

# **Victoria University**

Financial Statements  
**April 30, 2015**

# Victoria University

## Financial Statements

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October 8, 2015

## **Independent Auditor's Report**

### **To the Board of Regents of Victoria University**

We have audited the accompanying financial statements of Victoria University, which comprise the statement of financial position as at April 30, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

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

#### **Auditor's responsibility**

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

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

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

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Victoria University as at April 30, 2015 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

**Victoria University**  
**Statement of Financial Position**  
**As at April 30, 2015**

Statement 1

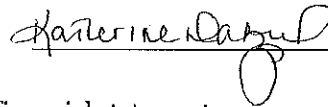
(in thousands of dollars)

	2015 \$	2014 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	9,060	7,105
Accounts receivable	651	544
Inventories	69	54
Prepaid expenses	168	214
	<hr/>	<hr/>
	9,948	7,917
<b>Deferred lease costs</b> (note 14(c))	4,760	4,396
<b>Investments in marketable securities</b> (note 3(a))	160,636	144,670
<b>Investments in revenue-producing properties</b> (note 3(b))	305,223	306,017
<b>Endowment assets held by outside trustees</b> (note 5)	63	63
<b>Property and equipment</b> (note 4)	65,412	64,763
	<hr/>	<hr/>
	546,042	527,826
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**Approved by the Board of Regents**



President



Chair of Audit Committee

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

**Victoria University**  
Statement of Financial Position ...*continued*  
As at April 30, 2015

(in thousands of dollars)

	2015 \$	2014 \$
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 17)	3,929	4,172
Current portion of long-term debt (note 6)	3,293	2,778
	7,222	6,950
<b>Interim real estate settlement</b> (note 14(c))	25,367	20,317
<b>Accrued pension benefit liability</b> (note 15)	3,469	1,706
<b>Other post-employment benefits</b> (note 15)	8,423	10,628
<b>Deferred contributions for restricted purposes</b> (note 8)	3,948	4,269
<b>Deferred revenue</b>	331	400
<b>Deferred capital contributions</b> (note 9)	17,667	18,232
<b>Long-term debt</b> (note 6)	12,408	15,702
	78,835	78,204
<b>Net Assets</b>		
<b>Endowments</b> (note 5)		
Externally restricted	115,423	101,235
Internally restricted	338,602	335,638
	454,025	436,873
<b>Unrestricted</b>	(18,862)	(16,097)
<b>Investment in properties and equipment</b> (note 10)	32,044	28,846
	467,207	449,622
	546,042	527,826
<b>Contingency</b> (note 14)		

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

**Victoria University**  
**Statement of Operations**  
**For the year ended April 30, 2015**

Statement 2

(in thousands of dollars)

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
		(restated - note 2)
<b>Revenues</b>		
Student fees	10,231	9,979
Grants from the University of Toronto	5,309	5,725
Grants from the Toronto School of Theology	450	359
United Church grant	272	397
Government grants	98	320
Other grants	-	33
Donations (note 7)	1,910	1,267
Investment income (note 11)	2,049	6,248
Sales, services and sundry	5,008	4,802
Amortization of deferred capital contributions (note 9)	971	963
Real estate	9,577	9,321
	<hr/>	<hr/>
	35,875	39,414
<b>Expenses</b>		
Salaries	15,649	15,139
Pension and OPEB expense	2,669	3,161
Other benefits	1,929	1,896
Supplies and other	3,562	3,430
Repairs and maintenance	1,241	1,266
Utilities	2,074	1,827
Amortization of property and equipment and revenue-producing properties	4,853	5,232
Scholarships and bursaries	2,635	2,434
Cost of sales and services	1,599	1,560
Interest	600	926
	<hr/>	<hr/>
	36,811	36,871
<b>Excess (deficiency) of revenues over expenses before fair value adjustment in investments</b>	(936)	2,543
<b>Fair value adjustment in investments</b> (note 11)	3,900	3,601
	<hr/>	<hr/>
<b>Excess of revenues over expenses for the year</b>	2,964	6,144
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The accompanying notes are an integral part of these financial statements.

# Victoria University

## Statement of Changes in Net Assets For the year ended April 30, 2015

Statement 3

(in thousands of dollars)

	Externally restricted endowments \$	Internally restricted endowments \$	Unrestricted \$	Investment in property and equipment \$	Total \$ (restated - note 2)
<b>Balance - April 30, 2013</b>	81,626	329,700	(25,580)	29,068	414,814
Excess (deficiency) of revenues over expenses for the year	141	(657)	10,259	(3,599)	6,144
Remeasurement - pension and OPEB (note 15)	-	-	9,196	-	9,196
Amortization of mineral rights	(141)	-	-	-	(141)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	1,785	(5,162)	3,377	-
Gifts of endowment principal	3,555	-	-	-	3,555
Investment loss (note 11)	(367)	-	-	-	(367)
Net excess of capital draw over realized investment loss (note 11)	(4,171)	-	-	-	(4,171)
Unrealized gain on investments - marketable securities	20,592	-	-	-	20,592
Transfer to (from) endowments (note 5)	-	4,810	(4,810)	-	-
<b>Balance - April 30, 2014</b>	101,235	335,638	(16,097)	28,846	449,622
Excess (deficiency) of revenues over expenses for the year	141	(653)	6,704	(3,228)	2,964
Remeasurement - pension and OPEB (note 15)	-	-	574	-	574
Amortization of mineral rights	(141)	-	-	-	(141)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	786	(7,212)	6,426	-
Gifts of endowment principal	4,033	-	-	-	4,033
Investment income (note 11)	1,869	-	-	-	1,869
Net excess of capital draw over realized investment loss (note 11)	(964)	-	-	-	(964)
Unrealized gain on investments - marketable securities	9,250	-	-	-	9,250
Transfer to (from) endowments (note 5)	-	2,831	(2,831)	-	-
<b>Balance - April 30, 2015</b>	115,423	338,602	(18,862)	32,044	467,207

