



Financial Statements

Massey College (Note 1)

April 30, 2022

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# Independent Auditor's Report

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To the Principal and Fellows of **Massey College**

## Opinion

We have audited the financial statements of Massey College (legally known as The Master and Fellows of Massey College) (the "College"), which comprise the statement of financial position as at April 30, 2022, and the statements of operations and changes in fund balances 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 College as at April 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the College 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 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.

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

Those charged with governance are responsible for overseeing the College'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 College'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 College'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 College 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.



Toronto, Canada  
October 13, 2022

Chartered Professional Accountants  
Licensed Public Accountants

# Massey College (Note 1)

## Statement of Financial Position

As at April 30

2022

2021

### Assets

#### Current assets

Cash	\$ 223,024	\$ 639,807
Accounts receivable (Note 11)	105,301	113,131
Inventory	<u>33,506</u>	<u>34,089</u>
	<b>361,831</b>	<b>787,027</b>

Investments (Note 3)	<b>14,139,563</b>	13,379,225
Property and equipment (Note 4)	<b>1,616,880</b>	1,752,343
Collections	<u>2</u>	<u>2</u>
	<b>\$ 16,118,276</b>	<b>\$ 15,918,597</b>

### Liabilities

#### Current liabilities

Accounts payable and accrued liabilities (Note 5)	\$ 334,090	\$ 182,675
Deferred revenue	26,212	52,230
Funds held for others	<u>34,066</u>	<u>36,343</u>
	<b>394,368</b>	<b>271,248</b>

### Fund balances

Operating fund	<u>221</u>	<u>983</u>
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#### Restricted funds

Externally restricted	<b>3,048,485</b>	3,375,974
Internally restricted	<u>225,463</u>	<u>235,205</u>
	<b>3,273,948</b>	<b>3,611,179</b>

#### Endowed funds

Endowed	<b>6,693,650</b>	6,663,150
Externally restricted	<b>3,475,294</b>	3,031,106
Internally restricted	<u>663,913</u>	<u>588,586</u>

**10,832,857** **10,282,842**

#### Capital fund

Invested in property and equipment and collections	<u>1,616,882</u>	<u>1,752,345</u>
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**15,723,908** **15,647,349**

**\$ 16,118,276** **\$ 15,918,597**

On behalf of the Governing Board

Director



Director



See accompanying notes to the financial statements.

