

# **Victoria University**

Financial Statements  
**April 30, 2018**

# Victoria University

## Financial Statements

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October 18, 2018

## **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, 2018 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. The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

#### **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, 2018 and its financial performance 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, 2018

Statement 1

(in thousands of dollars)

	2018 \$	2017 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	25,037	14,020
Accounts receivable (note 14(c))	23,490	701
Inventories	105	120
Prepaid expenses	271	263
	<hr/>	<hr/>
	48,903	15,104
<b>Deferred lease costs and other</b> (note 14(c))	1,115	6,159
<b>Investments in marketable securities</b> (note 3(a))	183,086	185,805
<b>Investments in revenue-producing properties</b> (note 3(b))	303,935	303,679
<b>Endowment assets held by outside trustees</b>	38	63
<b>Property and equipment</b> (note 4)	61,456	63,302
	<hr/>	<hr/>
	598,533	574,112

**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, 2018

(in thousands of dollars)

	2018 \$	2017 \$
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 17)	8,149	3,689
Current portion of long-term debt (note 6)	1,065	1,446
	9,214	5,135
<b>Real estate settlement</b> (note 14(c))	-	35,467
<b>Accrued pension benefit liability</b> (note 15)	1,632	2,141
<b>Other post-employment benefits</b> (note 15)	8,463	9,575
<b>Deferred contributions for restricted purposes</b> (note 8)	4,627	4,326
<b>Deferred revenue</b>	489	524
<b>Deferred capital contributions</b> (note 9)	15,687	16,523
<b>Long-term debt</b> (note 6)	9,509	10,574
	49,621	84,265
<b>Net Assets</b>		
<b>Endowments</b> (note 5)		
Externally restricted (note 11(b))	134,425	131,634
Internally restricted (note 11(b))	342,770	342,290
	477,195	473,924
<b>Unrestricted</b>	36,523	(18,836)
<b>Investment in property and equipment</b> (note 10)	35,194	34,759
	548,912	489,847
	598,533	574,112
<b>Contingencies and commitments</b> (note 14)		

**Victoria University**  
**Statement of Operations**  
**For the year ended April 30, 2018**

Statement 2

(in thousands of dollars)

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Revenues</b>		
Student fees	11,717	11,344
Grants from the University of Toronto	5,696	5,635
Grants from the Toronto School of Theology	427	554
United Church grant	200	200
Government grants	39	275
Other grants	-	106
Donations (note 7)	764	860
Investment income (note 11)	699	500
Sales, services and sundry	5,396	5,070
Amortization of deferred capital contributions (note 9)	973	973
Real estate	9,082	8,662
Real estate settlement (note 14(c))	54,291	-
	<hr/>	<hr/>
	89,284	34,179
<b>Expenses</b>		
Salaries	18,041	17,496
Pension and OPEB expense	2,970	3,182
Other benefits	2,269	2,271
Supplies and other	4,746	4,017
Repairs and maintenance	1,057	1,172
Utilities	2,099	1,964
Amortization of property and equipment and revenue-producing properties	4,714	4,745
Scholarships and bursaries	2,735	2,465
Cost of sales and services	1,948	1,818
Interest	371	413
	<hr/>	<hr/>
	40,950	39,543
<b>Excess (deficiency) of revenues over expenses before fair value adjustment in investments</b>	48,334	(5,364)
<b>Fair value adjustment in investments</b> (note 11)	1,183	6,166
	<hr/>	<hr/>
<b>Excess of revenues over expenses for the year</b>	49,517	802
	<hr/>	<hr/>

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, 2018**

Statement 3

(in thousands of dollars)

