

Victoria University

Financial Statements
April 30, 2020

Victoria University

Financial Statements

Table of Contents

Title	Page Number
Independent Auditor's Report	1
Statement of Financial Position – Statement 1	4
Statement of Operations – Statement 2	6
Statement of Changes in Net Assets – Statement 3	7
Statement of Cash Flows – Statement 4	8
Notes to Financial Statements	9 – 27



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, 2020 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, 2020;
- 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.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 2, 2020



Victoria University
Statement of Financial Position
As at April 30, 2020

Statement 1

(in thousands of dollars)

	2020	2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	35,918	33,232
Accounts receivable	941	954
Inventories	144	109
Prepaid expenses	279	185
	<hr/>	<hr/>
	37,282	34,480
Deferred lease costs and other (note 14(c))	603	869
Investments in marketable securities (note 3(a))	196,058	209,335
Investments in revenue-producing properties (note 3(b))	304,461	304,761
Endowment assets held by outside trustees	38	38
Property and equipment (note 4)	60,578	60,602
	<hr/>	<hr/>
	599,020	610,085
	<hr/>	<hr/>

Approved by the Board of Regents

 President  Chair of Audit Committee

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

Victoria University
Statement of Financial Position ...*continued*
As at April 30, 2020

(in thousands of dollars)

	2020 \$	2019 \$
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	5,672	3,923
Current portion of long-term debt (note 6)	701	678
	<hr/> 6,373	<hr/> 4,601
Accrued pension benefit liability (note 15)	9,865	2,074
Other post-employment benefits (note 15)	9,709	9,099
Deferred contributions for restricted purposes (note 8)	5,810	5,157
Deferred revenue	400	335
Deferred capital contributions (note 9)	13,975	14,787
Long-term debt (note 6)	8,131	8,832
	<hr/> 54,263	<hr/> 44,885
Net Assets		
Endowments (note 5)		
Externally restricted	129,725	142,058
Internally restricted	359,033	364,721
	<hr/> 488,758	<hr/> 506,779
Unrestricted	18,228	22,116
Investment in property and equipment (note 10)	37,771	36,305
	<hr/> 544,757	<hr/> 565,200
	<hr/> 599,020	<hr/> 610,085
Contingencies and commitments (note 14)		

Victoria University
Statement of Operations
For the year ended April 30, 2020

Statement 2

(in thousands of dollars)

	2020	2019
	\$	\$
Revenues		
Student fees	10,917	12,019
Grants from the University of Toronto	6,224	5,728
Grants from the Toronto School of Theology	453	313
United Church grant	200	200
Government grants and other grants	136	103
Donations (note 7)	1,478	1,614
Investment income (note 11)	2,183	1,495
Sales, services and sundry	4,444	5,833
Amortization of deferred capital contributions (note 9)	967	968
Real estate	15,949	15,848
	<hr/> 42,951	<hr/> 44,121
Expenses		
Salaries	19,596	18,842
Pension and OPEB expense (note 15)	3,188	2,974
Other benefits	2,581	2,505
Supplies and other	5,022	4,766
Repairs and maintenance	1,114	1,444
Utilities	1,880	2,108
Amortization of property and equipment and revenue-producing properties (notes 3(b) and 4)	4,989	4,861
Scholarships and bursaries	2,756	2,796
Cost of sales and services	1,812	2,198
Interest (note 6)	306	332
	<hr/> 43,244	<hr/> 42,826
Excess (deficiency) of revenues over expenses before fair value adjustment in investments	(293)	1,295
Fair value adjustment in investments (note 11)	<hr/> (5,238)	<hr/> 2,593
Excess (deficiency) of revenues over expenses for the year	<hr/> (5,531)	<hr/> 3,888

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, 2020

Statement 3

(in thousands of dollars)

	Externally restricted endowments \$	Internally restricted endowments \$	Unrestricted \$	Investment in property and equipment \$	Total \$
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
Excess (deficiency) of revenues over expenses for the year	-	(720)	(1,541)	(3,270)	(5,531)
Remeasurement – pension and OPEB (note 15)	-	-	(7,289)	-	(7,289)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	419	(5,155)	4,736	-
Gifts of endowment principal	1,766	-	-	-	1,766
Investment income (note 11)	3,048	-	-	-	3,048
Income draw from endowment	(4,733)	(1,998)	6,731	-	-
Fair value adjustment on investments – marketable securities	(12,437)	-	-	-	(12,437)
Transfer to (from) endowments (note 5)	23	(3,389)	3,366	-	-
Balance – April 30, 2020	129,725	359,033	18,228	37,771	544,757