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



**Victoria University**  
**Statement of Cash Flows**  
**For the year ended April 30, 2015**

Statement 4

(in thousands of dollars)

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
		(restated - note 2)
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses for the year	2,964	6,144
Adjustments for non-cash and non-operating items		
Other investment loss (income)	(1,154)	2,347
Amortization of property and equipment and revenue-producing properties	4,853	5,220
Amortization of deferred capital contributions	(971)	(963)
Unrealized gain on interest rate swap contract (note 11)	(10)	(95)
Unrealized gain on short-term investments (note 11)	(39)	(82)
Unrealized gain on investments - marketable securities (note 11)	(2,697)	(5,771)
Pension and OPEB expense (note 15)	2,669	3,161
Decrease in deferred revenue and deferred contributions for restricted purposes	(390)	(592)
Interim real estate settlement	5,050	20,317
	<hr/>	<hr/>
	10,275	29,686
Pension and post-employment contributions (note 15)	(2,537)	(2,783)
Net change in non-cash working capital balances (note 19)	(683)	(1,607)
	<hr/>	<hr/>
	7,055	25,296
	<hr/>	<hr/>
<b>Financing activities</b>		
Endowment contributions	4,938	(983)
Repayment of long-term debt	(2,769)	(1,749)
Capital contributions	406	926
	<hr/>	<hr/>
	2,575	(1,806)
	<hr/>	<hr/>
<b>Investing activities</b>		
Net purchases of marketable securities	(2,826)	(11,696)
Purchase of property and equipment	(4,849)	(4,340)
	<hr/>	<hr/>
	(7,675)	(16,036)
	<hr/>	<hr/>
<b>Increase in cash and cash equivalents during the year</b>	1,955	7,454
<b>Cash and cash equivalents (bank overdraft) - Beginning of year</b>	<hr/>	<hr/>
	7,105	(349)
	<hr/>	<hr/>
<b>Cash and cash equivalents - End of year</b>	9,060	7,105
	<hr/>	<hr/>
<b>Comprising</b>		
Cash	8,569	6,653
Short-term investments	491	452
	<hr/>	<hr/>
	9,060	7,105
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The accompanying notes are an integral part of these financial statements.

# Victoria University

## Notes to Financial Statements

April 30, 2015

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(in thousands of dollars)

### 1 The University

Victoria University, comprising Victoria College and Emmanuel College (collectively the University), is a university in federation with the University of Toronto. Degrees from Emmanuel College are awarded conjointly with the University of Toronto. Degrees from Victoria College are awarded, under the terms of federation, by the University of Toronto.

The University is a registered charity in both Canada and the United States of America and is thereby able to issue donation receipts for income tax purposes.

### 2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Part III of the Chartered Professional Accountants of Canada (CPA Canada) Handbook - Canadian Accounting Standards for Not-for-profit Organizations (ASNPO), which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

#### Contributions

The University follows the deferral method of accounting for contributions, which include donations and government grants. Contributions externally restricted for purposes other than endowments are recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Contributions received for the purchase of property and equipment are recorded as deferred capital contributions. Capitalized contributed assets are recorded as property and equipment with a corresponding balance in deferred capital contributions. Amortization of deferred capital contributions is on the same basis as the amortization of related property and equipment and is recorded as revenues in the statement of operations. Unrestricted contributions are recorded as revenues when received.

#### Real estate revenue

The University owns several revenue-producing properties, which are rented out for rental income. Rental income is recognized on an accrual basis.

#### Deferred revenue

Student fees are recognized as revenues when courses and seminars are held. Sales and services revenues are recognized at the point of sale or when the service has been provided. Monies received in advance are recorded as deferred revenue.

# Victoria University

## Notes to Financial Statements

April 30, 2015

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(in thousands of dollars)

### **Investments and investment income**

Investments are carried at fair value except for the real estate directly held by the University. Fair value amounts represent estimates of the consideration that would be agreed on between knowledgeable, willing parties who are under no compulsion to act. It is best evidenced by a quoted market price, if one exists. The calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values. The value of investments recorded in the financial statements is determined as follows:

- Short-term notes and treasury bills are valued at cost, which approximates fair value.
- Investments in pooled funds are valued at their reported net asset value per unit.
- Real estate held by the University is originally valued at cost and, when donated, at the fair value determined through an appraisal process at the date of donation. Subsequently, real estate is valued at cost less any provision for impairment. Revenue-producing land is not amortized. Amortization of revenue-producing buildings and mineral rights is provided on a straight-line basis over periods ranging from 10 to 35 years.
- Deferred lease costs are amortized over the term of the respective lease.

