Victoria University

Financial Statements
April 30, 2023

Victoria University

Financial Statements

For the year ended April 30, 2023

Table of Contents

Independent auditor's report

To the Board of Regents of Victoria University

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Victoria University (the University) as at April 30, 2023 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited
The University's financial statements comprise:

- the statement of financial position as at April 30, 2023;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence
We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, ca_toronto_18_york_fax@pwc.com

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
October 13, 2023

Victoria University

Statement of Financial Position

As at April 30, 2023

(in thousands of dollars)

	2023 $	2022 $
Assets		
Current assets		
Cash and cash equivalents	41,245	37,918
Accounts receivable (note 17)	589	1,514
Inventories	90	107
Prepaid expenses	345	175
	42,269	39,714
Deferred lease costs and other	319	333
Investments in marketable securities (note 3(a))	268,095	252,807
Investments in revenue-producing properties (note 3(b))	303,333	304,119
Endowment assets held by outside trustees	38	38
Property and equipment (note 4)	56,511	58,165
	670,565	655,176

Approved by the Board of Regents

Rhonda McEwen ________________________ **President** ________________________ **Chair of the Audit Committee**

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

(in thousands of dollars)

	2023 $	2022 $
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	4,602	5,466
Current portion of long-term debt (note 6)	774	749
	5,376	6,215
Accrued pension benefit liability (note 15)	10,942	10,075
Other post-employment benefits (note 15)	12,803	10,523
Deferred contributions for restricted purposes (note 8)	6,940	6,396
Deferred revenue	452	377
Deferred capital contributions (note 9)	11,467	12,136
Long-term debt (note 6)	13,383	14,157
	61,363	59,879
Net Assets		
Endowments (note 5)		
Externally restricted (note 12)	176,688	167,864
Internally restricted	379,013	376,397
	555,701	544,261
Unrestricted	15,114	12,413
Investment in property and equipment (note 10)	38,387	38,623
	609,202	595,297
	670,565	655,176

Contingencies and commitments (note 14)

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

Victoria University

Statement of Operations

For the year ended April 30, 2023

(in thousands of dollars)

	2023 $	2022 $
Revenues		
Student fees	13,472	10,803
Grants from the University of Toronto	7,467	7,277
Grants from the Toronto School of Theology	430	397
United Church grant	139	147
Government grants and other grants	839	825
Donations (note 7)	1,446	1,276
Investment income (note 11)	3,337	2,785
Sales, services and sundry	4,536	1,409
Amortization of deferred capital contributions (note 9)	835	953
Real estate	14,967	14,754
	47,468	40,626
Expenses		
Salaries	21,521	19,270
Pension and OPEB expense (note 15)	4,173	3,885
Other benefits	3,070	2,904
Supplies and other	5,943	4,885
Repairs and maintenance	1,131	1,229
Utilities	2,059	2,025
Amortization of property and equipment and revenue-producing properties (note 3 and note 4)	5,021	5,300
Scholarships and bursaries	3,677	3,372
Cost of sales and services	2,271	1,367
Interest (note 6)	524	332
	49,390	44,569
Excess (deficiency) of revenues over expenses before fair value adjustment in investments	(1,922)	(3,943)
Fair value adjustment of investments (note 11)	2,920	2,032
Excess (deficiency) of revenues over expenses for the year	998	(1,911)

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, 2023

(in thousands of dollars)