# Massey College (Note 1)

## Statement of Operations and Changes in Fund Balances

Year ended April 30

	Operating fund		Restricted funds		Endowed funds		Capital fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue										
Term fees (Note 7)	\$ 586,036	\$ 548,467	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 586,036	\$ 548,467
Rental income (Note 7)	535,461	429,069	-	-	-	-	-	-	535,461	429,069
Residents' meals	375,094	358,756	-	-	-	-	-	-	375,094	358,756
Catering and other meals	168,913	21,084	-	-	-	-	-	-	168,913	21,084
The Quadrangle Fund donation (Note 6)	175,383	162,621	-	-	-	-	-	-	175,383	162,621
Miscellaneous donations	424,014	429,735	399,471	481,699	30,500	18,439	-	-	853,985	929,873
Payments from the University of Toronto (Note 7)	10,000	20,000	87,121	195,053	-	-	-	-	97,121	215,053
Earnings on investments (Note 3 (b))	-	-	330,052	786,353	977,712	2,130,595	-	-	1,307,764	2,916,948
Government assistance (Note 11)	269,639	641,442	-	-	-	-	-	-	269,639	641,442
Other revenue	9,675	68,645	-	-	-	-	-	-	9,675	68,645
	<u>2,554,215</u>	<u>2,679,819</u>	<u>816,644</u>	<u>1,463,105</u>	<u>1,008,212</u>	<u>2,149,034</u>	<u>-</u>	<u>-</u>	<u>4,379,071</u>	<u>6,291,958</u>
Expenses										
Residence	360,000	378,199	-	-	-	-	-	-	360,000	378,199
Dining and catering	1,116,305	826,646	-	-	-	-	-	-	1,116,305	826,646
College programmes	93,697	77,247	592,514	1,096,751	-	-	-	-	686,211	1,173,998
General and administrative	1,235,026	1,152,078	28,222	33,594	84,196	90,432	-	-	1,347,444	1,276,104
Library	125,673	134,808	35,746	44,542	-	-	-	-	161,419	179,350
Journalism programmes	-	-	136,132	67,013	-	-	-	-	136,132	67,013
Amortization of property and equipment	-	-	-	-	-	-	146,366	142,099	146,366	142,099
Bursaries and awards	-	-	348,635	334,346	-	-	-	-	348,635	334,346
	<u>2,930,701</u>	<u>2,568,978</u>	<u>1,141,249</u>	<u>1,576,246</u>	<u>84,196</u>	<u>90,432</u>	<u>146,366</u>	<u>142,099</u>	<u>4,302,512</u>	<u>4,377,755</u>
Excess (deficiency) of revenue over expenses	(376,486)	110,841	(324,605)	(113,141)	924,016	2,058,602	(146,366)	(142,099)	76,559	1,914,203
Fund balances, beginning of year	983	191	3,611,179	3,382,331	10,282,842	8,570,316	1,752,345	1,780,308	15,647,349	13,733,146
Interfund transfers (Note 9)										
Expendable portion of Endowed funds	47,558	44,079	279,694	258,738	(327,252)	(302,817)	-	-	-	-
Transfer to Capital fund from Restricted funds	-	-	(10,903)	(114,136)	-	-	10,903	114,136	-	-
Transfer to Operating fund from Restricted funds	266,000	-	(266,000)	-	-	-	-	-	-	-
Transfer to Restricted funds from Operating fund	-	(185,000)	-	185,000	-	-	-	-	-	-
Other transfers	62,166	30,872	(15,417)	12,287	(46,749)	(43,259)	-	-	-	-
Fund balances, end of year	\$ 221	\$ 983	\$ 3,273,948	\$ 3,611,179	\$ 10,832,857	\$ 10,282,842	\$ 1,616,882	\$ 1,752,345	\$ 15,723,908	\$ 15,647,349

See accompanying notes to the financial statements.

## Massey College (Note 1)

### Statement of Cash Flows

Year ended April 30

2022

2021

(Decrease) increase in cash

#### Operating

Excess of revenue over expenses	\$ 76,559	\$ 1,914,203
Items not affecting cash		
Realized and unrealized gains (Note 3(b))	(928,077)	(2,533,424)
Amortization of property and equipment	<u>146,366</u>	<u>142,099</u>
	<u>(705,152)</u>	<u>(477,122)</u>

Change in non-cash working capital items

Accounts receivable	7,830	41,722
Inventory	583	996
Accounts payable and accrued liabilities	151,415	(59,320)
Deferred revenue	(26,018)	(198,325)
Funds held for others	<u>(2,277)</u>	<u>(1,225)</u>
	<u>131,533</u>	<u>(216,152)</u>
	<u>(573,619)</u>	<u>(693,274)</u>

#### Investing

Net investment purchases and disposals, interest and dividends reinvested and investment management fees	343,122	1,011,643
The Quadrangle Fund donation received in the form of investments (Note 6)	(175,383)	(162,621)
Purchase of property and equipment	<u>(10,903)</u>	<u>(114,136)</u>
	<u>156,836</u>	<u>734,886</u>

(Decrease) increase in cash

(416,783) 41,612

Cash

Beginning of year	<u>639,807</u>	<u>598,195</u>
End of year	<u>\$ 223,024</u>	<u>\$ 639,807</u>

See accompanying notes to the financial statements.

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## Massey College (Note 1)

### Notes to the Financial Statements

April 30, 2022

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#### 1. Purpose and organization

The Master and Fellows of Massey College, which operates as Massey College (the "College"), was incorporated without share capital by a Special Act of the Province of Ontario and is a Registered Charity under the terms of the Income Tax Act (Canada). Massey College is deemed to control The Quadrangle Fund (Note 6).

The goal of the founders, Vincent Massey, Claude Bissell and Robertson Davies, was to create a fellowship for the advancement of learning; to maintain a hall of residence for graduate students at the University of Toronto (the "University"); and to provide amenities and facilities for a community of scholars. The members of the College form a multidisciplinary and diverse society that includes distinguished senior scholars, eminent members beyond the academic world and junior fellows.