	Externally restricted endowments \$	Internally restricted endowments \$	Unrestricted \$	Investment in property and equipment \$	Total \$
<b>Balance - April 30, 2016</b> (note 11(b))	110,570	336,538	(22,055)	33,311	458,364
Excess (deficiency) of revenues over expenses for the year	141	(622)	4,433	(3,150)	802
Remeasurement - pension and OPEB (note 15)	-	-	5,488	-	5,488
Amortization of mineral rights	(141)	-	-	-	(141)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	4	(4,602)	4,598	-
Gifts of endowment principal	2,903	-	-	-	2,903
Investment income (note 11)	1,313	-	-	-	1,313
Income draw from endowment	(4,637)	(1,346)	5,983	-	-
Fair value adjustment on investments - marketable securities	21,118	-	-	-	21,118
Transfer to (from) endowments (note 5)	367	7,716	(8,083)	-	-
<b>Balance - April 30, 2017</b>	131,634	342,290	(18,836)	34,759	489,847
Excess (deficiency) of revenues over expenses for the year	36	(622)	53,222	(3,119)	49,517
Remeasurement - pension and OPEB (note 15)	-	-	2,102	-	2,102
Amortization of mineral rights	(36)	-	-	-	(36)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	914	(4,468)	3,554	-
Gifts of endowment principal	2,177	15	-	-	2,192
Investment income (note 11)	1,296	-	-	-	1,296
Income draw from endowment	(4,800)	(1,410)	6,210	-	-
Fair value adjustment on investments - marketable securities	3,994	-	-	-	3,994
Transfer to (from) endowments (note 5)	124	1,583	(1,707)	-	-
<b>Balance - April 30, 2018</b>	134,425	342,770	36,523	35,194	548,912

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



**Victoria University**  
**Statement of Cash Flows**  
**For the year ended April 30, 2018**

Statement 4

(in thousands of dollars)

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses for the year	49,517	802
Adjustments for non-cash and non-operating items		
Investment income (note 11)	(5,254)	(3,103)
Amortization of property and equipment and revenue-producing properties	4,714	4,745
Amortization of deferred capital contributions	(973)	(973)
Unrealized (gain) loss on short-term investments (note 11)	-	(48)
Unrealized (gain) loss on investments - marketable securities (note 11)	7	(5,419)
Pension and OPEB expense (note 15)	2,970	3,182
Decrease in deferred revenue and deferred contributions for restricted purposes	266	676
	<hr/>	<hr/>
	51,247	(138)
Real estate settlement (note 14(c))	(35,467)	5,050
Pension and post-employment contributions (note 15)	(2,489)	(2,668)
Net change in non-cash working capital balances (note 19)	(13,253)	(478)
	<hr/>	<hr/>
	38	1,766
<b>Financing activities</b>		
Endowment contributions	3,488	4,216
Repayment of long-term debt	(1,446)	(1,676)
Capital contributions	137	404
	<hr/>	<hr/>
	2,179	2,944
<b>Investing activities</b>		
Net purchases of marketable securities	7,896	(1,525)
Purchase of property and equipment	(3,160)	(3,330)
Realized gain on sale credited directly to net assets	4,064	2,404
	<hr/>	<hr/>
	8,800	(2,451)
<b>Increase in cash and cash equivalents during the year</b>	<hr/>	<hr/>
	11,017	2,259
<b>Cash and cash equivalents - Beginning of year</b>	<hr/>	<hr/>
	14,020	11,761
<b>Cash and cash equivalents - End of year</b>	<hr/>	<hr/>
	25,037	14,020
<b>Comprising</b>		
Cash	25,037	13,510
Short-term investments	-	510
	<hr/>	<hr/>
	25,037	14,020
	<hr/>	<hr/>

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

# Victoria University

## Notes to Financial Statements

April 30, 2018

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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 utilized for rental income 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, 2018

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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. Gains and losses related to realized and unrealized gains and losses are recorded in the statement of operations, or statement of changes in net assets as applicable, 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.

### **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.

# Victoria University

## Notes to Financial Statements

April 30, 2018

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(in thousands of dollars)

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 presented on the year-end statement of financial position at cost.

### Other financial instruments

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are carried at cost, which approximates fair value.

### 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.

### 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.

# Victoria University

## Notes to Financial Statements

April 30, 2018

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(in thousands of dollars)

### **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.

### **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.

The University recognizes actuarial gains and losses (remeasurement) and past service costs as a charge to net assets.

### **Use of estimates**

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The significant estimates made in the financial statements include the fair values of financial instruments, estimates of cash flows for determining provisions for impairment of long-lived assets, the discount rate used in determining the liabilities for employee benefit plans and the recoverability of the real estate settlement. Actual results could differ from those estimates under different assumptions or conditions.