Investment income, consisting of interest, dividends and income distributions from pooled funds, is recognized directly in the statement of operations, except for income earned on externally restricted endowments, for which only the amount made available for spending is recorded as revenue. Gains and losses related to realized and unrealized gains and losses are recorded in the statement of operations as the change in fair value of investments. In years where the investment income earned is in excess of the amount made available for spending, the excess is recorded as a direct increase in the endowments. In years where the investment income earned is below the amount made available for spending, the shortfall is recorded as a direct decrease in endowments.

### **Derivative financial instruments**

Derivative financial instruments are used to manage particular market and currency exposures for risk management purposes primarily with respect to the University's debt financing. Derivative financial instruments that may be employed include debt, equity and currency futures, options, swaps and forward contracts. These contracts are generally supported by liquid assets with a fair value approximately equal to the fair value of the instruments underlying the derivative contract. Investment dealer quotes or quotes from a bank are available for substantially all of the University's derivative financial instruments.

Derivative financial instruments are recorded in the statement of financial position at fair value. Changes in fair value of derivative financial instruments that are not designated as hedges for accounting purposes are recognized in fair value adjustment in investments.

# Victoria University

## Notes to Financial Statements

April 30, 2015

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(in thousands of dollars)

### **Hedge accounting**

Where the requirements for hedge accounting are met, the University designates and documents interest rate swap contracts as hedges of anticipated interest rate risk. The documentation identifies the anticipated transaction being hedged, the risk that is being hedged, the type of hedging instrument used and how effectiveness will be assessed. The hedging instrument must be highly effective in offsetting changes in the anticipated cash flows both at inception and throughout the life of the instrument. Hedge accounting is discontinued prospectively if it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated, or upon the sale or early termination of the hedge.

The University uses an interest rate swap as a hedging strategy to manage its exposure to interest rate risk on the Goldring Student Centre (GSC) loan. In accordance with ASNPO, the GSC interest rate swap held by the University is not presented on the year-end statement of financial position at fair value.

### **Other financial instruments**

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are not subsequently revalued and continue to be carried at this value, which represents cost net of any provisions for impairment.

### **Cash and cash equivalents**

Cash and cash equivalents consist of balances with banks and investments in money market funds. Cash and investments meeting the definition of cash and cash equivalents held for investing rather than liquidity purposes are classified as investments.

### **Inventories**

Retail inventories are carried at the lower of cost, determined using the first-in, first-out method, and net realizable value.

### **Property and equipment**

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis using the following periods:

New buildings	35 years
Renovated buildings	25 years
Renovations to buildings	10 to 40 years
Equipment and furnishings	5 to 15 years
Gardens	40 years

Library books are amortized on a declining balance basis at 5% per annum.

# Victoria University

## Notes to Financial Statements

April 30, 2015

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(in thousands of dollars)

### **Endowments**

Endowment contributions for designated purposes are reflected as a direct addition to externally restricted endowment net assets. Income therefrom is expended as required by the terms of these gifts.

Endowment net assets held by outside trustees are recorded at original values established under the terms of the trusts when valuations of the trusts become available.

The University attempts to preserve the capital value of endowment net assets by ensuring the rate of growth in the capital value matches or exceeds the rate of inflation over time and by matching the amortization of mineral rights. To achieve this, only a portion of investment income from endowment net assets is used in operations and the remainder is credited to endowment net assets to preserve its capital value. The calculation of the amount used in operations is reviewed annually.

### **Collections**

Collections consist of archival materials, works of art and silver, and are not recorded in the financial statements. Costs related to archival material are expensed as incurred. Donation receipts are issued for fair value in accordance with the guidelines of the Canada Revenue Agency.

### **Borrowing costs**

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets, until such time as the assets are substantially ready for their intended use. Qualifying assets are those assets that necessarily take a substantial period of time to prepare for their intended use or sale. All other borrowing costs are recognized as interest expense in the statement of operations in the year in which they are incurred.

### **New accounting standard - employee benefit plans**

The University maintains defined benefit plans providing pension, other retirement and post-employment benefits for substantially all of its employees. The University recognizes the amount of the accrued obligation net of the fair value of plan assets in the statement of financial position. The accrued liability for the pension plan is determined based on an actuarial valuation report prepared for funding purposes. This report is required to be prepared at least on a three-year basis by the applicable regulations. The pension plan's assets are measured at fair value at the date of the statement of financial position. The accrued liability for employee future benefits other than the pension plan is determined based on an actuarial valuation using funding assumptions that are prepared at least every three years. In years where an actuarial valuation is not prepared, the University uses a roll-forward technique to estimate the accrued liability using assumptions from the most recent actuarial valuation report.

Prior to May 1, 2014, actuarial gains and losses and past service costs were included in the cost for the year as a charge to the statement of operations in accordance with the CPA Canada Handbook Section 3461, Employee Future Benefits.