	Externally restricted endowments $	Internally restricted endowments $	Unrestricted $	Investment in property and equipment $	Total $
Balance – April 30, 2021	154,723	369,273	19,737	37,858	581,591
Excess (deficiency) of revenues over expenses for the year	-	(809)	2,436	(3,538)	(1,911)
Remeasurement – pension and OPEB (note 15)	-	-	(5,028)	-	(5,028)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	827	(5,130)	4,303	-
Gifts of endowment principal	7,804	1,917	-	-	9,721
Investment income (note 11)	6,102	-	-	-	6,102
Income draw from endowment	(5,587)	(2,354)	7,941	-	-
Fair value adjustment on investments – marketable securities	4,822	-	-	-	4,822
Transfer to (from) endowments (note 5)	-	7,543	(7,543)	-	-
Balance – April 30, 2022	167,864	376,397	12,413	38,623	595,297
Excess (deficiency) of revenues over expenses for the year	-	(797)	5,184	(3,389)	998
Remeasurement – pension and OPEB (note 15)	-	-	(230)	-	(230)
Opening remeasurement of benefit obligation (Note 15)	-	-	(1,705)	-	(1,705)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	10	(3,163)	3,153	-
Gifts of endowment principal	3,654	319	-	-	3,973
Investment income (note 11)	4,056	-	-	-	4,056
Income draw from endowment	(5,699)	(2,455)	8,154	-	-
Fair value adjustment on investments – marketable securities	6,813	-	-	-	6,813
Transfer to (from) endowments (note 5)	-	5,539	(5,539)	-	-
Balance – April 30, 2023	176,688	379,013	15,114	38,387	609,202

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

Victoria University

Statement of Cash Flows

For the year ended April 30, 2023

(in thousands of dollars)

	2023 $	2022 $
Cash provided by (used in)		
Operating activities		
Excess (Deficiency) of revenues over expenses for the year	998	(1,911)
Adjustments for non-cash and non-operating items		
Investment income realized (note 11)	(2,197)	(3,187)
Amortization of property and equipment and revenue-producing properties	5,021	5,300
Amortization of deferred capital contributions	(835)	(953)
Unrealized (gain) loss on investments – marketable securities (note 11)	(723)	1,155
Pension and OPEB expense (note 15)	4,173	3,885
Decrease in deferred revenue and deferred contributions for restricted purposes	619	465
	7,056	4,754
Pension and post-employment contributions (note 15)	(2,961)	(5,510)
Net change in non-cash working capital balances (note 19)	(78)	(227)
	4,017	(983)
Financing activities		
Endowment contributions	8,029	15,823
Repayment of long-term debt	(749)	(725)
U of T Ancillary loan	-	7,500
Capital contributions	166	51
	7,446	22,649
Investing activities		
Net purchases of marketable securities	(5,555)	(8,561)
Purchase of property and equipment	(2,581)	(4,456)
	(8,136)	(13,017)
Increase (decrease) in cash and cash equivalents during the year	3,327	8,649
Cash and cash equivalents – Beginning of year	37,918	29,269
Cash and cash equivalents – End of year	41,245	37,918

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

(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.

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:

(in thousands of dollars)

- 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.

- Private investment interests consisting of private investments and real assets are comprised of private externally managed pooled funds with underlying investments in equities, debt, real estate assets, infrastructure assets and commodities. The investment managers of these interests perform and provide valuations of the underlying investments on a periodic basis. Annual financial statements of the private investment interests are audited and are also provided by the investment managers. The value of the investments in these interests is based on the latest valuations provided (typically December 31), adjusted for subsequent cash receipts and distributions from the fund, and cash disbursements to the fund through April 30. The University believes that the carrying amount of these financial instruments is a reasonable estimate of fair value. Because private investments are not readily traded, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

- 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.

(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	4 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. This is recorded in the Statement of Net Assets.

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. 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.

(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 general pension plan is determined based on an actuarial valuation report prepared for funding purposes. The discount rate used for the funding valuation is based on the expected returns of the investment portfolio with a provision for adverse deviations. This report is required to be prepared at least on a three-year basis by the applicable regulations. 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 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 general pension plan is determined based on an actuarial valuation using accounting assumptions that are prepared at least every three years. The discount rate used for the accounting valuation is management's best estimate with reference to high-quality debt instruments with a similar duration as the expected benefit payments. 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.