# Victoria University

## Notes to Financial Statements

April 30, 2018

(in thousands of dollars)

### 3 Investments

#### a) Investments in marketable securities

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

	2018			2017		
	Cost \$	Fair value \$	Unrealized gain (loss) \$	Cost \$	Fair value \$	Unrealized gain (loss) \$
Cash and foreign currency	2,464	2,443	(21)	4,347	4,439	92
Canadian fixed income pooled funds	31,612	31,279	(333)	30,538	31,177	639
Canadian equity pooled funds	19,619	22,394	2,775	26,730	31,771	5,041
International equity pooled funds	73,520	125,220	51,700	70,287	118,669	48,382
Private equity	1,473	1,474	1			
Eccles trust	418	448	30	392	470	78
Payable	(172)	(172)	-	(211)	(211)	-
Restricted funds held in marketable securities	-	-	-	(507)	(510)	(3)
	<u>128,934</u>	<u>183,086</u>	<u>54,152</u>	<u>131,576</u>	<u>185,805</u>	<u>54,229</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:

	2018			2017		
	Cost \$	Accumulated amortization \$	Net \$	Cost \$	Accumulated amortization \$	Net \$
Land	294,076	-	294,076	294,076	-	294,076
Buildings	24,567	14,708	9,859	23,653	14,086	9,567
Mineral rights	1,915	1,915	-	1,915	1,879	36
	<u>320,558</u>	<u>16,623</u>	<u>303,935</u>	<u>319,644</u>	<u>15,965</u>	<u>303,679</u>

# Victoria University

## Notes to Financial Statements

April 30, 2018

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(in thousands of dollars)

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 next year now that the arbitration on certain properties has been settled (see note 14(c)). In 2016, 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 \$3,200 on this property. Management intends to update this valuation on a three-year basis.

### 4 Property and equipment

	2018			2017		
	Cost \$	Accumulated amortization \$	Net \$	Cost \$	Accumulated amortization \$	Net \$
Buildings	113,290	62,028	51,262	111,636	58,558	53,078
Equipment and furnishings	5,026	4,206	820	4,956	4,049	907
Library books	16,155	6,781	9,373	15,633	6,316	9,317
	<u>134,471</u>	<u>73,015</u>	<u>61,456</u>	<u>132,225</u>	<u>68,923</u>	<u>63,302</u>

### 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 \$1,583 (2017 - \$7,716) was transferred to internally restricted endowments. \$124 (2017 - \$367) was transferred to externally restricted endowments.

**Victoria University**  
Notes to Financial Statements  
**April 30, 2018**

(in thousands of dollars)

	2018 \$	2017 \$
Externally restricted	134,425	131,634
Internally restricted	342,770	342,290
	<u>477,195</u>	<u>473,924</u>
Marketable securities	183,086	185,805
Revenue-producing properties	303,935	303,679
Assets held by outside trustees	38	63
Net accounts payable	(9,864)	(15,623)
	<u>477,195</u>	<u>473,924</u>

## 6 Long-term debt

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

	2018 \$	2017 \$
Rowell-Jackman Hall loan A #6121-660 (a)	195	470
Rowell-Jackman Hall loan B #6121-038 (b)	213	750
GSC loan A#6973-943 (c)	5,078	5,508
GSC loan B#6973-994 (d)	5,088	5,292
	<u>10,574</u>	<u>12,020</u>
Less: Current portion	1,065	1,446
Long-term portion	<u>9,509</u>	<u>10,574</u>

- a) The Rowell-Jackman Hall loan A is payable in monthly instalments of \$22 (2017 - \$22), including interest of 3.13% (2017 - 3.13%) per annum, with the balance due on January 31, 2019.
- b) The Rowell-Jackman Hall loan B is payable in monthly instalments of \$42 (2017 - \$42), including interest of 2.32% (2017 - 2.32%) per annum, with the balance due on September 30, 2018.
- c) The GSC loan A 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, \$257 of deferred contributions utilized was recorded as a decrease in deferred contributions for restricted purposes (note 8).



