Victoria University

Financial Statements
April 30, 2019

Victoria University

Financial Statements

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, 2019 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, 2019;
- 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 a summary of significant accounting policies.

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.

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.

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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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
October 4, 2019

Victoria University

Statement of Financial Position

As at April 30, 2019

Statement 1

(in thousands of dollars)

	2019 $	2018 $
Assets		
Current assets		
Cash and cash equivalents	33,232	25,037
Accounts receivable (note 14(c))	954	23,490
Inventories	109	105
Prepaid expenses	185	271
	34,480	48,903
Deferred lease costs and other (note 14(c))	869	1,115
Investments in marketable securities (note 3(a))	209,335	183,086
Investments in revenue-producing properties (note 3(b))	304,761	303,935
Endowment assets held by outside trustees	38	38
Property and equipment (note 4)	60,602	61,456
	610,085	598,533

Approved by the Board of Regents , October 3, 2019

________________ President ________________ Chair of Audit Committee

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

(in thousands of dollars)

	2019 $	2018 $
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	3,923	8,149
Current portion of long-term debt (note 6)	678	1,065
	4,601	9,214
Accrued pension benefit liability (note 15)	2,074	1,632
Other post-employment benefits (note 15)	9,099	8,463
Deferred contributions for restricted purposes (note 8)	5,157	4,627
Deferred revenue	335	489
Deferred capital contributions (note 9)	14,787	15,687
Long-term debt (note 6)	8,832	9,509
	44,885	49,621
Net Assets		
Endowments (note 5)		
Externally restricted	142,058	134,425
Internally restricted	364,721	342,770
	506,779	477,195
Unrestricted	22,116	36,523
Investment in property and equipment (note 10)	36,305	35,194
	565,200	548,912
	610,085	598,533

Contingencies and commitments (note 14)

Victoria University

Statement of Operations

Statement 2

For the year ended April 30, 2019

(in thousands of dollars)

	2019 $	2018 $
Revenues		
Student fees	12,019	11,717
Grants from the University of Toronto	5,728	5,696
Grants from the Toronto School of Theology	313	427
United Church grant	200	200
Government grants and other grants	103	39
Donations (note 7)	1,614	764
Investment income (note 11)	1,495	699
Sales, services and sundry	5,833	5,396
Amortization of deferred capital contributions (note 9)	968	973
Real estate	15,848	9,082
Real estate settlement (note 14(c))	-	54,291
	44,121	89,284
Expenses		
Salaries	18,842	18,041
Pension and OPEB expense	2,974	2,970
Other benefits	2,505	2,269
Supplies and other	4,766	4,746
Repairs and maintenance	1,444	1,057
Utilities	2,108	2,099
Amortization of property and equipment and revenue-producing properties	4,861	4,714
Scholarships and bursaries	2,796	2,735
Cost of sales and services	2,198	1,948
Interest (note 6)	332	371
	42,826	40,950
Excess of revenues over expenses before fair value adjustment in investments	1,295	48,334
Fair value adjustment in investments (note 11)	2,593	1,183
Excess of revenues over expenses for the year	3,888	49,517

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

Victoria University

Statement of Changes in Net Assets

Statement 3

For the year ended April 30, 2019

(in thousands of dollars)

	Externally restricted endowments $	Internally restricted endowments $	Unrestricted $	Investment in property and equipment $	Total $
Balance – April 30, 2017	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)	-	-
Balance – April 30, 2018	134,425	342,770	36,523	35,194	548,912
Excess (deficiency) of revenues over expenses for the year	-	(699)	7,781	(3,194)	3,888
Remeasurement – pension and OPEB (note 15)			(268)		(268)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions		1,525	(5,830)	4,305	-
Gifts of endowment principal	1,911				1,911
Investment income (note 11)	1,696				1,696
Income draw from endowment	(5,060)	(1,460)	6,520		-
Fair value adjustment on investments – marketable securities	9,061				9,061
Transfer to (from) endowments (note 5)	25	22,585	(22,610)		-
Balance – April 30, 2019	142,058	364,721	22,116	36,305	565,200

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

Victoria University

Statement of Cash Flows — Statement 4

For the year ended April 30, 2019

(in thousands of dollars)