Changes in accounting policies

Effective January 1, 2022, the University has applied the amendments to ASNPO 3463, Reporting employee future benefits by not-for-profit organizations and ASPE 3462, Employee future benefits, which require that the measurement of the cost and obligations of an entity's unfunded defined benefit plans be determined using assumptions consistent with an accounting valuation instead of a funding valuation. This impacts the measurement of the accrued liability for employee future benefits other than the general pension plan, specifically, the Supplemental Retirement Arrangement (SRA) and Other Post-Employment Benefits (OPEB), which were previously measured using the same funding valuation as the funded general pension plan. In the current year, the SRA and OPEB are now measured with an accounting valuation, rather than a funding valuation, as they are both unfunded plans. In accordance with the transition provisions of ASNPO 3463, the cumulative effect of applying the amendments is recorded in opening net assets at the date that the amendments are

(in thousands of dollars)

first applied, and the financial statements of prior periods presented for comparative purposes are not restated.

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 and the discount rate used in determining the liabilities for employee benefit plans. Actual results could differ from those estimates under different assumptions or conditions.

3 Investments

a) Investments in marketable securities

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

	2023			2022		
	Cost $	Fair value $	Unrealized gain/(loss) $	Cost $	Fair value $	Unrealized gain/(loss) $
Cash and foreign currency	4,562	4,590	28	2,883	2,904	21
Canadian fixed income pooled funds	37,859	35,858	(2,001)	36,572	34,860	(1,712)
Canadian equity index/pooled funds	26,912	29,362	2,450	26,912	30,227	3,315
International equity pooled funds	86,689	124,846	38,157	86,595	122,516	35,921
Private equity	18,980	28,375	9,395	18,353	31,518	13,165
Private Debt Equity	12,029	13,158	1,129	12,104	12,579	475
Private Infrastructure	25,213	30,015	4,802	16,186	16,560	374
Global Iman Fund	1,009	1,333	324	1,009	1,270	261
Eccles trust	420	539	119	421	568	147
Payables	19	19	-	(195)	(195)	-
	213,692	268,095	54,403	200,840	252,807	51,967

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.

(in thousands of dollars)

b) Investments in revenue-producing properties

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

	2023			2022		
	Cost $	Accumulated amortization $	Net $	Cost $	Accumulated amortization $	Net $
Land	294,076	-	294,076	294,076	-	294,076
Buildings	27,734	18,477	9,257	27,723	17,680	10,043
Mineral rights	1,915	1,915	-	1,915	1,915	-
	323,725	20,392	303,333	323,714	19,595	304,119

The amount of amortization recorded in the statement of operations during the year is $797 (2022 - $809).

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 2022, the University commissioned professional appraisal studies of its land and buildings to determine the current market value. The study, using valuation techniques appropriate for each property, placed a current market value of $731,200 (2019 – $463,700) on these holdings as at April 30, 2022. In 2022, 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 $4,165 (2019 – $3,200) on this property as at April 30, 2022.

4 Property and equipment

	2023			2022		
	Cost $	Accumulated amortization $	Net $	Cost $	Accumulated amortization $	Net $
Buildings	124,900	79,578	45,322	122,913	76,205	46,708
Equipment and furnishings	7,748	5,793	1,955	7,560	5,407	2,153
Library books	18,370	9,136	9,234	17,975	8,671	9,304
	151,018	94,507	56,511	148,448	90,283	58,165

(in thousands of dollars)

The amount of amortization recorded in the statement of operations during the year is $4,224 (2022 – $4,491).

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 $5,539 (2022 – $7,543) was transferred (from) to internally restricted endowments.

	2023 $	2022 $
Externally restricted	176,688	167,864
Internally restricted	379,013	376,397
	555,701	544,261
Marketable securities	268,095	252,807
Revenue-producing properties	303,333	304,119
Assets held by outside trustees	38	38
Net accounts payable (interfund)	(15,765)	(12,703)
	555,701	544,261

6 Long-term debt

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

	2023 $	2022 $
GSC loan A#6973-943 (a)	2,701	3,208
GSC loan B#6973-994 (b)	3,956	4,198
U of T Ancillary loan	7,500	7,500
	14,157	14,906
Less: Current portion	(774)	(749)
Long-term portion	13,383	14,157

a) 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

(in thousands of dollars)

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 deferred contributions utilized was recorded as a decrease in deferred contributions for restricted purposes (note 8).

b) 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.

c) The University of Toronto (U of T) Ancillary interest-free loan of $7.5 million is payable within three years of the five-year term. This interest-free loan bears a fixed interest rate of 3.857% and U of T will cover this interest charge of $289. This interest expense and the related interest grant from U of T are recorded on the Statement of Operations. The first payment of one third of the principal amount is due in 2024-25 with full repayment of the loan by 2026-27.