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

Victoria University
Statement of Cash Flows
For the year ended April 30, 2020

Statement 4

(in thousands of dollars)

	2020	2019
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	(5,531)	3,888
Adjustments for non-cash and non-operating items		
Investment income (note 11)	(17,588)	(9,339)
Amortization of property and equipment and revenue-producing properties	4,989	4,861
Amortization of deferred capital contributions	(967)	(968)
Unrealized loss (gain) on investments – marketable securities (note 11)	10,457	(500)
Pension and OPEB expense (note 15)	3,188	2,974
Decrease in deferred revenue and deferred contributions for restricted purposes	718	376
	<hr/>	<hr/>
	(4,734)	1,292
Pension and post-employment contributions (note 15)	(2,076)	(2,164)
Net change in non-cash working capital balances (note 19)	1,899	18,638
	<hr/>	<hr/>
	(4,911)	17,766
Financing activities		
Endowment contributions	4,814	3,607
Repayment of long-term debt	(678)	(1,064)
Capital contributions	155	68
	<hr/>	<hr/>
	4,291	2,611
Investing activities		
Net purchases of marketable securities	(4,397)	(14,594)
Purchase of property and equipment	(4,665)	(4,834)
Realized gain on sale credited directly to net assets	12,368	7,246
	<hr/>	<hr/>
	3,306	(12,182)
Increase in cash and cash equivalents during the year	<hr/>	<hr/>
	2,686	8,195
Cash and cash equivalents – Beginning of year	<hr/>	<hr/>
	33,232	25,037
Cash and cash equivalents – End of year	<hr/>	<hr/>
	35,918	33,232

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

Victoria University

Notes to Financial Statements

April 30, 2020

(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.

Victoria University

Notes to Financial Statements

April 30, 2020

(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 changes in 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.

Victoria University

Notes to Financial Statements

April 30, 2020

(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.

Victoria University
Notes to Financial Statements
April 30, 2020

(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:

	2020			2019		
	Cost \$	Fair value \$	Unrealized gain \$	Cost \$	Fair value \$	Unrealized gain \$
Cash and foreign currency	10,707	10,770	63	9,787	9,810	23
Canadian fixed income pooled funds	38,969	38,292	(677)	36,712	36,720	8
Canadian equity pooled funds	12,953	10,092	(2,861)	20,679	24,113	3,434
International equity pooled funds	100,865	124,910	24,045	85,930	138,592	52,662
Private equity	10,459	11,009	550	7,070	7,296	226
Eccles trust	425	429	4	415	486	71
Global Iman Fund	620	702	82	409	453	44
Payables	(146)	(146)	-	(8,135)	(8,135)	-
	174,852	196,058	21,206	152,867	209,335	56,468

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:

	2020			2019		
	Cost \$	Accumulated amortization \$	Net \$	Cost \$	Accumulated amortization \$	Net \$
Land	294,076	-	294,076	294,076	-	294,076
Buildings	26,512	16,127	10,385	26,092	15,407	10,685
Mineral rights	1,915	1,915	-	1,915	1,915	-
	322,503	18,042	304,461	322,083	17,322	304,761

Victoria University

Notes to Financial Statements

April 30, 2020

(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

	2020			2019		
	Cost \$	Accumulated amortization \$	Net \$	Cost \$	Accumulated amortization \$	Net \$
Buildings	118,187	69,026	49,161	115,634	65,516	50,118
Equipment and furnishings	6,565	4,665	1,900	5,432	4,411	1,021
Library books	17,241	7,724	9,517	16,714	7,251	9,463
	<u>141,993</u>	<u>81,415</u>	<u>60,578</u>	<u>137,780</u>	<u>77,178</u>	<u>60,602</u>

5 Endowments

Net assets restricted for endowments consist of externally restricted donations received by the University and internally restricted amounts transferred by the Board of Regents in the exercise of its discretion. The Board of Regents has the right in future to remove such internal restrictions it has imposed. The investment income generated from endowments is used in accordance with the various purposes established by the donors or the Board of Regents. During the year, an amount of \$(3,389) (2019 – \$22,585) was transferred (from) to internally restricted endowments. \$23 (2019 – \$25) was transferred to externally restricted endowments.