# Victoria University

## Notes to Financial Statements

April 30, 2015

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(in thousands of dollars)

Effective May 1, 2014, the University reports under the CPA Canada Handbook Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations, which provides guidance on the recognition and presentation of remeasurements and other items that differ from the guidance in the CPA Canada Handbook Section 3462, Employee Future Benefits. As a result, the University recognizes actuarial gains and losses and past service costs as a charge to net assets in the statement of financial position rather than in the statement of operations in the year they arise.

This accounting policy has been applied retrospectively. The impact to the year ended April 30, 2014 is as follows:

Adjustments to the statement of operations:

	2014 \$ (as originally reported)	Adjustments \$	2014 \$ (as restated)
Pension and OPEB expense	(6,035)	9,196	3,161
Excess of revenues over expenses for the year	15,340	(9,196)	6,144

Adjustments to the statement of changes in net assets:

	2014 \$ (as originally reported)	Adjustments \$	2014 \$ (as restated)
Excess of revenues over expenses for the year	15,340	(9,196)	6,144
Remeasurement - pension and OPEB	-	9,196	9,196

### 3 Investments

#### a) Investments in marketable securities

An analysis of the University's investments in marketable securities is set out below:

	2015			2014		
	Cost \$	Fair value \$	Unrealized gain \$	Cost \$	Fair value \$	Unrealized gain \$
Cash and short-term investments	109	109	-	72	72	-
Canadian fixed income pooled funds	27,491	29,151	1,660	25,103	25,901	798
Canadian equity pooled funds	24,151	29,766	5,615	22,278	29,228	6,950
International equity pooled funds	69,011	101,866	32,855	69,190	89,599	20,409

# Victoria University

## Notes to Financial Statements

April 30, 2015

(in thousands of dollars)

	2015			2014		
	Cost \$	Fair value \$	Unrealized gain \$	Cost \$	Fair value \$	Unrealized gain \$
Eccles Trust	395	432	37	401	425	24
Trade payable	(197)	(197)	-	(103)	(103)	-
Funds held in endowment	(507)	(491)	16	(507)	(452)	55
	<u>120,453</u>	<u>160,636</u>	<u>40,183</u>	<u>116,434</u>	<u>144,670</u>	<u>28,236</u>

All of the above funds are held in investment pools with regularly calculated market prices.

The University has formal policies and procedures in place governing the asset mix among fixed income, equity and marketable alternative investments, requiring diversification and setting limits on the size of exposure to individual investments by asset category to manage risk.

### b) Investments in revenue-producing properties

An analysis of the University's investments in revenue-producing properties is set out below:

	2015			2014		
	Cost \$	Accumulated amortization \$	Net \$	Cost \$	Accumulated amortization \$	Net \$
Land	294,076	-	294,076	294,076	-	294,076
Buildings	23,649	12,820	10,829	23,649	12,167	11,482
Mineral rights	1,915	1,597	318	1,915	1,456	459
	<u>319,640</u>	<u>14,417</u>	<u>305,223</u>	<u>319,640</u>	<u>13,623</u>	<u>306,017</u>

Revenue-producing properties consist of income-producing real estate assets (land and buildings), which are effectively being treated as endowment realty and whose net revenues contribute to the University's operating cash flows. These properties are classified as internally restricted endowments. On May 30, 2003, the University received a donation of a farm in Weyburn, Saskatchewan that has revenue-producing surface rights and mineral rights. This gift has been classified as an externally restricted endowment and its net revenues also contribute to the University's operating cash flows.

In 2015, the University commissioned professional appraisal studies of the land to determine its current market value. The study, using valuation techniques appropriate for each property, placed a current market value of \$416,276 on these holdings as at April 30, 2015. Management intends to update this valuation on a three-year basis. In 2013, the University commissioned a professional appraisal of the Weyburn property to determine its market value with respect to both the surface rights and mineral rights. The appraisal study placed a value of \$3,900 on this property. Management intends to update this valuation on a three-year basis.

# Victoria University

## Notes to Financial Statements

April 30, 2015

(in thousands of dollars)

### 4 Property and equipment

	2015			2014		
	Cost \$	Accumulated amortization \$	Net \$	Cost \$	Accumulated amortization \$	Net \$
Buildings	106,835	51,543	55,292	102,713	48,039	54,674
Equipment and furnishings	4,556	3,624	932	4,466	3,379	1,087
Library books	14,584	5,396	9,188	13,947	4,945	9,002
	<u>125,975</u>	<u>60,563</u>	<u>65,412</u>	<u>121,126</u>	<u>56,363</u>	<u>64,763</u>

During the year, fully amortized property and equipment in the amount of \$nil (2014 - \$12) was written off.

### 5 Endowments

Net assets restricted for endowments consist of externally restricted donations received by the University and internally restricted amounts transferred by the Board of Regents in the exercise of its discretion. The Board of Regents has the right in future to remove such internal restrictions it has imposed. The investment income generated from endowments is used in accordance with the various purposes established by the donors or the Board of Regents. During the year, an amount of \$2,831 (2014 - \$4,810) was transferred to internally restricted endowments from unrestricted net assets.

