



Financial Statements

Massey College (Note 1)

April 30, 2023

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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, 2023, 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, 2023, 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Toronto, Canada
October 10, 2023

Chartered Professional Accountants
Licensed Public Accountants

Massey College (Note 1)

Statement of Financial Position

As at April 30

2023

2022

Assets

Current assets

Cash	\$ 328,185	\$ 223,024
Accounts receivable	149,169	105,301
Inventory	<u>31,213</u>	<u>33,506</u>
	508,567	361,831

Investments (Note 3)	13,591,143	14,139,563
Property and equipment (Note 4)	1,494,734	1,616,880
Collections	<u>2</u>	<u>2</u>
	\$ 15,594,446	\$ 16,118,276

Liabilities

Current liabilities

Accounts payable and accrued liabilities (Note 5)	\$ 281,907	\$ 334,090
Deferred revenue	71,880	26,212
Funds held for others	<u>30,041</u>	<u>34,066</u>
	383,828	394,368

Fund balances

Operating fund	<u>351</u>	<u>221</u>
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Restricted funds

Externally restricted	2,817,998	3,048,485
Internally restricted	<u>231,707</u>	<u>225,463</u>
	3,049,705	3,273,948

Endowed funds

Endowed	6,764,126	6,693,650
Externally restricted	3,272,285	3,475,294
Internally restricted	<u>629,415</u>	<u>663,913</u>

10,665,826 10,832,857

Capital fund

Invested in property and equipment and collections	<u>1,494,736</u>	<u>1,616,882</u>
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Total fund balances **15,210,618** 15,723,908

\$ 15,594,446 **\$ 16,118,276**

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenue										
Term fees (Note 7)	\$ 492,508	\$ 586,036	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 492,508	\$ 586,036
Rental income (Note 7)	690,689	535,461	-	-	-	-	-	-	690,689	535,461
Residents' meals	428,071	375,094	-	-	-	-	-	-	428,071	375,094
Catering and other meals	653,748	168,913	-	-	-	-	-	-	653,748	168,913
The Quadrangle Fund donation (Note 6)	185,321	175,383	-	-	-	-	-	-	185,321	175,383
Miscellaneous donations	352,280	424,014	458,168	399,471	70,476	30,500	-	-	880,924	853,985
Payments and donations from the University of Toronto (Note 7)	49,000	10,000	637,074	87,121	-	-	-	-	686,074	97,121
Earnings on investments (Note 3 (b))	-	-	75,995	330,052	256,838	977,712	-	-	332,833	1,307,764
Government assistance	-	269,639	-	-	-	-	-	-	-	269,639
Other revenue	61,121	9,675	-	-	-	-	-	-	61,121	9,675
	<u>2,912,738</u>	<u>2,554,215</u>	<u>1,171,237</u>	<u>816,644</u>	<u>327,314</u>	<u>1,008,212</u>	<u>-</u>	<u>-</u>	<u>4,411,289</u>	<u>4,379,071</u>
Expenses										
Residence	375,359	360,000	-	-	-	-	-	-	375,359	360,000
Dining and catering	1,369,089	1,116,305	-	-	-	-	-	-	1,369,089	1,116,305
College programmes	101,523	93,697	509,223	592,514	-	-	-	-	610,746	686,211
General and administrative	1,565,099	1,235,026	28,981	28,222	97,993	84,196	-	-	1,692,073	1,347,444
Library	156,323	125,673	56,235	35,746	-	-	-	-	212,558	161,419
Journalism programmes	-	-	121,735	136,132	-	-	-	-	121,735	136,132
Amortization of property and equipment	-	-	-	-	-	-	140,081	146,366	140,081	146,366
Bursaries and awards	-	-	402,938	348,635	-	-	-	-	402,938	348,635
	<u>3,567,393</u>	<u>2,930,701</u>	<u>1,119,112</u>	<u>1,141,249</u>	<u>97,993</u>	<u>84,196</u>	<u>140,081</u>	<u>146,366</u>	<u>4,924,579</u>	<u>4,302,512</u>
Excess (deficiency) of revenue over expenses	(654,655)	(376,486)	52,125	(324,605)	229,321	924,016	(140,081)	(146,366)	(513,290)	76,559
Fund balances, beginning 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
Interfund transfers (Note 9)										
Expendable portion of Endowed funds	50,269	47,558	296,541	279,694	(346,810)	(327,252)	-	-	-	-
Transfer to Capital fund from Restricted funds	-	-	(17,935)	(10,903)	-	-	17,935	10,903	-	-
Transfer to Operating fund from Restricted funds	558,000	266,000	(558,000)	(266,000)	-	-	-	-	-	-
Other transfers	46,516	62,166	3,026	(15,417)	(49,542)	(46,749)	-	-	-	-
Fund balances, end of year	<u>\$ 351</u>	<u>\$ 221</u>	<u>\$ 3,049,705</u>	<u>\$ 3,273,948</u>	<u>\$ 10,665,826</u>	<u>\$ 10,832,857</u>	<u>\$ 1,494,736</u>	<u>\$ 1,616,882</u>	<u>\$ 15,210,618</u>	<u>\$ 15,723,908</u>