# Victoria University

## Notes to Financial Statements

April 30, 2018

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(in thousands of dollars)

- d) The GSC loan B 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:

	\$
2019	1,065
2020	678
2021	701
2022	725
2023	749
Thereafter	<u>6,656</u>
	<u>10,574</u>

## 7 Donations

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

	2018 \$	2017 \$
Endowment	2,192	2,903
Amortization of deferred capital contributions	973	973
Unrestricted for operations	<u>764</u>	<u>860</u>
	<u>3,929</u>	<u>4,736</u>

## 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.

	2018 \$	2017 \$
Balance - Beginning of year	4,326	3,753
Grants and donations	1,333	1,416
Contributions utilized - GSC loan A (note 6(c))	(257)	(255)
Contributions utilized - other	<u>(775)</u>	<u>(588)</u>
Balance - End of year	<u>4,627</u>	<u>4,326</u>

**Victoria University**  
Notes to Financial Statements  
**April 30, 2018**

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(in thousands of dollars)

The deferred contributions will be spent as follows:

	<b>2018</b>	<b>2017</b>
	\$	\$
Specific campaigns	2,471	2,080
Other restricted purposes	956	954
Research	728	787
Library - collections, development and maintenance	406	466
Conferences/lectures	58	31
Scholarships	8	8
	<u>4,627</u>	<u>4,326</u>

**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.

	<b>2018</b>	<b>2017</b>
	\$	\$
Deferred capital contributions used to purchase property and equipment		
Balance - Beginning of year	16,523	17,092
Capital contributions	137	171
Spending of capital contributions on GSC project	-	233
Less: Amortization of deferred capital contributions	<u>(973)</u>	<u>(973)</u>
Balance - End of year	<u>15,687</u>	<u>16,523</u>

Deferred capital contributions have been allocated to the following projects:

	<b>2018</b>	<b>2017</b>
	\$	\$
GSC project	5,627	5,802
Residences	681	753
Bader Theatre	3,468	3,660
Library of the Future	2,417	2,719
Library books	2,974	2,946
Campus Renewal Program	393	491
Other	<u>127</u>	<u>152</u>
	<u>15,687</u>	<u>16,523</u>

**Victoria University**  
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**10 Investment in property and equipment**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Property and equipment	61,455	63,302
Less		
Long-term debt used to purchase property and equipment	(10,574)	(12,020)
Deferred capital contributions used to purchase property and equipment	(15,687)	(16,523)
	<u>35,194</u>	<u>34,759</u>

**11 Investment income**

**a) Investment income reconciliation**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Sources of investment income		
Investment income from endowment net assets	1,656	1,669
Investment income from unrestricted non-endowment assets	339	144
Realized gain on foreign currency	1	52
Realized gain on sales of investments in endowment net assets	5,253	3,051
	<u>7,249</u>	<u>4,916</u>
Total investment income	<u>7,249</u>	<u>4,916</u>
Investment income reported as follows		
Amount credited directly to externally restricted endowments	1,296	1,313
Realized gain on foreign currency from internally restricted endowments	-	12
Realized gain on foreign currency from externally restricted endowments	1	40
Realized gain on sales on internally restricted endowments	1,190	687
Realized gain on sales on externally restricted endowments	4,063	2,364
Revenues in statement of operations	699	500
	<u>7,249</u>	<u>4,916</u>

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.

# Victoria University

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	2018		2017	
	Net assets \$	Statement of operations \$	Net assets \$	Statement of operations \$
Unrealized gain (loss) on short-term investments	-	-	-	48
Unrealized gain (loss) on investments - marketable securities	(70)	(7)	18,714	5,419
Realized gain on foreign currency	1	-	40	12
Realized gain on sales of investments in endowment net assets	4,063	1,190	2,364	687
Fair value adjustment in investments	3,994	1,183	21,118	6,166

## 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.

	2018		2017	
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Endowment balance - Beginning of year	10,894	465	11,359	11,337
Recapitalized funds	-	-	-	110
Preservation of capital	66	2	68	(88)
Endowment balance - End of year	10,960	467	11,427	11,359
Expendable funds available for awards - Beginning of year	167	50	217	214
Investment income	476	20	496	486
Bursaries awarded	(380)	(20)	(400)	(373)
Transfer from operating	1	-	1	-
Recapitalization	-	-	-	(110)
Expendable funds available for awards - End of year	264	50	314	217
Fair value	13,333	565	13,898	13,845

# Victoria University

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During the year, Victoria College awarded 179 (2017 - 191) bursaries and Emmanuel College awarded 16 (2017 - 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.