	2015 \$	2014 \$
Externally restricted	115,423	101,235
Internally restricted	<u>338,602</u>	<u>335,638</u>
	<u>454,025</u>	<u>436,873</u>
Marketable securities	160,636	144,670
Revenue-producing properties, net of associated long-term debt	305,223	305,231
Assets held by outside trustees	63	63
Net accounts payable	<u>(11,897)</u>	<u>(13,091)</u>
	<u>454,025</u>	<u>436,873</u>



# Victoria University

## Notes to Financial Statements

April 30, 2015

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(in thousands of dollars)

### 6 Long-term debt

Long-term debt as at April 30 consists of the following balances:

	2015 \$	2014 \$
Burwash loan A #6156-273 (a)	269	461
Burwash loan B #6001-159 (b)	232	389
McKinsey loan #6005-037 (c)	-	786
McKinsey loan interest rate swap (c)	-	10
Operating loan A #6160-440 (d)	242	436
Operating loan B #6162-585 (e)	362	561
Rowell-Jackman Hall loan A #6121-660 (f)	933	1,167
Rowell-Jackman Hall loan B #6121-038 (g)	1,654	2,088
GSC loan #6973-943 (h)	6,327	6,716
GSC loan #6973-994 (i)	5,682	5,866
	<hr/>	<hr/>
Less: Current portion	15,701 (3,293)	18,480 (2,778)
Long-term portion	<hr/> 12,408	<hr/> 15,702

- a) The Burwash loan A is payable in monthly instalments of \$17 (2014 - \$17) including interest at 3.22% (2014 - 3.22%) per annum, with the balance due on August 9, 2016.
- b) The Burwash loan B is payable in monthly instalments of \$14 (2014 - \$14), including interest at 2.98% (2014 - 2.98%) per annum, with the balance due on September 30, 2016.
- c) The McKinsey loan is payable in variable monthly instalments with the balance due on September 1, 2014. This loan bears a floating rate of interest at the Canadian dollar offering rate plus 1.178% per annum. A related interest swap transaction was entered into on August 24, 1999 with the lender to swap the floating interest rate for a fixed interest rate of 7.77% per annum on the same principal amount over the same period as the loan. This loan and interest swap matured in September 2014 and was fully paid.
- d) The Operating loan A is payable in monthly instalments of \$17 (2014 - \$17), including interest of 4.20% (2014 - 4.20%) per annum, with the balance due on June 30, 2015. Effective July 1, 2015, the University completed refinancing of this loan and entered into a fixed rate term loan agreement in the amount of \$209, with the balance due on June 30, 2016. The loan agreement requires monthly instalments of \$18, including interest of 1.86% per annum.
- e) The Operating loan B is payable in monthly instalments of \$18 (2014 - \$18), including interest at 2.50% (2014 - 2.50%) per annum, with the balance due on January 31, 2017.

# Victoria University

## Notes to Financial Statements

April 30, 2015

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(in thousands of dollars)

- f) The Rowell-Jackman Hall loan A is payable in monthly instalments of \$22 (2014 - \$22), including interest of 3.13% (2014 - 3.13%) per annum, with the balance due on January 28, 2019.
- g) The Rowell-Jackman Hall loan B is payable in monthly instalments of \$44 (2014 - \$44), including interest of 4.92% (2014 - 4.92%) per annum, with the balance due on September 30, 2015.
- h) The GSC loan is payable in variable monthly instalments with a balance due on February 1, 2028. This loan bears a floating rate of interest at the Canadian dollar offering rate plus 1.22% per annum. A related interest rate swap transaction was entered into on February 1, 2013 for \$7,000 with the lender to swap the floating interest rate for a fixed interest rate of 3.3% per annum on the same principal amount over the same period as the loan effective July 2, 2013.

This loan is financed by student contributions. During the year, \$254 of contributions utilized was recorded as a decrease in deferred contributions for restricted purposes.

- i) The GSC loan is payable in variable monthly instalments with a balance due on February 1, 2036. This loan bears a floating rate of interest at the Canadian dollar offering rate plus 1.22% per annum. A related interest rate swap transaction was entered into on February 1, 2013 for \$6,000 with the lender to swap the floating interest rate for a fixed interest rate of 3.39% per annum on the same principal amount over the same period as the loan effective July 2, 2013.

The expected aggregate amount of principal payments required on the long-term debt is as follows:

	\$
2016	3,251
2017	1,198
2018	889
2019	851
2020	678
Thereafter	<u>8,834</u>
	<u>15,701</u>

In January 2011, the University issued an irrevocable line of credit in the amount of \$1,122 to the City of Toronto to secure the landscaping requirement of the GSC project. Of this, \$657 is outstanding as at April 30, 2015.

**Victoria University**  
Notes to Financial Statements  
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(in thousands of dollars)

**7 Donations**

Donations credited to revenues/net assets during the year are as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Endowment	4,033	3,555
Amortization of deferred capital contributions	971	963
Unrestricted for operations	1,910	1,267
	<hr/>	<hr/>
	<b>6,914</b>	<b>5,785</b>
	<hr/>	<hr/>

**8 Deferred contributions for restricted purposes**

Deferred contributions represent the unused amount of donations and grants received for restricted purposes other than for the purchase of property and equipment. Deferred contributions are included in revenues in the year in which the related expense is made.

