROYAL UNIVERSITY FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020, WITH COMPARATIVE INFORMATION FOR 2019**

1. Authority and Purpose

The Mount Royal University Foundation (the "Foundation") was incorporated under Part 9 of the Companies Act of Alberta on March 26, 1991. The Foundation is registered with Canada Revenue Agency as a charitable organization. In order to maintain its status as a registered charity under the Income Tax Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met. The Foundation's operations are conducted for the purpose of raising funds for Mount Royal University (the "University"). The University makes a contribution to the Foundation to offset administration costs. The Board of Directors of the Foundation is elected annually by the Shareholders of the Foundation at its Annual General Meeting. Each Director commits to reappointment for a minimum three-year term.

2. Summary of Significant Accounting Policies and Reporting Practices

(a) General – Public Sector Accounting Standards (PSAS) and the use of estimates

These financial statements have been prepared in accordance with Public Sector Accounting Standards (PSAS) for not for profit organizations. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The Foundation administration uses judgment to determine such estimates. Accruals for accounts payable and accrued liabilities are the most significant items based on estimates. In administration'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) Non-Use of Statement of Remeasurement Gains and Losses

As there are no items to be reported on the statement of remeasurement gains and losses, the statement has not been prepared.

(c) Valuation of Financial Assets and Liabilities

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

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost
Accounts payable and accrued liabilities	Amortized cost

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

(d) Revenue Recognition

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

The Foundation recognizes grants, donations and other contributions as follows:

Grants and Donations

Restricted grants and donations are recognized as deferred revenue if the terms for use, or the terms along with the Foundation's actions and communications as to the use, create a liability. These grants and donations are recognized as revenue when the terms are met.

**THE MOUNT ROYAL UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020, WITH COMPARATIVE INFORMATION FOR 2019**

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

(d) Revenue Recognition (continued)

Unrestricted grants and donations are recognized as revenue in the year received or in the year the funds are committed to the Foundation if an estimate of the amount can be made and it is expected the benefits will be obtained.

In kind donations of services and materials are recorded as revenue at their fair value on the date of donation except in circumstances when such value cannot reasonably be determined, which are then recognized at nominal value.

Fundraising Events

Revenue from fundraising events held for a specific purpose is recognized when received or receivable, and the event is complete.

3. Extraordinary Event

On March 11, 2020 the World Health Organization (WHO) declared the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 17, 2020 the Government of Alberta declared a state of public health emergency over the COVID-19. The University has been impacted in the following areas:

(a) Staff

Many University employees have successfully transitioned to working remotely during the COVID-19 pandemic. Subsequent to the pandemic declaration, temporary layoffs and reduction in hours of work have been and will continue to be considered as staffing requirements change in response to reduced on-campus activities.

(b) Fundraising

The overall economic climate caused by the COVID-19 emergency may negatively impact the University's ability to meet future fundraising targets.

4. Financial Risk Management

Financial instruments include cash and contractual rights to receive or deliver cash. It is management's opinion that the Foundation is not exposed to significant interest or currency risks arising from financial instruments. Credit risk is the risk that a counter-party will default on its contractual obligations resulting in a financial loss to the Foundation. Credit risk arises principally from the Foundation's cash balance. The Foundation holds its cash in a large Canadian financial institution. There has been no change to credit exposure during the year. The fair value of the Foundation's financial instruments approximates their carrying value due to their short term nature. Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Liquidity risk is not considered significant by management as the Foundation's cash flow is controlled by the University, which has a short term line of credit available to meet current and forecasted demands. There has been no change to the risk exposures from 2019.

5. Accounts Payable and Accrued Liabilities

	<u>2020</u>	<u>2019</u>
Donations and advances payable to the University (Note 8)	\$ 308,581	\$ 97,928

**THE MOUNT ROYAL UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020, WITH COMPARATIVE INFORMATION FOR 2019**

6. Accumulated Surplus

	<u>2020</u>	<u>2019</u>
Accumulated surplus balance	\$ 100	\$ 100

Accumulated surplus includes share capital of \$100; 100 common shares authorized and issued (June 30, 2019 - 100).

7. Expense by Object

The following is a summary of expense by object:

	<u>Budget</u>	<u>2020</u>	<u>2019</u>
Contracted services	\$ 2,634,739	\$ 2,280,641	\$ 2,343,686
Donations and fundraising proceeds transferred to the University	9,645,000	8,259,886	3,516,946
	<u>\$ 12,279,739</u>	<u>\$ 10,540,527</u>	<u>\$ 5,860,632</u>

8. Related Party Transactions and Balances

The Foundation is a related party with the University. The Foundation utilizes space provided by the University and is provided to the Foundation at a nominal cost.

The balance in the "Due to Mount Royal University" account represents the cash held by the Foundation that is related to donations, grants, and proceeds from fundraising activities received by the Foundation, but not yet paid to the University, as at the end of the year. In addition, fundraising expenses as incurred by the Foundation, but processed by the University are owed to the University. For the year's ended June 30, 2020 and 2019 the following transactions took place in the normal course of operations between the Foundation and the University. The transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	<u>2020</u>	<u>2019</u>
Transfers to Mount Royal University, including donations, grants, and fundraising	<u>\$ 8,259,886</u>	<u>\$ 3,516,946</u>
Contributions from Mount Royal University, including contracted services provided to the Foundation	<u>\$ 2,280,641</u>	<u>\$ 2,343,686</u>
Donations and advances payable to the University (note 5)	<u>\$ 308,581</u>	<u>\$ 97,928</u>

**THE MOUNT ROYAL UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020, WITH COMPARATIVE INFORMATION FOR 2019**

9. Salaries and Benefits of Board of Directors and Key Officers

There is no remuneration for services as the Chair or as a Member of the Foundation's Board of Directors. In 2020, the Executive Director position was held in the University with a base salary of \$168,000 (2019 - \$168,000) and other non-cash benefits of \$27,674 (2019 - \$27,941) totaling \$195,674 (2019 - \$195,941); the Director of Advancement Services and Annual Giving position was held in the University with a base salary of \$125,000 (2019 - \$125,000) and other non-cash benefits of \$23,592 (2019 - \$23,470) totaling \$148,592 (2019 - \$148,470). These individuals are employed by the University and are contracted by the Foundation and their respective salaries and benefits are included in contracted services expense.

10. Pledges Receivable

The value of pledges receivable as of June 30, 2020 is \$12,174,520 (June 30, 2019 - \$17,478,079). These pledges have not been recorded in revenue or accounts receivable due to uncertainty that the benefits will be obtained.

11. Economic Dependence

The function of the Foundation is primarily to generate support for the University. It is physically located on the University Campus and is economically dependent on the University for its operations. The Foundation expects the committed funding from the University will be sufficient to continue as a going concern through its current and subsequent reporting periods.

The Foundation does not have any externally imposed capital requirements.

12. Budget Figures

Budgeted figures have been provided for comparison purposes and have been derived from the Foundation's Budget Plan as approved by the Board of Directors on May 15, 2019.

13. Approval of Financial Statements

The financial statements were approved by the Board of Directors of Mount Royal University Foundation at their meeting dated September 2, 2020.