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

	$
2024	774
2025	3,301
2026	3,328
2027	3,355
2028	784
Thereafter	2,615
	14,157

7 Donations

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

	2023 $	2022 $
Endowment	3,973	9,721
Amortization of deferred capital contributions	835	953
Unrestricted for operations	1,446	1,276
	6,254	11,950

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.

(in thousands of dollars)

	2023 $	2022 $
Balance – Beginning of year	6,396	5,704
Grants and donations	1,952	1,505
Contributions utilized – GSC loan A (note 6(a))	(254)	(246)
Contributions utilized – other	(1,153)	(567)
Balance – End of year	6,941	6,396

The deferred contributions will be spent as follows:

	2023 $	2022 $
Specific campaigns	4,430	3,465
Other restricted purposes	1,066	1,488
Research	896	820
Library – collections, development and maintenance	349	386
Conferences/lectures	192	229
Scholarships	8	8
	6,941	6,396

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.

	2023 $	2022 $
Deferred capital contributions used to purchase property and equipment		
Balance – Beginning of year	12,136	13,038
Capital contributions	66	51
Less: Amortization of deferred capital contributions	(835)	(953)
Balance – End of year	11,367	12,136
Unutilized deferred capital contributions		
Balance – Beginning of the year	-	-
Capital contributions	100	-
Spending of capital contribution on Vic Chapel	-	-
Balance – End of year	100	-
	11,467	12,136

Deferred capital contributions have been allocated to the following projects:

(in thousands of dollars)

	2023 $	2022 $
Goldring Student Center (GSC)	4,697	4,885
Residences	334	390
Bader Theatre	2,510	2,702
Library of the Future	906	1,208
Library books	2,852	2,856
Campus Renewal Program	-	2
Vic Chapel	100	-
Other	68	93
	11,467	12,136

10 Investment in property and equipment

	2023 $	2022 $
Property and equipment	56,511	58,165
Less		
Long-term debt used to purchase property and equipment	(6,657)	(7,406)
Deferred capital contributions used to purchase property and equipment	(11,467)	(12,136)
	38,387	38,623

11 Investment income

	2023 $	2022 $
Sources of investment income		
Investment income from endowment net assets	5,740	8,589
Investment income from unrestricted non-endowment assets	1,653	298
Realized gain on foreign currency	3,660	4,959
Realized gain on sales of investments in endowment net assets	3,637	5,793
Total investment income	14,690	19,639
Investment income reported as follows		
Amount credited directly to externally restricted endowments	4,056	6,102
Realized gain on foreign currency from internally restricted endowments	1,102	1,470
Realized gain on foreign currency from externally restricted endowments	2,558	3,489
Realized gain on sales on internally restricted endowments	1,095	1,717
Realized gain on sales on externally restricted endowments	2,542	4,076
Revenues in statement of operations	3,337	2,785
	14,690	19,639

(in thousands of dollars)

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.

	2023		2022	
	Net assets $	Statement of operations $	Net assets $	Statement of operations $
Unrealized gain (loss) on investments – marketable securities	1,713	723	(2,743)	(1,155)
Realized gain on foreign currency	2,558	1,102	3,489	1,470
Realized gain on sales of investments in endowment net assets	2,542	1,095	4,076	1,717
Fair value adjustment in investments	6,813	2,920	4,822	2,032

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.