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Balance - Beginning of year	4,269	4,750
Grants and donations	1,248	1,350
Contributions utilized	(1,569)	(1,831)
	<hr/>	<hr/>
Balance - End of year	<b>3,948</b>	<b>4,269</b>
	<hr/>	<hr/>

The deferred contributions will be spent as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Specific campaigns	1,464	1,696
Other restricted purposes	1,318	1,430
Research	658	681
Library - collections, development and maintenance	427	390
Conferences/lectures	73	64
Scholarships	8	8
	<hr/>	<hr/>
	<b>3,948</b>	<b>4,269</b>
	<hr/>	<hr/>

# Victoria University

## Notes to Financial Statements

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(in thousands of dollars)

### 9 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of property and equipment and capitalized contributed assets. The amortization of capital contributions is on the same basis as the amortization of the related property and equipment and is recorded as revenues in the statement of operations.

	2015 \$	2014 \$
Deferred capital contributions used to purchase property and equipment		
Balance - Beginning of year	18,232	18,269
Capital contributions	61	515
Spending of capital contributions on GSC project	345	411
Less: Amortization of deferred capital contributions	(971)	(963)
	<hr/>	<hr/>
Balance - End of year	17,667	18,232
	<hr/>	<hr/>

Deferred capital contributions have been allocated to the following projects:

	2015 \$	2014 \$
GSC project	5,643	5,469
Residences	899	971
Bader Theatre	4,043	4,234
Library of the Future	3,324	3,626
Library books	2,870	2,920
Campus Renewal Program	688	786
Other	200	226
	<hr/>	<hr/>
	17,667	18,232
	<hr/>	<hr/>

### 10 Investment in property and equipment

	2015 \$	2014 \$
Property and equipment	65,412	64,763
Less		
Long-term debt used to purchase property and equipment	(15,701)	(17,685)
Deferred capital contributions used to purchase property and equipment	(17,667)	(18,232)
	<hr/>	<hr/>
	32,044	28,846
	<hr/>	<hr/>

**Victoria University**  
Notes to Financial Statements  
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(in thousands of dollars)

**11 Investment income**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Sources of investment income		
Investment income from endowment net assets	2,848	1,671
Investment income from unrestricted non-endowment assets	106	39
Realized gain (loss) on foreign currency	14	(1,205)
Realized gain (loss) on sales of investments in endowment net assets	1,140	(1,142)
	<hr/>	<hr/>
Total investment income (loss)	4,108	(637)
	<hr/>	<hr/>
Investment income reported as follows		
Amount credited directly to externally restricted endowments	1,869	(367)
Net excess of capital draw over realized investment income	(964)	(4,171)
Revenues in statement of operations	2,049	6,248
Realized gain (loss) on foreign currency	14	(1,205)
Realized gain (loss) on sales of investments in endowment net assets	1,140	(1,142)
	<hr/>	<hr/>
	4,108	(637)
	<hr/>	<hr/>

The amount of investment income from endowment net assets and unrestricted net assets is included either in revenues in the statement of operations and used in operations or recorded directly in the statement of changes in net assets. The amount made available for spending (the draw) is calculated using the banded inflation method and must normally fall between a range of 3% to 5% of the previous year's opening fair value of the applicable assets.

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Unrealized gain on interest rate swap contract	10	95
Unrealized gain on short-term investments	39	82
Unrealized gain on investments - marketable securities	2,697	5,771
Realized gain (loss) on foreign currency	14	(1,205)
Realized gain (loss) on sales of investments in endowment net assets	1,140	(1,142)
	<hr/>	<hr/>
Fair value adjustment in investments	3,900	3,601
	<hr/>	<hr/>

# Victoria University

## Notes to Financial Statements

April 30, 2015

(in thousands of dollars)

### 12 Externally restricted endowments

#### a) Ontario Student Opportunity Trust Fund Program (OSOTF)

Externally restricted endowments include funds established under the OSOTF, whereby endowed donations received for student aid are matched by both the Government of Ontario and the University of Toronto. The expendable portion of these funds is included in unrestricted net assets.

			2015	2014
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Endowment balance - Beginning of year	10,496	452	10,948	11,251
Recapitalized funds	-	-	-	75
Preservation of capital	278	12	290	(378)
	10,774	464	11,238	10,948
Expendable funds available for awards - Beginning of year	101	52	153	176
Investment income	-	-	-	455
Bursaries awarded	(341)	(8)	(349)	(403)
Transfer from operating	341	5	346	-
Recapitalization	-	-	-	(75)
	101	49	150	153
Fair value	12,657	542	13,199	12,489

During the year, Victoria College awarded 154 (2014 - 222) bursaries and Emmanuel College awarded 8 (2014 - 12) bursaries under the OSOTF.

#### b) Ontario Student Opportunity Trust Fund II Program (OSOTF II)

Externally restricted endowments also include funds established under the OSOTF II, whereby endowed donations received for student aid were matched by the Government of Ontario. The expendable portion of these funds is included in unrestricted net assets.