In 1963, the College was built and furnished by the Massey Foundation on campus property granted to the College by the University.

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#### 2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). ASNPO requires entities to select policies appropriate for their circumstances from policies provided in these standards. The significant accounting policies selected by the College and applied in these financial statements are summarized below.

##### **Fund accounting**

The College uses fund accounting whereby resources for particular purposes are classified for accounting and reporting purposes into the following funds.

##### *Operating fund*

The Operating fund consists of donations, revenue and expenses relating to the operations of the College not included in the other funds outlined below.

##### *Restricted funds*

Donations for specific purposes and the expendable portion of endowed funds, net of expenditures thereof, comprise the Restricted funds. The internally restricted portion represents funds transferred at the discretion of the Governing Board to a restricted fund.

##### *Endowed funds*

Endowed capital represent gifts and bequests to be held by the College in perpetuity, where the principal is invested to create a source of income to support the purposes specified by the donor and is accounted for within the respective endowment fund. The internally and externally restricted portion of the endowed funds represents net earnings on the original endowment, augmenting endowed capital for inflation protection.

##### *Capital fund*

The Capital fund reflects capital expenditures on property and equipment of the College, net of related accumulated amortization and the College's collections.

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## **Massey College (Note 1)**

### **Notes to the Financial Statements**

April 30, 2022

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

##### **Financial instruments**

The Canadian Accounting Standards Board recently issued amendments to Section 3856 Financial Instruments, which outline the accounting guidelines for financial assets and financial liabilities in related party transactions.

The College adopted these amendments retrospectively on May 1, 2021, which did not have an impact on its financial statements.

The College considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The College accounts for the following as financial instruments:

- Cash
- Accounts receivable
- Investments
- Accounts payable
- Funds held for others

The College initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. The College does not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value.

At each reporting date, the College measures its financial assets and liabilities at amortized cost with the exception of investments, which are measured at fair value and financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the College initially measured the instrument.

Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value, of which the College has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

Fair value of the investments are determined using active market quoted rates. Unrealized gains and losses arising from the change in fair value of the investments are recorded in the statement of operations for the year.

##### **Inventory**

Inventory is recorded at the lower of cost and net realizable value and is depleted using the weighted average cost method. Inventory expensed during the year is recorded in the statement of operations as dining and catering and college programmes expense.

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## **Massey College (Note 1)**

### **Notes to the Financial Statements**

April 30, 2022

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

##### **Investments**

Investments of the College and The Quadrangle Fund are managed as a single portfolio. Earnings on investments and investment management fees are allocated to the Quadrangle Fund and the College's invested funds in proportion to the weighted average balance of each fund. Investment management fees are included in general and administrative expenses in the statement of operations.

##### **Collections**

The College maintains an art collection in the amount of \$1 and a rare books collection in the amount of \$1. Both the College's art collection and rare books collection are accounted for and presented in the statement of financial position at a nominal amount. Donated items to the College's collections are not recognized in the statement of operations. During the fiscal year, there were no purchases or disposals of the College's collections.

##### **Property and equipment**

Property and equipment is recorded in the Capital fund at cost. The College amortizes the cost of property and equipment on a straight-line basis over its estimated useful life as follows:

Building improvements	- 30 years
Furniture and equipment	- 5 years
Computer hardware and software	- 5 years
Air conditioning	- 10 years

Property and equipment are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of operations. Any impairment recognized is not reversed.

##### **Revenue recognition**

Donations are recognized as revenue in the respective fund in the year received or receivable except restricted donations recorded in the Operating fund, which are deferred and recognized in the year in which the related expenses are incurred. Unrestricted donations are recognized as revenue of the Operating fund in the year received or receivable.

The College recognizes term fees, rental income, residents' meals, catering and other meals and other revenue in the period in which the services are provided and collectability is reasonably assured. Payments from the University are recognized as revenue when received or receivable. Earnings on investments and government subsidies are recognized as earned.

##### **Contributed goods and property, art, rare books and services**

Contributed goods and property are recorded at their fair value as appraised by independent third parties where the value of goods and property are greater than one thousand dollars. Where contributed goods and property are valued at less than one thousand dollars, the appraisal is performed internally. Contributed art and rare books are recognized at a nominal value. Contributed services are not recorded in the accounts of the College.