	2023			2022
	Victoria College $	Emmanuel College $	Total $	Total $
Endowment balance – Beginning of year	12,838	547	13,385	12,716
Preservation of capital	234	10	244	669
Endowment balance – End of year	13,072	557	13,629	13,385
Expendable funds available for awards – Beginning of year	621	31	652	597
Investment income	530	22	552	542
Bursaries awarded	(531)	(20)	(551)	(487)
Expendable funds available for awards – End of year	620	33	653	652
Fair value	15,389	653	16,042	15,661

(in thousands of dollars)

During the year, Victoria College awarded 170 (2022 – 172) bursaries and Emmanuel College awarded 15 (2022 – 17) 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.

	2023			2022
	Victoria College $	Emmanuel College $	Total $	Total $
Endowment balance – Beginning of year	1,678	91	1,769	1,677
Preservation of capital	32	2	34	92
Endowment balance – End of year	1,710	93	1,803	1,769
Expendable funds available for awards – Beginning of year	67	8	75	43
Investment income	72	4	76	74
Bursaries awarded	(61)	(2)	(63)	(42)
Expendable funds available for awards – End of year	78	10	88	75
Fair value	2,089	115	2,204	2,152

During the year, Victoria College awarded 30 (2022 – 21) bursaries and Emmanuel College awarded 2 (2022 – 0) bursary under the OSOTF II.

c) Ontario Trust for Student Support (OTSS)

Externally restricted endowments also include funds established under the OTSS, 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.

(in thousands of dollars)

	2023			2022
	Victoria College $	Emmanuel College $	Total $	Total $
Endowment balance – Beginning of year	4,327	283	4,610	4,343
Preservation of capital	91	7	98	267
Endowment balance – End of year	4,418	290	4,708	4,610

Expendable funds available for awards – Beginning of year	176	47	223	147
Investment income	206	15	221	216
Bursaries awarded	(98)	(7)	(105)	(140)
Expendable funds available for awards – End of year	284	55	339	223
Fair value	5,972	429	6,401	6,248

During the year, Victoria College awarded 55 (2022 – 64) bursaries and Emmanuel College awarded 7 (2022 – 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, 2023, Victoria University owed the University of Toronto $8,309 (2022 – $8,706), which includes a $7,500 loan to support the ancillary business, student refunds, block grant adjustments, and other operational costs.

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, 2023, T.S.T. owed Victoria University $63 (2022 – $139).

(in thousands of dollars)

14 Contingencies and commitments

a) The University participates in a reciprocal exchange of insurance risks in association with 64 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.

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, 2022, CURIE had a surplus of $97,444 (2021 – $105,790), of which the University's pro rata share was approximately 0.443 % (2021 – 0.459%) 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, 2023, 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 has invested in two private equity funds. The University estimates its capital obligation under one of the commitments to be $10,000 USD. As at April 30, 2023 the University had funded $8,879 USD ($12,043 CAD) towards this commitment. On August 20, 2018 the University committed $7,500 USD to a second private equity fund. As of April 30, 2023 the University had funded $5,361USD ($7,271 CAD) towards this commitment.

On July 2, 2020 and July 31, 2020, the University invested with two infrastructure private equity managers with capital commitments of $19,500 USD and $8,500 USD, respectively. As at April 30, 2023, the University had funded $13,173 USD ($17,866 CAD) and $6,465 USD ($8,768 CAD), respectively.

On January 22, 2021 and April 1, 2021, the University invested with two private debt funds with capital commitments of $6,000 USD and $6,000 USD, respectively. As at April 30, 2023, the University had funded $4,776 USD ($6,477 CAD) and $4,800 USD ($6,510 CAD), respectively.

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 0.5%. As at April 30, 2023, $nil (2022 - $nil) was draw down on this credit facility.