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	3,888	49,517
Adjustments for non-cash and non-operating items		
Investment income (note 11)	(9,339)	(5,254)
Amortization of property and equipment and revenue-producing properties	4,861	4,714
Amortization of deferred capital contributions	(968)	(973)
Unrealized (gain) loss on investments – marketable securities (note 11)	(500)	7
Pension and OPEB expense (note 15)	2,974	2,970
Decrease in deferred revenue and deferred contributions for restricted purposes	376	266
	1,292	51,247
Real estate settlement (note 14(c))	-	(35,467)
Pension and post-employment contributions (note 15)	(2,164)	(2,489)
Net change in non-cash working capital balances (note 19)	18,638	(13,253)
	17,766	38
Financing activities		
Endowment contributions	3,607	3,488
Repayment of long-term debt	(1,064)	(1,446)
Capital contributions	68	137
	2,611	2,179
Investing activities		
Net purchases of marketable securities	(14,594)	7,896
Purchase of property and equipment	(4,834)	(3,160)
Realized gain on sale credited directly to net assets	7,246	4,064
	(12,182)	8,800
Increase in cash and cash equivalents during the year	8,195	11,017
Cash and cash equivalents – Beginning of year	25,037	14,020
Cash and cash equivalents – End of year	33,232	25,037

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.

(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.

(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 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.

(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 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.

(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:

	2019			2018		
	Cost $	Fair value $	Unrealized gain $	Cost $	Fair value $	Unrealized gain $
Cash and foreign currency	9,787	9,810	23	2,464	2,443	(21)
Canadian fixed income pooled funds	36,712	36,720	8	31,612	31,279	(333)
Canadian equity pooled funds	20,679	24,113	3,434	19,619	22,394	2,775
International equity pooled funds	85,930	138,592	52,662	73,520	125,220	51,700
Private equity	7,070	7,296	226	1,473	1,474	1
Eccles trust	415	486	71	418	448	30
Global Iman Fund	409	453	44			-
Payables	(8,135)	(8,135)	-	(172)	(172)	-
	152,867	209,335	56,468	128,934	183,086	54,152

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:

	2019			2018		
	Cost $	Accumulated amortization $	Net $	Cost $	Accumulated amortization $	Net $
Land	294,076	-	294,076	294,076	-	294,076
Buildings	26,092	15,407	10,685	24,567	14,708	9,859
Mineral rights	1,915	1,915	-	1,915	1,915	-
	322,083	17,322	304,761	320,558	16,623	303,935

(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 2019, 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 $463,700 on these holdings as at April 30, 2019. In 2019, 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 as at April 30, 2019. Management intends to update this valuation on a three-year basis.

4 Property and equipment

	2019			2018		
	Cost $	Accumulated amortization $	Net $	Cost $	Accumulated amortization $	Net $
Buildings	115,634	65,516	50,118	113,290	62,028	51,262
Equipment and furnishings	5,432	4,411	1,021	5,026	4,206	820
Library books	16,714	7,251	9,463	16,155	6,781	9,374
	137,780	77,178	60,602	134,471	73,015	61,456

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 $22,585 (2018 – $1,583) was transferred to internally restricted endowments. $25 (2018 – $124) was transferred to externally restricted endowments.

(in thousands of dollars)

	2019 $	2018 $
Externally restricted	142,058	134,425
Internally restricted	364,721	342,770
	506,779	477,195
Marketable securities	209,334	183,086
Revenue-producing properties	304,761	303,935
Assets held by outside trustees	38	38
Net accounts payable	(7,354)	(9,864)
	506,779	477,195

6 Long-term debt

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

	2019 $	2018 $
Rowell-Jackman Hall loan A #6121-660 (a)	-	195
Rowell-Jackman Hall loan B #6121-038 (b)	-	213
GSC loan A#6973-943 (c)	4,633	5,078
GSC loan B#6973-994 (d)	4,877	5,088
	9,510	10,574
Less: Current portion	678	1,065
Long-term portion	8,832	9,509

a) The Rowell-Jackman Hall loan A is payable in monthly instalments of $nil (2018 – $22), including interest of 3.13% (2018 – 3.13%) per annum. This loan matured on January 31, 2019 and was paid in full.

b) The Rowell-Jackman Hall loan B is payable in monthly instalments of $nil (2018 – $42), including interest of 2.32% (2018 – 2.32%) per annum. This loan matured on September 30, 2018 and was paid in full.

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, $256 of deferred contributions utilized was recorded as a decrease in deferred contributions for restricted purposes (note 8).

(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:

	$
2020	678
2021	701
2022	725
2023	749
2024	774
Thereafter	5,883
	9,510

7 Donations

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

	2019 $	2018 $
Endowment	1,911	2,192
Amortization of deferred capital contributions	968	973
Unrestricted for operations	1,614	764
	4,493	3,929

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.