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## Massey College (Note 1)

### Notes to the Financial Statements

April 30, 2022

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#### 2. Summary of significant accounting policies (continued)

##### Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. The items requiring the use of significant estimates include the estimated useful lives of property and equipment and accrued liabilities. Actual results could differ from these estimates.

##### Controlled not-for-profit organization

The College is deemed to control The Quadrangle Fund since the directors of The Quadrangle Fund are also members of Massey College. The College follows the disclosure approach to reporting the results of The Quadrangle Fund (Note 6) and accordingly, the financial results of The Quadrangle Fund are not consolidated with those of the College. Accounting policies followed by The Quadrangle Fund are consistent with those of Massey College.

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#### 3. Investments

- a) Investments held, and the allocation between Massey College and The Quadrangle Fund, are as follows:

	<u>2022</u>	<u>2021</u>
Canadian equities	<b>\$ 10,686,423</b>	\$ 8,901,893
Bonds	<b>4,561,110</b>	4,881,597
Foreign equities	<b>3,273,191</b>	3,827,191
Cash and cash equivalents held for investment purposes	<b><u>683,872</u></b>	<u>593,586</u>
	<b><u>\$ 19,204,596</u></b>	<b><u>\$ 18,204,267</u></b>
Investments allocation by entity:		
Massey College	<b>\$ 14,139,563</b>	\$ 13,379,225
The Quadrangle Fund (Note 6)	<b><u>5,065,033</u></b>	<u>4,825,042</u>
	<b><u>\$ 19,204,596</u></b>	<b><u>\$ 18,204,267</u></b>

- b) Earnings on investments of Massey College, consists of the following:

	<u>2022</u>	<u>2021</u>
Realized and unrealized gains	<b>\$ 928,077</b>	\$ 2,533,424
Dividend income	<b>269,588</b>	255,291
Interest income	<b><u>110,099</u></b>	<u>128,233</u>
	<b><u>\$ 1,307,764</u></b>	<b><u>\$ 2,916,948</u></b>

## Massey College (Note 1)

### Notes to the Financial Statements

April 30, 2022

#### 4. Property and equipment

			<u>2022</u>	<u>2021</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building improvements	\$ 5,513,349	\$(3,961,658)	<b>\$ 1,551,691</b>	\$ 1,665,262
Furniture and equipment	2,131,557	(2,104,184)	<b>27,373</b>	33,925
Computer hardware and software	192,428	(162,247)	<b>30,181</b>	42,466
Air conditioning	<u>910,542</u>	<u>(902,907)</u>	<u><b>7,635</b></u>	<u>10,690</u>
	<u><b>\$ 8,747,876</b></u>	<u><b>\$(7,130,996)</b></u>	<u><b>\$ 1,616,880</b></u>	<u><b>\$ 1,752,343</b></u>

The College building is on land donated by the University in 1961. As the land cannot be sold by the College but reverts to the University in the case of the dissolution of the College, there is no value reported for the land and original building cost.

#### 5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include government liabilities of \$27,215 (2021 - \$19,172).

#### 6. The Quadrangle Fund

The Quadrangle Fund was incorporated without share capital under the Corporations Act (Ontario), and is a Registered Charity under the terms of the Income Tax Act (Canada). Its objective is to receive and maintain funds for the benefit of Massey College. The following represents a financial summary of The Quadrangle Fund.

	<u>2022</u>	<u>2021</u>
Assets		
Investments	<u><b>\$ 5,065,033</b></u>	<u><b>\$ 4,825,042</b></u>
Liabilities		
Accrued liabilities	<b>\$ 3,010</b>	<b>\$ 3,008</b>
Unrestricted fund balance	<u><b>5,062,023</b></u>	<u>4,822,034</u>
	<u><b>\$ 5,065,033</b></u>	<u><b>\$ 4,825,042</b></u>
Revenue and expenses		
Earnings on investments	<b>\$ 457,824</b>	<b>\$ 1,000,095</b>
Donation to Massey College	<b>(175,383)</b>	<b>(162,621)</b>
Investment management fees	<u><b>(42,452)</b></u>	<u><b>(42,609)</b></u>
Excess of revenue over expenses	<u><b>\$ 239,989</b></u>	<u><b>\$ 794,865</b></u>