Victoria University
Notes to Financial Statements
April 30, 2020

(in thousands of dollars)

	2020	2019
	\$	\$
Externally restricted	129,725	142,058
Internally restricted	359,033	364,721
	<u>488,758</u>	<u>506,779</u>
Marketable securities	196,058	209,334
Revenue-producing properties	304,461	304,761
Assets held by outside trustees	38	38
Net accounts payable	(11,799)	(7,354)
	<u>488,758</u>	<u>506,779</u>

6 Long-term debt

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

	2020	2019
	\$	\$
GSC loan A#6973-943 (a)	4,174	4,633
GSC loan B#6973-994 (b)	4,658	4,877
	<u>8,832</u>	<u>9,510</u>
Less: Current portion	701	678
Long-term portion	<u>8,131</u>	<u>8,832</u>

- 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 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, \$259 of deferred contributions utilized was recorded as a decrease in deferred contributions for restricted purposes (note 8).

Victoria University

Notes to Financial Statements

April 30, 2020

(in thousands of dollars)

- 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.

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

	\$
2021	701
2022	725
2023	749
2024	774
2025	801
Thereafter	<u>5,082</u>
	<u>8,832</u>

7 Donations

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

	2020 \$	2019 \$
Endowment	1,766	1,911
Amortization of deferred capital contributions	967	968
Unrestricted for operations	<u>1,478</u>	<u>1,614</u>
	<u>4,211</u>	<u>4,493</u>

8 Deferred contributions for restricted purposes

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

	2020 \$	2019 \$
Balance – Beginning of year	5,157	4,627
Grants and donations	1,609	1,471
Contributions utilized – GSC loan A (note 6(a))	(259)	(256)
Contributions utilized – other	<u>(697)</u>	<u>(685)</u>
Balance – End of year	<u>5,810</u>	<u>5,157</u>

Victoria University
Notes to Financial Statements
April 30, 2020

(in thousands of dollars)

The deferred contributions will be spent as follows:

	2020	2019
	\$	\$
Specific campaigns	3,250	2,852
Other restricted purposes	1,302	1,078
Research	787	775
Library – collections, development and maintenance	384	383
Conferences/lectures	77	52
Scholarships	10	17
	<hr/>	<hr/>
	5,810	5,157
	<hr/>	<hr/>

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.

	2020	2019
	\$	\$
Deferred capital contributions used to purchase property and equipment		
Balance – Beginning of year	14,787	15,687
Capital contributions	155	68
Spending of capital contributions on GSC project	-	-
Less: Amortization of deferred capital contributions	(967)	(968)
	<hr/>	<hr/>
Balance – End of year	13,975	14,787
	<hr/>	<hr/>

Deferred capital contributions have been allocated to the following projects:

	2020	2019
	\$	\$
GSC project	5,260	5,446
Residences	535	608
Bader Theatre	3,085	3,277
Library of the Future	1,813	2,115
Library books	2,938	2,942
Campus Renewal Program	197	295
Other	147	104
	<hr/>	<hr/>
	13,975	14,787
	<hr/>	<hr/>

Victoria University
Notes to Financial Statements
April 30, 2020

(in thousands of dollars)

10 Investment in property and equipment

	2020	2019
	\$	\$
Property and equipment	60,578	60,602
Less		
Long-term debt used to purchase property and equipment	(8,832)	(9,510)
Deferred capital contributions used to purchase property and equipment	(13,975)	(14,787)
	<u>37,771</u>	<u>36,305</u>

11 Investment income

	2020	2019
	\$	\$
Sources of investment income		
Investment income from endowment net assets	4,300	2,163
Investment income from unrestricted non-endowment assets	931	1,028
Realized gain on foreign currency	7,077	860
Realized gain on sales of investments in endowment net assets	10,511	8,479
	<u>22,819</u>	<u>12,530</u>
Investment income reported as follows		
Amount credited directly to externally restricted endowments	3,048	1,696
Realized gain on foreign currency from internally restricted endowments	2,100	193
Realized gain on foreign currency from externally restricted endowments	4,977	667
Realized gain on sales on internally restricted endowments	3,120	1,900
Realized gain on sales on externally restricted endowments	7,391	6,579
Revenues in statement of operations	2,183	1,495
	<u>22,819</u>	<u>12,530</u>

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

Victoria University

Notes to Financial Statements

April 30, 2020

(in thousands of dollars)

	2020		2019	
	Net assets \$	Statement of operations \$	Net assets \$	Statement of operations \$
Unrealized gain (loss) on investments – marketable securities	(24,805)	(10,457)	1,815	500
Realized gain on foreign currency	4,977	2,100	667	193
Realized gain on sales of investments in endowment net assets	7,391	3,119	6,579	1,900
Fair value adjustment in investments	(12,437)	(5,238)	9,061	2,593

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.