			2015	2014
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Endowment balance - Beginning of year	1,374	74	1,448	1,493
Recapitalized funds	-	-	-	7
Preservation of capital	38	2	40	(52)
	1,412	76	1,488	1,448

**Victoria University**  
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(in thousands of dollars)

			2015	2014
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Expendable funds available for awards - Beginning of year	9	14	23	41
Investment income	-	-	-	63
Bursaries awarded	(54)	-	(54)	(74)
Transfer from operating	54	-	54	-
Recapitalization	-	-	-	(7)
Expendable funds available for awards - End of year	9	14	23	23
Fair value	1,734	95	1,829	1,684

During the year, Victoria College awarded 37 (2014 - 61) bursaries and Emmanuel College awarded nil (2014 - 2) bursaries under the OSOTF II.

**c) Ontario Trust for Student Support (OTSS)**

			2015	2014
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Endowment balance - Beginning of year	3,456	221	3,677	3,827
Preservation of capital	109	8	117	(150)
Endowment balance - End of year	3,565	229	3,794	3,677
Expendable funds available for awards - Beginning of year	25	10	35	45
Investment income	-	-	-	160
Bursaries awarded	(154)	(3)	(157)	(170)
Transfer from operating	154	3	157	-
Expendable funds available for awards - End of year	25	10	35	35
Fair value	4,955	356	5,311	4,891

During the year, Victoria College awarded 96 (2014 - 112) bursaries and Emmanuel College awarded 5 (2014 - 9) bursaries under the OTSS program.

**13 Agreements with the University of Toronto and the Toronto School of Theology**

The relationship between the University of Toronto and Victoria University is governed by a Memorandum of Agreement (the Agreement). Under the Agreement, the University of Toronto records as income all government grants and tuition fees in respect of students of Victoria College. The Agreement also provides for Victoria University to receive a block grant, which covers certain administrative and operating expenses, and an instructional grant, which supports part of the cost of Victoria University's programs.

# Victoria University

## Notes to Financial Statements

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(in thousands of dollars)

As of April 30, 2015, the University of Toronto owed Victoria University \$174 (2014 - \$91); Victoria University owed the University of Toronto \$304 (2014 - \$156).

A separate agreement between the University of Toronto, the Toronto School of Theology (T.S.T.) and its member institutions establishes the financial arrangements for Emmanuel College. All government grants for divinity students flow through the University of Toronto to the T.S.T. where they are distributed to each member institution according to a formula. Tuition fees for Emmanuel College students are received and recorded as income by Victoria University.

As of April 30, 2015, T.S.T. owed Victoria University \$72 (2014 - \$36).

### 14 Contingencies

- a) The University participates in a reciprocal exchange of insurance risks in association with 61 other Canadian universities. This self-insurance co-operative is named the Canadian Universities Reciprocal Insurance Exchange (CURIE) and involves a contractual agreement to share the property and liability insurance risks of member universities for a term, which expires on December 31, 2017.

The projected cost of claims is funded through members' premiums based on actuarial projections. CURIE has obtained reinsurance from commercial insurers to cover claims in excess of \$5 million to a maximum of \$1 billion per occurrence for property losses and claims in excess of \$5 million to a maximum of \$25 million per occurrence for liability and errors and omissions losses.

In the event premiums are not sufficient to cover claim settlements, the member universities would be subject to assessments in proportion to their participation. As at December 31, 2014, CURIE had a surplus of \$74,231 (2013 - \$71,331), of which the University's pro rata share was approximately 0.44% (2013 - 0.43%) on an ongoing basis. The amount of loss, if any, cannot be determined at this time.

- b) From time to time, the University is subject to litigation. With respect to claims as at April 30, 2015, the University believes it has valid defences and/or appropriate insurance coverage in place. The amount of loss, if any, cannot be determined at this time.
- c) The University earns revenue through its holding of land and buildings in mid-town Toronto. Two ground leases have 100-year terms (expiring on June 30, 2060) with reset periods established at June 30, 2010, 2030 and 2050. The rent is calculated at 6% of the fair value of the land as established at the reset periods. Since the lessees and the University were not able to reach an agreement on the fair value of the land on the last scheduled reset date of July 1, 2010, the matter was referred to an Arbitration Tribunal (the Arbitrators). On June 21, 2013, the Arbitrators awarded their decision and concluded on a land value that resulted in the annual rent increasing from \$2,779 to \$10,962 on the land known as 131 Bloor, and from \$875 to \$2,240 on the land known as 151 Bloor.

The lessees have appealed the Arbitrators' decision. However, pending the outcome of the appeal, the lessees agreed to pay the University increased annual rents in the amount of \$7,306 for 131 Bloor and \$1,557 for 151 Bloor. As at April 30, 2015, an amount of \$25,367 (2014 - \$20,317) was received for increased rents retroactive to July 1, 2010, which the University is not recognizing in revenues until the appeal is settled.



# Victoria University

## Notes to Financial Statements

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In addition, the recovery of certain costs incurred in connection with the arbitration amounting to approximately \$3,100 is included in deferred lease costs, and is also subject to appeal. The amount of the loss, if any, cannot be determined at this time.