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, 2023. The most recent

(in thousands of dollars)

actuarial valuation of the general pension plan for funding purposes was performed as at June 30, 2021 under the new funding rules and the next required valuation will be as at June 30, 2024. The accrued liability for employee future benefits other than the general pension plan is determined based on an actuarial valuation using accounting assumptions that are prepared at least every three years. The impact of the amendments to ASNPO 3463 are captured in the adjustment to opening remeasurement of benefit obligation line below line below. Information about the University's defined benefit plans is as follows:

	2023		2022	
	Pension and other retirement benefits $	Other benefits $	Pension and other retirement benefits $	Other benefits $
Changes in benefit obligation				
Benefit obligation – Beginning of year	82,556	10,523	77,637	9,319
Opening remeasurement of benefit obligation	162	1,543	-	-
Current service cost	3,306	721	3,225	488
Interest cost	4,966	581	4,996	617
Benefits paid	(3,823)	(293)	(4,142)	(191)
Past service cost	-	-	-	-
Actuarial loss (gain)	(291)	(272)	840	290
Benefit obligation – End of year	86,876	12,803	82,556	10,523
Changes in plan assets				
Fair value – Beginning of year	72,481	-	69,761	-
Actual return on plan assets	3,516	-	592	-
Administrative expense	(165)	-	(213)	-
Benefits paid	(3,823)	(293)	(4,142)	(191)
Contributions	3,925	293	6,483	191
Fair value – End of year	75,934	-	72,481	-
Accrued liability – End of year	10,942	12,803	10,075	10,523

An amount of $3,226 (2022 – $3,085) has been established in the internally restricted endowment of the University for a portion of the costs of other benefits.

(in thousands of dollars)

Pension plan assets consist of:

Asset category	2023 Fair value $	2023 Percentage of plan assets %	2022 Fair value $	2022 Percentage of plan assets %
Cash	1,729	2.28	1,281	1.77
Canadian mutual funds	19,179	25.26	19,744	27.24
Canadian bond funds	28,058	36.95	27,334	37.71
Global equity funds	26,943	35.48	24,098	33.25
Segregated funds	25	0.03	24	0.03
	75,934	100	72,481	100

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

	2023 Pension benefit plan %	2023 Other benefit plans %	2022 Pension benefit plan %	2022 Other benefit plans %
Discount rate	5.95	4.70	5.95	5.95
Rate of compensation increase	3.50	3.50	3.50	3.50
Provision for Adverse Deviation	8.90	-	8.90	8.90

For measurement purposes, a 5.70% annual rate of increase in the per capita cost of covered drug benefits was assumed for 2022. The rate was assumed to decrease gradually to 4.0% by 2041 and remain at that level thereafter. Covered extended health, hospital and dental care benefits were assumed to have a 5.70%, 4.0% and 4.0% rate of increase, respectively.

The University's net benefit plan expense for the year ended April 30, 2023 and a reconciliation of the change in the accrued benefit liability are as follows:

	2023 Pension and other retirement benefits $	2023 Other benefits $	2022 Pension and other retirement benefits $	2022 Other benefits $
Benefit plan expense				
Current service cost, net of employee contributions	2,050	721	2,061	489
Finance cost	821	581	719	616
Net benefit plan expense	2,871	1,302	2,780	1,105

(in thousands of dollars)

Accrued benefit liability				
Balance – Beginning of year	(10,075)	(10,523)	(7,876)	(9,319)
Opening remeasurement of benefit obligation	(162)	(1,543)	-	-
Plan expense for the year	(2,871)	(1,302)	(2,780)	(1,105)
Contributions by the University	2,668	293	5,319	191
Remeasurement and other items	(502)	272	(4,738)	(290)
Balance – End of year	(10,942)	(12,803)	(10,075)	(10,523)

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.

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.

(in thousands of dollars)

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, $15 (2022 – $868) is included within accounts receivables.

18 Bank overdraft

As at April 30, 2023, the University has an undrawn revolving line of credit of $4,000 (2022 – $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

	2023 $	2022 $
Accounts receivable	925	(910)
Inventories	17	(35)
Prepaid expenses	(170)	121
Deferred lease costs and other	14	22
Accounts payable and accrued liabilities	(864)	575
	(78)	(227)

20 Subsequent Event

On July 31, 2023, the University sold the Weyburn property for $6,422, which reflects the net proceeds after legal fees and commission expense.