	2020		2019	
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Endowment balance – Beginning of year	11,338	483	11,821	11,427
Preservation of capital	943	40	983	394
Endowment balance – End of year	12,281	523	12,804	11,821
Expendable funds available for awards – Beginning of year	385	46	431	314
Investment income	501	21	522	511
Bursaries awarded	(419)	(37)	(456)	(394)
Expendable funds available for awards – End of year	467	30	497	431
Fair value	12,403	526	12,929	14,386

During the year, Victoria College awarded 189 (2019 – 167) bursaries and Emmanuel College awarded 17 (2019 – 19) bursaries under the OSOTF.

Victoria University

Notes to Financial Statements

April 30, 2020

(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.

			2020	2019
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Endowment balance – Beginning of year	1,475	80	1,555	1,501
Preservation of capital	128	7	135	54
Endowment balance – End of year	1,603	87	1,690	1,555
Expendable funds available for awards – Beginning of year	23	16	39	38
Investment income	68	4	72	71
Bursaries awarded	(73)	(9)	(82)	(70)
Expendable funds available for awards – End of year	18	11	29	39
Fair value	1,683	92	1,775	1,976

During the year, Victoria College awarded 40 (2019 – 51) bursaries and Emmanuel College awarded 3 (2019 – 1) bursaris under the OSOTF II.

c) Ontario Trust for Student Support (OTSS)

			2020	2019
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Endowment balance – Beginning of year	3,745	241	3,986	3,829
Preservation of capital	366	26	392	157
Endowment balance – End of year	4,111	267	4,378	3,986
Expendable funds available for awards – Beginning of year	26	34	60	72
Investment income	194	14	208	204
Bursaries awarded	(205)	(10)	(215)	(216)
Expendable funds available for awards – End of year	15	38	53	60
Fair value	4,813	346	5,159	5,738

Victoria University

Notes to Financial Statements

April 30, 2020

(in thousands of dollars)

During the year, Victoria College awarded 96 (2019 – 106) bursaries and Emmanuel College awarded 10 (2019 – 11) 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, 2020, Victoria University owed the University of Toronto \$2,441 (2019 – \$209).

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, 2020, T.S.T. owed Victoria University \$143 (2019 – \$54).

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.

Victoria University

Notes to Financial Statements

April 30, 2020

(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, 2019, CURIE had a surplus of \$90,185 (2019 – \$79,338), of which the University's pro rata share was approximately 0.457 % (2019 – 0.46%) 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, 2020, 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) As at April 30, 2020, straight-line rents receivable of \$232,500 are included in deferred lease costs and other (2019 – \$472,500).
- 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, 2020, \$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, 2020, the University had funded \$4,783 USD (\$6,219 CAD) towards this commitment. On August 20, 2018, the University committed \$7,500 USD to a second private equity fund. As of April 30, 2020, the University had funded \$3,143 USD (\$4,239 CAD) towards this commitment.

Subsequent to year-end 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.

- 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 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.

Victoria University

Notes to Financial Statements

April 30, 2020

(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, 2020. 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:

	2020		2019	
	Pension and other retirement benefits	Other benefits	Pension and other retirement benefits	Other benefits
	\$	\$	\$	\$
Changes in benefit obligation				
Benefit obligation – Beginning of year	71,666	9,099	65,327	8,463
Current service cost	2,852	351	2,783	349
Interest cost	4,593	591	3,827	501
Benefits paid	(3,995)	(287)	(2,717)	(212)
Past service cost	188	-	-	-
Actuarial loss (gain)	(1,413)	(45)	2,446	(2)
Benefit obligation – End of year	73,891	9,709	71,666	9,099
Changes in plan assets				
Fair value – Beginning of year	69,592	-	63,695	-
Actual return on plan assets	(4,196)	-	5,829	-
Administrative expense	(299)	-	(256)	-
Benefits paid	(3,995)	(287)	(2,717)	(212)
Contributions	2,924	287	3,041	212
Fair value – End of year	64,026	-	69,592	-
Accrued liability – End of year	9,865	9,709	2,074	9,099

An amount of \$2,827 (2019 – \$2,708) has been established in the internally restricted endowment of the University for a portion of the costs of other benefits.