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## Massey College (Note 1)

### Notes to the Financial Statements

April 30, 2022

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#### 7. Transactions with the University of Toronto

With the approval of the Governing Board in prior years, endowed funds in the amount of \$1,285,400 were paid to the University under a programme of matching contributions which tripled the original amount. These funds are held for the benefit of students who are members of Massey College, in compliance with the Ontario Student Opportunity Trust Funds. All funds held by the University for the benefit of members of Massey College are endowed and invested in the University's Long-Term Capital Appreciation Pool, and as at April 30, 2022 amounted to a fair value of \$6,537,564 (2021 - \$6,665,038).

Annual distributions from earnings of the funds held by the University is determined by the University. Funds received from the University amounted to \$198,309 (2021 - \$451,665) and are reflected as term fees in fiscal 2022 of \$50,594 (2021 - \$118,306), residents' meals \$50,594 (2021 - \$118,306) and a donation of \$10,000 (2021 - \$20,000) with the balance of \$87,121 (2021 - \$195,053) recorded as payments from the University of Toronto. This latter amount is used to support the Journalism and other programmes at the College.

During the fiscal year, catering and other meals revenue earned from the University amounted to \$109,550 (2021 - \$450). In addition, the University paid for office space at the College in the amount of \$179,933 (2021 - \$140,467), which is included in rental income.

During fiscal 2022, Massey College incurred costs from the University for pension plan premiums in the amount of \$369,618 (2021 - \$292,136), for maintenance and college programs in the amount of \$Nil (2021 - \$32,067), for general administrative expenses in the amount of \$10,732 (2021 - \$21,849), for residence expenses in the amount of \$1,538 (2021 - \$1,270), for college programs expenses in the amount of \$Nil (2021 - \$1,324) and for dining and catering expenses in the amount of \$13,740 (2021 - \$7,624).

In accordance with an agreement between the University and the College, certain costs associated with maintenance and operations of the premises are borne by the University, including basic utilities and capital and betterment related to safety. University funds are not provided for upgrades and renovations.

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#### 8. Objectives, policies and processes for managing capital

Massey College's capital consists of the net fund balances of the Operating, Restricted, Endowed and Capital funds.

##### Operating fund

The Finance and Audit Committee's (the "Committee") objective is to maintain an Operating fund balance sufficient to meet both the annual operating requirements and the annual maintenance of property and equipment. Discrepancies from budget are discussed with the appropriate staff of the College, and where applicable, are further discussed with the Committee.

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## **Massey College (Note 1)**

### **Notes to the Financial Statements**

April 30, 2022

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#### **8. Objectives, policies and processes for managing capital (continued)**

##### **Restricted funds**

Depending on the nature of each fund within the Restricted funds, appropriate staff of the College are assigned with the responsibility of carrying out the objectives of each fund. The Bursar's Office provides reporting to the appropriate staff of the College responsible for each fund. Excess funds not required in the short-term are invested in accordance with the policy established by the Committee.

##### **Endowed funds**

The preservation of Endowed funds held by the College is the responsibility of both the Committee and members of Governing Board. The funds provide for the multi-dimensional programs that exist at the College including student bursaries, a journalism program, a unique library as well as an annual contribution to operations. The College's investment manager invests the funds, providing quarterly statements and monthly performance summaries.

In addition, the investment manager meets with the Committee annually, reviewing benchmarks and goals to ensure safekeeping of the funds. The objective of the investment policy over the long-term is to preserve the capital of the funds with an allowance for inflation.

##### **Capital fund**

The College invests in property and equipment and collections to provide a home for the Massey community, and to maintain the heritage site within the grounds of the University. The Committee and officers of the College are responsible for this investment, directing the procedures to be followed to ensure the smooth functioning of the building and its maintenance. The Capital fund provides for building maintenance and additions not funded by the University (Note 7). The Principal, in consultation with the officers and members of the Committee, determines expenditures to be made. Funds are raised through the Restricted funds and transferred annually to the Capital Fund to meet the College's capital financing requirements. Significant capital additions are planned for and approved by the Committee who, in turn, report to Governing Board for approval of budgeted additions and improvements. Funds raised for these purposes, including those transferred from Operating funds, are placed in related Restricted funds, and transferred to the Capital fund when spent.