	2019 $	2018 $
Balance – Beginning of year	4,627	4,326
Grants and donations	1,471	1,333
Contributions utilized – GSC loan A (note 6(c))	(256)	(257)
Contributions utilized – other	(685)	(775)
Balance – End of year	5,157	4,627

(in thousands of dollars)

The deferred contributions will be spent as follows:

	2019 $	2018 $
Specific campaigns	2,852	2,471
Other restricted purposes	1,078	956
Research	775	728
Library – collections, development and maintenance	383	406
Conferences/lectures	52	58
Scholarships	17	8
	5,157	4,627

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.

	2019 $	2018 $
Deferred capital contributions used to purchase property and equipment		
Balance – Beginning of year	15,687	16,523
Capital contributions	68	137
Spending of capital contributions on GSC project		-
Less: Amortization of deferred capital contributions	(968)	(973)
Balance – End of year	14,787	15,687

Deferred capital contributions have been allocated to the following projects:

	2019 $	2018 $
GSC project	5,446	5,627
Residences	608	681
Bader Theatre	3,277	3,468
Library of the Future	2,115	2,417
Library books	2,942	2,974
Campus Renewal Program	295	393
Other	104	127
	14,787	15,687

(in thousands of dollars)

10 Investment in property and equipment

	2019 $	2018 $
Property and equipment	60,602	61,455
Less		
Long-term debt used to purchase property and equipment	(9,510)	(10,574)
Deferred capital contributions used to purchase property and equipment	(14,787)	(15,687)
	36,305	35,194

11 Investment income

	2019 $	2018 $
Sources of investment income		
Investment income from endowment net assets	2,163	1,656
Investment income from unrestricted non-endowment assets	1,028	339
Realized gain on foreign currency	860	1
Realized gain on sales of investments in endowment net assets	8,479	5,253
Total investment income	12,530	7,249
Investment income reported as follows		
Amount credited directly to externally restricted endowments	1,696	1,296
Realized gain on foreign currency from internally restricted endowments	193	-
Realized gain on foreign currency from externally restricted endowments	667	1
Realized gain on sales on internally restricted endowments	1,900	1,190
Realized gain on sales on externally restricted endowments	6,579	4,063
Revenues in statement of operations	1,495	699
	12,530	7,249

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.

(in thousands of dollars)

	2019		2018	
	Net assets $	Statement of operations $	Net assets $	Statement of operations $
Unrealized gain (loss) on investments – marketable securities	1,815	500	(70)	(7)
Realized gain on foreign currency	667	193	1	-
Realized gain on sales of investments in endowment net assets	6,579	1,900	4,063	1,190
Fair value adjustment in investments	9,061	2,593	3,994	1,183

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.

			2019	2018
	Victoria College $	Emmanuel College $	Total $	Total $
Endowment balance – Beginning of year	10,960	467	11,427	11,359
Preservation of capital	378	16	394	68
Endowment balance – End of year	11,338	483	11,821	11,427
Expendable funds available for awards – Beginning of year	264	50	314	217
Investment income	490	21	511	496
Bursaries awarded	(369)	(25)	(394)	(400)
Transfer from operating	-		-	1
Expendable funds available for awards – End of year	385	46	431	314
Fair value	13,801	585	14,386	13,898

During the year, Victoria College awarded 167 (2018 – 179) bursaries and Emmanuel College awarded 19 (2018 – 16) bursaries under the OSOTF.

(in thousands of dollars)

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.

	2019			2018
	Victoria College $	Emmanuel College $	Total $	Total $
Endowment balance – Beginning of year	1,424	77	1,501	1,491
Preservation of capital	51	3	54	10
Endowment balance – End of year	1,475	80	1,555	1,501
Expendable funds available for awards – Beginning of year	25	13	38	37
Investment income	67	4	71	69
Bursaries awarded	(69)	(1)	(70)	(68)
Expendable funds available for awards – End of year	23	16	39	38
Fair value	1,873	103	1,976	1,909

During the year, Victoria College awarded 51 (2018 – 44) bursaries and Emmanuel College awarded 1 (2018 – 1) bursary under the OSOTF II.

c) Ontario Trust for Student Support (OTSS)

	2019			2018
	Victoria College $	Emmanuel College $	Total $	Total $
Endowment balance – Beginning of year	3,598	231	3,829	3,802
Preservation of capital	147	10	157	27
Endowment balance – End of year	3,745	241	3,986	3,829
Expendable funds available for awards – Beginning of year	43	29	72	78
Investment income	190	14	204	200
Bursaries awarded	(207)	(9)	(216)	(206)

(in thousands of dollars)

	2019			2018
	Victoria College $	Emmanuel College $	Total $	Total $
Expendable funds available for awards – End of year	26	34	60	72
Fair value	5,353	385	5,738	**5,544**

During the year, Victoria College awarded 106 (2018 – 112) bursaries and Emmanuel College awarded 11 (2018 – 4) 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, 2019, Victoria University owed the University of Toronto $209 (2018 – $171).