### 15 Pension and other post-employment benefits

The University maintains several defined benefit plans providing pension, other retirement and post-employment benefits to its employees. The University measured its accrued benefit obligations and the fair value of pension plan assets for accounting purposes as at April 30, 2015. The most recent actuarial valuation of the pension plan for funding purposes was performed as at June 30, 2014 and the next required valuation will be as at June 30, 2017. Information about the University's defined benefit plans is as follows:

	2015		2014	
	Pension and other retirement benefits	Other benefits	Pension and other retirement benefits	Other benefits
	\$	\$	\$	\$
Changes in benefit obligation				
Benefit obligation - Beginning of year	50,771	10,628	47,881	14,121
Current service cost	2,232	451	2,117	722
Interest cost	3,068	655	2,858	588
Benefits paid	(2,269)	(192)	(1,809)	(173)
Actuarial loss (gain)	3,860	(3,119)	(276)	(4,630)
Benefit obligation - End of year	57,662	8,423	50,771	10,628
Changes in plan assets				
Fair value - Beginning of year	49,065	-	40,850	-
Actual return on plan assets	4,241	-	6,734	-
Benefits paid	(2,269)	(192)	(1,809)	(173)
Contributions	3,156	192	3,290	173
Fair value - End of year	54,193	-	49,065	-
Accrued liability - End of year	3,469	8,423	1,706	10,628

An amount of \$2,295 (2014 - \$2,210) has been established in the internally restricted endowment of the University for a portion of the costs of other benefits.

**Victoria University**  
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Pension plan assets consist of:

Asset category	2015		2014	
	Fair value	Percentage of plan assets	Fair value	Percentage of plan assets
	\$	%	\$	%
Cash	441	0.8	969	2.0
Canadian mutual funds	16,637	30.7	13,209	26.9
Canadian bond funds	16,342	30.2	16,450	33.5
Global equity funds	20,163	37.2	17,524	35.7
Standard Life funds	610	1.1	913	1.9
	<b>54,193</b>	<b>100.0</b>	<b>49,065</b>	<b>100.0</b>

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	2015		2014	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
	%	%	%	%
Discount rate	6.0	6.0	6.0	6.0
Rate of compensation increase	3.5	3.5	3.5	3.5

For measurement purposes, an 8.9% annual rate of increase in the per capita cost of covered drug benefits was assumed for 2015. The rate was assumed to decrease gradually to 4.5% by 2027 and remain at that level thereafter. Covered extended health, hospital and dental care benefits were assumed to have a 4%, 4.5% and 5% rate of increase, respectively.

# Victoria University

## Notes to Financial Statements

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(in thousands of dollars)

The University's net benefit plan expense for the year ended April 30, 2015 and a reconciliation of the change in the accrued benefit asset (liability) are as follows:

	2015		2014	
	Pension and other retirement benefits \$	Other benefits \$	Pension and other retirement benefits \$	Other benefits \$
Benefit plan expense				
Current service cost, net of employee contributions	1,421	451	1,437	722
Finance cost	142	655	414	588
Net benefit plan expense	1,563	1,106	1,851	1,310
Accrued benefit asset (liability)				
Balance - Beginning of year	(1,706)	(10,628)	(7,031)	(14,121)
Plan expense for the year	(1,563)	(1,106)	(1,851)	(1,310)
Contributions by the University	2,345	192	2,610	173
Remeasurement and other items	(2,545)	3,119	4,566	4,630
Balance - End of year	(3,469)	(8,423)	(1,706)	(10,628)

## 16 Risk management

### Market risk

Market risk arises from the possibility that changes in the market prices will affect the value of the financial instruments. Cash, short-term deposits, receivables and payables are not subject to significant market risk. The University manages the risk of its investment portfolio by investing in pooled funds in a widely diversified group of asset classes managed by external investment managers. The University monitors the performance of investment managers and their compliance with investment policies on a regular basis.

### Credit risk

Credit risk is the risk a counterparty to a financial instrument may fail to honour an obligation. The University is exposed to credit risk in cash, short-term deposits, loans and accounts receivable. The University's credit risk exposure is considered to be low.

### Liquidity risk

Liquidity risk is the risk an entity will have difficulty raising funds to meet commitments in a timely manner. The University manages liquidity risk by investing a sufficient amount to meet foreseeable needs in a highly liquid short-term investment pool. In addition, a large proportion of its investment portfolio is in pooled funds that can be redeemed in a reasonable period should the need arise.

# Victoria University

## Notes to Financial Statements

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### Currency risk

The University is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

### Interest rate risk

The University is exposed to interest rate risk with respect to its investments in fixed income securities and a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates. The University is also exposed to interest rate risk through its borrowings. However, management has mitigated this risk through the use of interest rate swaps and takes a laddered approach to debt renewals.

## 17 Government remittances

Government remittances consist of amounts (such as property taxes, sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$60 (2014 - \$55) is included within accounts payable and accrued liabilities, with a payable for HST of \$19 (2014 - \$84).

## 18 Bank overdraft

As at April 30, 2015, the University has an undrawn revolving line of credit of \$4,000 (2014 - \$4,000) to assist with its temporary operating cash needs. Interest is payable at the bank's prime rate plus 1.0% floating, payable monthly in arrears.

## 19 Supplementary cash flow information

### Changes in non-cash working capital balances

	2015 \$	2014 \$
Accounts receivable	(107)	283
Inventories	(15)	10
Prepaid expenses and other deferred assets	(318)	412
Accounts payable and accrued liabilities	(243)	(2,312)
	<hr/>	<hr/>
	(683)	(1,607)

In 2015, \$473 (2014 - \$572) of interest has been paid by the University.