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#### **9. Interfund transfers**

The expendable portion of an Endowed fund is calculated as 3.5% (2021 - 3.5%) of the five year trailing fair market value average of each endowment. This portion is transferred annually from the expendable portion of Endowed funds to the respective externally restricted portion of the related Restricted funds and the Internally restricted fund, and made available for expenditure. In fiscal 2022, total transfers amounted to \$47,558 (2021 - \$44,079) to the Operating fund and \$279,694 (2021 - \$258,738) to the Restricted funds for a total transfer of \$327,252 (2021 - \$302,817).

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## Massey College (Note 1)

### Notes to the Financial Statements

April 30, 2022

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#### 9. Interfund transfers (continued)

In addition, each Endowed and Restricted fund held in the form of investments is charged an annual management fee calculated as 0.5% (2021 - 0.5%) of the five year trailing fair market value average of the respective invested funds. During fiscal 2022, the management fee transfer to the Operating fund amounted to \$62,166 (2021 - \$30,872) comprising \$46,749 (2021 - \$43,259) from the externally restricted portion of Endowed funds, \$16,417 (2021 - \$18,113) from the Restricted funds, and offset by \$1,000 (2021 - \$30,500) transferred from the Operating fund to the Restricted fund.

The rates have been set at the discretion of the Committee and are reassessed periodically based on inputs including long-term investment performance, preservation of capital and other fund restrictions and programme support requirements.

Transfers from the Restricted funds to the Capital fund in the amount of \$10,903 (2021 - \$114,136) represent funding for capital additions as allowed for by the fund's restrictions and in accordance to the College's capital process (Note 8).

Externally restricted transfers to the Operating fund from the Restricted funds amounted to \$266,000 (2021 - \$Nil) consisting of funds externally restricted for operations.

Internally restricted transfers from the Operating fund to the Internally Restricted funds amounted to \$Nil (2021 - \$185,000) for the funding of future capital maintenance and future operating needs.

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#### 10. Financial instruments

The College's financial instrument risks are as follows, and are unchanged from the prior year.

##### Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of unfavourable changes in foreign exchange rates. An amount of \$3,273,191 (2021 - \$3,827,191), representing approximately 17% (2021 - 21%) of the investments held by the College and The Quadrangle Fund are denominated in US dollars. Consequently, these financial assets are exposed to foreign exchange fluctuations. These amounts have been converted into Canadian dollars at the prevailing foreign exchange rate as of April 30, 2022.

##### Credit risk

Credit risk is the risk of financial loss occurring as a result of a counter party to a financial instrument failing to discharge an obligation or commitment to the College. The College's main credit risks relate to its accounts receivable and its fixed income investments. As at April 30, 2022, the allowance for doubtful accounts is \$4,694 (2021 - \$3,683). The College has fixed income investments of high quality that are not expected to default.

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## **Massey College (Note 1)**

### **Notes to the Financial Statements**

April 30, 2022

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

##### **Liquidity risk**

Liquidity risk is the risk that the College will encounter difficulty in meeting the obligations associated with its financial liabilities. The College is exposed to liquidity risk mainly in respect of its accounts payable and funds held for others.

The College manages its liquidity risk by forecasting cash flows from operations and investing and financing activities to ensure that it has sufficient funds available to meet current and foreseeable financial obligations.

##### **Market risk**

The College's financial instruments expose it to market risk, in particular interest rate risk and other price risk, resulting from its investment activities. The College's investments exposes the College to price risks as equity investments are subject to price changes in an open market. The College's fixed income investments are subject to interest rate price risk. The College does not use derivative financial instruments to offset the effects of these risks.

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#### **11. Government assistance**

To support ongoing operations during the pandemic, the College applied for and recognized government subsidies including the Canada Emergency Wage Subsidy ("CEWS") in the amount of \$269,639 (2021 - \$641,442).

Accounts receivable includes \$Nil (2021 - \$76,432) in CEWS funding receivable.