Victoria University
Notes to Financial Statements
April 30, 2020

(in thousands of dollars)

Pension plan assets consist of:

Asset category	2020		2019	
	Fair value \$	Percentage of plan assets %	Fair value \$	Percentage of plan assets %
Cash	7,834	12.2	1,587	2.3
Canadian mutual funds	7,290	11.4	21,767	31.3
Canadian bond funds	28,282	44.2	19,523	28.0
Global equity funds	20,420	31.9	26,518	38.1
Segregated funds	200	0.3	197	0.3
	<u>64,026</u>	<u>100.0</u>	<u>69,592</u>	<u>100.0</u>

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

	2020		2019	
	Pension benefit plan %	Other benefit plans %	Pension benefit plan %	Other benefit plans %
Discount rate	6.35	6.35	6.35	6.35
Rate of compensation increase	3.50	3.50	3.50	3.50
Provision for Adverse Deviation	10.65	10.65	10.65	10.65

For measurement purposes, a 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, 2020 and a reconciliation of the change in the accrued benefit liability are as follows:

	2020		2019	
	Pension and other retirement benefits \$	Other benefits \$	Pension and other retirement benefits \$	Other benefits \$
Benefit plan expense				
Current service cost, net of employee contributions	1,717	351	1,694	349
Finance cost	529	591	430	501
	<u>2,246</u>	<u>942</u>	<u>2,124</u>	<u>850</u>

Victoria University
Notes to Financial Statements
April 30, 2020

(in thousands of dollars)

	2020		2019	
	Pension and other retirement benefits \$	Other benefits \$	Pension and other retirement benefits \$	Other benefits \$
Accrued benefit liability				
Balance – Beginning of year	(2,074)	(9,099)	(1,632)	(8,463)
Plan expense for the year	(2,246)	(942)	(2,124)	(850)
Contributions by the University	1,789	287	1,952	212
Remeasurement and other items	(7,334)	45	(270)	2
Balance – End of year	(9,865)	(9,709)	(2,074)	(9,099)

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.

Victoria University

Notes to Financial Statements

April 30, 2020

(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, \$83 (2019 – \$82) is included within accounts payable and accrued liabilities.

18 Bank overdraft

As at April 30, 2020, the University has an undrawn revolving line of credit of \$4,000 (2019 – \$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

	2020 \$	2019 \$
Accounts receivable	13	22,536
Inventories	(35)	(4)
Prepaid expenses	(94)	86
Deferred lease costs and other	266	246
Accounts payable and accrued liabilities	1,749	(4,226)
	<hr/> 1,899	<hr/> 18,638

20 Subsequent event

On May 13, the University divested of all holdings in Burgundy Asset Management in both the endowment and pension plan and this realized cash of \$9,595 and \$6,931, respectively.

21 COVID-19

On March 11, 2020, the World Health Organization declared the spread of coronavirus (COVID-19) to constitute a global pandemic. This has resulted in local and worldwide governments enacting emergency measures to combat the spread of the virus. Measures include travel restrictions in and out of and within Canada, barring gathering of people and requirements to stay at home. These restrictions impacted the operations of the University and resulted in the closure of physical premises of all post-secondary institutions.

Victoria University

Notes to Financial Statements

April 30, 2020

(in thousands of dollars)

The University, as of September 2020, has adopted a hybrid teaching model with both online and in-person options and the University continues to encourage faculty and staff to work remotely if possible. The extent of such adverse effects on the University's business and financial and operational performance are uncertain and difficult to assess. The financial impacts will depend on future developments, including the duration, spread and severity of the outbreak and physical distancing requirements. The University will continue to monitor and adjust its operations and response as appropriate.

As at April 30, 2020, the University did not have significant adjustments to reflect the possible future impact of COVID-19. Investments are recorded at fair value, which included the impact on financial markets as at year-end and reviewed the collectibility of receivables within the financial statements as at April 30, 2020.

Management has assessed that there are no issues related to going concern assumptions given the University has a strong working capital base and access to liquid resources to support operations in the coming year. Due to the unpredictability of the current pandemic, it is not practical to estimate and disclose its financial effect on future operations at this time.