See accompanying notes to the financial statements.

Massey College (Note 1)

Statement of Cash Flows

Year ended April 30

2023

2022

Increase (decrease) in cash

Operating

(Deficiency) excess of revenue over expenses	\$ (513,290)	\$ 76,559
Items not affecting cash		
Realized and unrealized (losses) gains (Note 3(b))	99,552	(928,077)
Amortization of property and equipment	<u>140,081</u>	<u>146,366</u>
	<u>(273,657)</u>	<u>(705,152)</u>

Change in non-cash working capital items

Accounts receivable	(43,868)	7,830
Inventory	2,293	583
Accounts payable and accrued liabilities	(52,183)	151,415
Deferred revenue	45,668	(26,018)
Funds held for others	<u>(4,025)</u>	<u>(2,277)</u>
	<u>(52,115)</u>	<u>131,533</u>
	<u>(325,772)</u>	<u>(573,619)</u>

Investing

Net investment purchases and disposals, interest and dividends reinvested and investment management fees	634,189	343,122
The Quadrangle Fund donation received in the form of investments (Note 6)	(185,321)	(175,383)
Purchase of property and equipment	<u>(17,935)</u>	<u>(10,903)</u>
	<u>430,933</u>	<u>156,836</u>

Increase (decrease) in cash

105,161 (416,783)

Cash

Beginning of year	<u>223,024</u>	<u>639,807</u>
End of year	<u>\$ 328,185</u>	<u>\$ 223,024</u>

See accompanying notes to the financial statements.

Massey College (Note 1)

Notes to the Financial Statements

April 30, 2023

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.

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.

Massey College (Note 1)

Notes to the Financial Statements

April 30, 2023

2. Summary of significant accounting policies (continued)

Financial instruments

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 in non-arms length transactions 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.

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.

Massey College (Note 1)

Notes to the Financial Statements

April 30, 2023

2. Summary of significant accounting policies (continued)

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 was a purchase of artwork for \$8,500 (2022 - \$Nil) and there were no 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 and donations 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.

Massey College (Note 1)

Notes to the Financial Statements

April 30, 2023

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.

3. Investments

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

	<u>2023</u>	<u>2022</u>
Canadian equities	\$ 9,653,842	\$ 10,686,423
Bonds	4,722,256	4,561,110
Foreign equities	3,422,173	3,273,191
Cash and cash equivalents held for investment purposes	<u>749,811</u>	<u>683,872</u>
	<u>\$ 18,548,082</u>	<u>\$ 19,204,596</u>
Investments allocation by entity:		
Massey College	\$ 13,591,143	\$ 14,139,563
The Quadrangle Fund (Note 6)	<u>4,956,939</u>	<u>5,065,033</u>
	<u>\$ 18,548,082</u>	<u>\$ 19,204,596</u>

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

	<u>2023</u>	<u>2022</u>
Dividend income	\$ 301,627	\$ 269,588
Interest income	130,758	110,099
Realized and unrealized (losses) gains	<u>(99,552)</u>	<u>928,077</u>
	<u>\$ 332,833</u>	<u>\$ 1,307,764</u>

Massey College (Note 1)

Notes to the Financial Statements

April 30, 2023

4. Property and equipment

			<u>2023</u>	<u>2022</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building improvements	\$ 5,513,349	\$ 4,075,231	\$ 1,438,118	\$ 1,551,691
Furniture and equipment	2,141,522	2,115,397	26,125	27,373
Computer hardware and software	200,399	174,489	25,910	30,181
Air conditioning	<u>910,542</u>	<u>905,961</u>	<u>4,581</u>	<u>7,635</u>
	<u>\$ 8,765,812</u>	<u>\$ 7,271,078</u>	<u>\$ 1,494,734</u>	<u>\$ 1,616,880</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 \$32,063 (2022 - \$27,215).