			<u>2018</u>	<u>2017</u>
	<b>Victoria College \$</b>	<b>Emmanuel College \$</b>	<b>Total \$</b>	<b>Total \$</b>
Endowment balance - Beginning of year	1,415	76	1,491	1,502
Preservation of capital	9	1	10	(11)
Endowment balance - End of year	<u>1,424</u>	<u>77</u>	<u>1,501</u>	<u>1,491</u>
Expendable funds available for awards -				
Beginning of year	27	10	37	30
Investment income	65	4	69	67
Bursaries awarded	(67)	(1)	(68)	(60)
Expendable funds available for awards -				
End of year	<u>25</u>	<u>13</u>	<u>38</u>	<u>37</u>
Fair value	<u>1,810</u>	<u>99</u>	<u>1,909</u>	<u>1,902</u>

During the year, Victoria College awarded 44 (2017 - 40) bursaries and Emmanuel College awarded 1 (2017 - 1) bursary under the OSOTF II.

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

			<u>2018</u>	<u>2017</u>
	<b>Victoria College \$</b>	<b>Emmanuel College \$</b>	<b>Total \$</b>	<b>Total \$</b>
Endowment balance - Beginning of year	3,573	229	3,802	3,834
Preservation of capital	25	2	27	(32)
Endowment balance - End of year	<u>3,598</u>	<u>231</u>	<u>3,829</u>	<u>3,802</u>

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			2018	2017
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Expendable funds available for awards - Beginning of year	59	19	78	53
Investment income	187	13	200	196
Bursaries awarded	(203)	(3)	(206)	(171)
Expendable funds available for awards - End of year	43	29	72	78
Fair value	5,172	372	5,544	5,523

During the year, Victoria College awarded 112 (2017 - 100) bursaries and Emmanuel College awarded 4 (2017 - 8) 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.

As of April 30, 2018, Victoria University owed the University of Toronto \$171 (2017 - \$180).

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, 2018, T.S.T. owed Victoria University \$38 (2017 - \$88).

**14 Contingencies and commitments**

- 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, 2022.

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 \$1.25 billion per occurrence for property losses and claims in excess of \$5 million to a maximum of \$50 million per occurrence for liability and errors and omissions losses.

# Victoria University

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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, 2017, CURIE had a surplus of \$81,232 (2017 - \$84,908), of which the University's pro rata share was approximately 0.43% (2017 - 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, 2017, 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 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). In April of 2018, the matter was settled and concluded on a land value that resulted in the annual rent increasing from \$2,779 to \$8,760 on the land known as 131 Bloor, and from \$875 to \$2,070 on the land known as 151 Bloor.

Pending the ultimate decision, 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, 2017, an amount of \$35,467 was received for increased rents retroactive to July 1, 2010, which was included in real estate settlement on the statement of financial position until the final resolution of this matter.

As a result of the final agreement, the University was able to recognize the previous deferred amount of \$35,467 and was able to recognize a further \$22,501 which is shown in accounts receivable for the current year and was received in May 2018.

Deferred lease costs and other in the amount of \$1,115 (2017 - \$6,159) includes straight-line receivable in the amount of \$713 (2017 - \$803). The amount of costs in connection with the arbitration included in the previous year has been partially recovered.

- d) On June 18, 2015, the University entered into a capital expenditure facility agreement for \$20,000 related to the financing of capital renewal projects. The University may receive advances under the credit facility by way of fixed rate term loans for a period of one to five years. The credit facility is non-revolving and bears interest at a bank-designated rate plus 0.50%. As at April 30, 2018, \$nil was drawn on this credit facility.
- e) The University has committed to invest in a private equity fund. The University estimates its capital obligation under this commitment to be US\$10,000. As at April 30, 2018, \$1,150 was contributed to the fund. On August 20, 2018 the University committed to a second private equity fund. The University estimates its capital obligation under this commitment to be US\$7,500.