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, 2019, T.S.T. owed Victoria University $54 (2018 – $38).

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.

(in thousands of dollars)

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, 2018, CURIE had a surplus of $79,338 (2018 – $81,232), of which the University's pro rata share was approximately 0.46% (2018 – 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, 2019, 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.

Deferred lease costs and other in the amount of $869 (2018 – $1,115) includes straight-line receivable in the amount of $473 (2018 – $713).

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, 2019, $nil was drawn on this credit facility.

e) 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, 2019 the University had funded $3,922 USD ($5,082 CAD) towards this commitment. On August 20, 2018 the University committed $7,500 USD to a second private equity fund. As of April 30, 2019 the University had funded $1,502 USD ($1,988 CAD) towards this commitment.

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.

(in thousands of dollars)

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, 2019. The most recent actuarial valuation of the pension plan for funding purposes was performed as at June 30, 2018 under the new funding rules and the next required valuation will be as at June 30, 2021. Information about the University's defined benefit plans is as follows:

	2019		2018	
	Pension and other retirement benefits $	**Other benefits $**	**Pension and other retirement benefits $**	**Other benefits $**
Changes in benefit obligation				
Benefit obligation – Beginning of year	65,327	8,463	65,780	9,575
Current service cost	2,783	349	2,847	360
Interest cost	3,827	501	3,972	590
Benefits paid	(2,717)	(212)	(4,280)	(202)
Actuarial loss (gain)	2,446	(2)	(2,992)	(1,860)
Benefit obligation – End of year	71,666	9,099	65,327	8,463
Changes in plan assets				
Fair value – Beginning of year	63,695		63,639	-
Actual return on plan assets	5,829		1,022	-
Administrative expense	(256)		-	
Benefits paid	(2,717)	(212)	(4,280)	(202)
Contributions	3,041	212	3,314	202
Fair value – End of year	69,592	-	63,695	-
Accrued liability – End of year	2,074	9,099	1,632	8,463

An amount of $2,708 (2018 – $2,596) 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:

	2019		2018	
Asset category	**Fair value $**	**Percentage of plan assets %**	**Fair value $**	**Percentage of plan assets %**
Cash	1,587	2.3	833	1.3
Canadian mutual funds	21,767	31.3	19,270	30.3
Canadian bond funds	19,523	28.0	17,469	27.4
Global equity funds	26,518	38.1	25,933	40.7
Segregated funds	197	0.3	190	0.3
	69,592	100	63,695	100

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

	2019		2018	
	Pension benefit plan %	**Other benefit plans %**	**Pension benefit plan %**	**Other benefit plans %**
Discount rate	6.35	6.35	5.75	5.75
Rate of compensation increase	3.50	3.50	3.5	3.5
Provision for Adverse Deviation	10.65	10.65		

For measurement purposes, an 7.8% 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 7.8%, 4.5% and 4.5% rate of increase, respectively.

The University's net benefit plan expense for the year ended April 30, 2019 and a reconciliation of the change in the accrued benefit liability are as follows:

	2019		2018	
	Pension and other retirement benefits $	**Other benefits $**	**Pension and other retirement benefits $**	**Other benefits $**
Benefit plan expense				
Current service cost, net of employee contributions	1,694	349	1,820	360
Finance cost	430	501	200	590
Net benefit plan expense	2,124	850	2,020	950

(in thousands of dollars)

	2019		2018	
	Pension and other retirement benefits $	**Other benefits $**	**Pension and other retirement benefits $**	**Other benefits $**
Accrued benefit liability				
Balance – Beginning of year	(1,632)	(8,463)	(2,141)	(9,575)
Plan expense for the year	(2,124)	(850)	(2,020)	(950)
Contributions by the University	1,952	212	2,287	202
Remeasurement and other items	(270)	2	242	1,860
Balance – End of year	(2,074)	(9,099)	(1,632)	(8,463)

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.

(in thousands of dollars)

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, $82 (2018 – $1,919) is included within accounts payable and accrued liabilities.

18 Bank overdraft

As at April 30, 2019, the University has an undrawn revolving line of credit of $4,000 (2018 – $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

	2019 $	2018 $
Accounts receivable	22,536	(22,789)
Inventories	(4)	15
Prepaid expenses	86	(8)
Deferred lease costs and other	246	5,044
Accounts payable and accrued liabilities	(4,226)	4,460
Assets held by outside trustees	-	25
	18,638	(13,253)