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>2023</u>	<u>2022</u>
Assets		
Investments	<u>\$ 4,956,939</u>	<u>\$ 5,065,033</u>
Liabilities		
Accrued liabilities	\$ 3,010	\$ 3,010
Unrestricted fund balance	<u>4,953,929</u>	<u>5,062,023</u>
	<u>\$ 4,956,939</u>	<u>\$ 5,065,033</u>
Revenue and expenses		
Earnings on investments	\$ 119,705	\$ 457,824
Donation to Massey College	(185,321)	(175,383)
Investment management fees	<u>(42,478)</u>	<u>(42,452)</u>
(Deficiency) excess of revenue over expenses	<u>\$ (108,094)</u>	<u>\$ 239,989</u>

Massey College (Note 1)

Notes to the Financial Statements

April 30, 2023

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, 2023 amounted to a fair value of \$6,537,564 (2022 - \$6,537,564).

Annual distributions from earnings of the funds held by the University is determined by the University. Payments and donations received from the University amounted to \$800,068 (2022 - \$198,309) and are reflected as term fees in fiscal 2023 of \$56,997 (2022 - \$50,594), residents' meals \$56,997 (2022 - \$50,594) and a donation of \$549,000 (2022 - \$10,000) with the balance of \$137,074 (2022 - \$87,121) recorded as payments and donations 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 \$553,476 (2022 - \$109,550). In addition, the University paid for office space at the College in the amount of \$233,005 (2022 - \$179,933), which is included in rental income.

During fiscal 2023, Massey College incurred costs from the University for college programs in the amount of \$8,059 (2022 - \$Nil), for general administrative expenses in the amount of \$5,198 (2022 - \$10,732), for residence expenses in the amount of \$4,155 (2022 - \$1,538), and for dining and catering expenses in the amount of \$17,368 (2022 - \$13,740).

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.

Pension plan

The College makes contributions to the University of Toronto's pension plan, which is a multi-employer plan, on behalf of eligible employees of the College. The University has a defined benefit pension plan which specifies the amount of the retirements benefit to be received by the employees based upon the length of service and rates of pay. Every three years, an independent actuary determines the fund status of the University pension plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits the members have earned to date. The most recent actuarial valuation of the plan was conducted at January 1, 2022 (2022 – July 1, 2020). The result of this valuation disclosed total actuarial liabilities of \$ 10,949,325,000 (2022 – 6,405,254,000) with respect to benefits accrued for services with actuarial assets at that date of \$12,071,991,000 (2022 - \$5,473,636,000), indicating an actuarial surplus of \$1,122,666,000 (2022 – deficit of \$931,618,000). Because the University plan is a multi-employer plan, any plan surpluses or deficits are a joint responsibility of members of the University plan and their employees. As a result, the College does not recognize any share of the plan surplus or deficit.

During fiscal 2023, Massey College incurred costs from the University for pension plan premiums in the amount of \$407,099 (2022 - \$369,618).

Massey College (Note 1)

Notes to the Financial Statements

April 30, 2023

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.

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.

Massey College (Note 1)

Notes to the Financial Statements

April 30, 2023

9. Interfund transfers

The expendable portion of an Endowed fund is calculated as 3.5% (2022 - 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 2023, total transfers amounted to \$50,269 (2022 - \$47,558) to the Operating fund and \$296,541 (2022 - \$279,694) to the Restricted funds for a total transfer of \$346,810 (2022 - \$327,252).

In addition, each Endowed and Restricted fund held in the form of investments is charged an annual management fee calculated as 0.5% (2022 - 0.5%) of the five-year trailing fair market value average of the respective invested funds. During fiscal 2023, the management fee transfer to the Operating fund amounted to \$64,516 (2022 - \$62,166) comprising \$49,542 (2022 - \$46,749) from the externally restricted portion of Endowed funds, \$14,974 (2022 - \$16,417) from the Restricted funds and offset by \$18,000 (2022 - \$1,000) 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 \$17,935 (2022 - \$10,903) 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 \$558,000 (2022 - \$266,000) consisting of funds externally restricted for operations.

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 \$3,422,173 (2022 - \$3,273,191), representing approximately 18% (2022 - 17%) 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, 2023.

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, 2023, the allowance for doubtful accounts is \$3,821 (2022 - \$4,694). The College has fixed income investments of high quality that are not expected to default.

Massey College (Note 1)

Notes to the Financial Statements

April 30, 2023

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 expose 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.