# Victoria University

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- f) The University owns various commercial properties in Toronto. Pursuant to the Victoria University Act (1951) (the act), these properties were exempt from realty taxation. However, Schedule 36 of Bill 31, the Plan for Care and Opportunity Act (Budget Measures), 2018, which received Royal Assent on May 8, 2018, amends the Victoria University Act by repealing the exemption from realty taxes with respect to commercial properties owned by Victoria University. In order to mitigate the impact of this amendment, the realty tax on such commercial properties would be phased in over a period of years. The City of Toronto is required to pass a by-law providing for the phasing in of these increases. The University takes the position that the resulting additional realty taxes will be flowed through to its commercial tenants under the existing leases and should not have a financial impact on the University.

### 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, 2018. The most recent actuarial valuation of the pension plan for funding purposes was performed as at June 30, 2017 and the next required valuation will be as at June 30, 2020. Information about the University's defined benefit plans is as follows:

	2018		2017	
	Pension and other retirement benefits \$	Other benefits \$	Pension and other retirement benefits \$	Other benefits \$
Changes in benefit obligation				
Benefit obligation - Beginning of year	65,780	9,575	61,661	8,976
Current service cost	2,847	360	2,678	339
Interest cost	3,972	590	3,756	550
Benefits paid	(4,280)	(202)	(2,512)	(203)
Actuarial loss (gain)	(2,992)	(1,860)	197	(87)
Benefit obligation - End of year	65,327	8,463	65,780	9,575
Changes in plan assets				
Fair value - Beginning of year	63,639	-	53,947	-
Actual return on plan assets	1,022	-	8,831	-
Benefits paid	(4,280)	(202)	(2,512)	(203)
Contributions	3,314	202	3,373	203
Fair value - End of year	63,695	-	63,639	-
Accrued liability - End of year	1,632	8,463	2,141	9,575

An amount of \$2,596 (2017 - \$2,490) has been established in the internally restricted endowment of the University for a portion of the costs of other benefits.



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Pension plan assets consist of:

Asset category	2018		2017	
	Fair value \$	Percentage of plan assets %	Fair value \$	Percentage of plan assets %
Cash	833	1.3	1,858	2.9
Canadian mutual funds	19,270	30.3	19,136	30.1
Canadian bond funds	17,469	27.4	17,630	27.7
Global equity funds	25,933	40.7	24,625	38.7
Segregated funds	190	0.3	390	0.6
	<u>63,695</u>	<u>100</u>	<u>63,639</u>	<u>100</u>

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

	2018		2017	
	Pension benefit plan %	Other benefit plans %	Pension benefit plan %	Other benefit plans %
Discount rate	5.75	5.75	6.0	6.0
Rate of compensation increase	3.5	3.5	3.5	3.5

For measurement purposes, an 8.2% annual rate of increase in the per capita cost of covered drug benefits was assumed for 2018. 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 8.2%, 4.5% and 4.5% rate of increase, respectively.

The University's net benefit plan expense for the year ended April 30, 2018 and a reconciliation of the change in the accrued benefit liability are as follows:

	2018		2017	
	Pension and other retirement benefits \$	Other benefits \$	Pension and other retirement benefits \$	Other benefits \$
Benefit plan expense				
Current service cost, net of employee contributions	1,820	360	1,771	339
Finance cost	200	590	522	550
Net benefit plan expense	<u>2,020</u>	<u>950</u>	<u>2,293</u>	<u>889</u>

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	2018		2017	
	Pension and other retirement benefits \$	Other benefits \$	Pension and other retirement benefits \$	Other benefits \$
Accrued benefit liability				
Balance - Beginning of year	(2,141)	(9,575)	(7,714)	(8,976)
Plan expense for the year	(2,020)	(950)	(2,293)	(889)
Contributions by the University	2,287	202	2,465	203
Remeasurement and other items	242	1,860	5,401	87
Balance - End of year	(1,632)	(8,463)	(2,141)	(9,575)

## 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.

### 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.

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**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, \$1,919 (2017 - \$137) is included within accounts payable and accrued liabilities.

**18 Bank overdraft**

As at April 30, 2018, the University has an undrawn revolving line of credit of \$4,000 (2017 - \$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 Changes in non-cash working capital balances**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Accounts receivable	(22,789)	(5)
Inventories	15	(27)
Prepaid expenses	(8)	(11)
Deferred lease costs and other	5,044	(275)
Accounts payable and accrued liabilities	4,460	(160)
Assets held by outside trustees	25	-
	<hr/>	<hr/>
	<b>(13,253)</b>	<b>(478)</b>