Victoria University

Financial Statements
April 30, 2017

Victoria University

Financial Statements

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October 13, 2017

Independent Auditor's Report

To the Board of Regents of
Victoria University

We have audited the accompanying financial statements of Victoria University, which comprise the statement of financial position as at April 30, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Victoria University as at April 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Victoria University

Statement of Financial Position

As at April 30, 2017

Statement 1

(in thousands of dollars)

	2017 $	2016 $
Assets		
Current assets		
Cash and cash equivalents	14,020	11,761
Accounts receivable	701	696
Inventories	120	93
Prepaid expenses	263	252
	15,104	12,802
Deferred lease costs and other (note 14(c))	6,159	5,884
Investments in marketable securities (note 3(a))	185,805	156,996
Investments in revenue-producing properties (note 3(b))	303,679	304,438
Endowment assets held by outside trustees	63	63
Property and equipment (note 4)	63,302	64,099
	574,112	544,282

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, 2017

(in thousands of dollars)

	2017 $	2016 $
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	3,689	3,849
Current portion of long-term debt (note 6)	1,446	1,734
	5,135	5,583
Interim real estate settlement (note 14(c))	35,467	30,417
Accrued pension benefit liability (note 15)	2,141	7,714
Other post-employment benefits (note 15)	9,575	8,976
Deferred contributions for restricted purposes (note 8)	4,326	3,753
Deferred revenue	524	421
Deferred capital contributions (note 9)	16,523	17,092
Long-term debt (note 6)	10,574	11,962
	84,265	85,918
Net Assets		
Endowments (note 5)		
Externally restricted (note 11(b))	131,634	110,570
Internally restricted (note 11(b))	342,290	336,538
	473,924	447,108
Unrestricted	(18,836)	(22,055)
Investment in property and equipment (note 10)	34,759	33,311
	489,847	458,364
	574,112	544,282

Contingencies and commitments (note 14)

Victoria University

Statement of Operations | Statement 2

For the year ended April 30, 2017

(in thousands of dollars)

	2017 $	2016 $ (note 11(b))
Revenues		
Student fees	11,344	10,855
Grants from the University of Toronto	5,635	5,397
Grants from the Toronto School of Theology	554	413
United Church grant	200	273
Government grants	275	157
Other grants	106	16
Donations (note 7)	860	2,702
Investment income (note 11)	500	563
Sales, services and sundry	5,070	5,414
Amortization of deferred capital contributions (note 9)	973	973
Real estate	8,662	9,676
	34,179	36,439
Expenses		
Salaries	17,496	16,139
Pension and OPEB expense	3,182	2,802
Other benefits	2,271	2,064
Supplies and other	4,017	4,248
Repairs and maintenance	1,172	1,378
Utilities	1,964	1,983
Amortization of property and equipment and revenue-producing properties	4,745	4,881
Scholarships and bursaries	2,465	2,668
Cost of sales and services	1,818	1,771
Interest	413	501
	39,543	38,435
Deficiency of revenues over expenses before fair value adjustment in investments	(5,364)	(1,996)
Fair value adjustment in investments (note 11)	6,166	(1,317)
Excess (deficiency) of revenues over expenses for the year	802	(3,313)

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, 2017

(in thousands of dollars)

	Externally restricted endowments $	Internally restricted endowments $	Unrestricted $	Investment in property and equipment $	Total $
Balance - April 30, 2015	115,423	338,602	(18,862)	32,044	467,207
Excess (deficiency) of revenues over expenses for the year	141	(644)	454	(3,264)	(3,313)
Remeasurement - pension and OPEB (note 15)	-	-	(4,575)	-	(4,575)
Amortization of mineral rights	(141)	-	-	-	(141)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	-	(4,531)	4,531	-
Gifts of endowment principal	2,029	-	-	-	2,029
Investment income (note 11)	1,623	-	-	-	1,623
Income draw from endowment	(4,416)	(1,275)	5,691	-	-
Fair value adjustment on investments - marketable securities	(4,466)	-	-	-	(4,466)
Transfer to (from) endowments (note 5)	377	(145)	(232)	-	-
Balance - April 30, 2016 (note 11(b))	110,570	336,538	(22,055)	33,311	458,364
Excess (deficiency) of revenues over expenses for the year	141	(622)	4,433	(3,150)	802
Remeasurement - pension and OPEB (note 15)	-	-	5,488	-	5,488
Amortization of mineral rights	(141)	-	-	-	(141)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	4	(4,602)	4,598	-
Gifts of endowment principal	2,903	-	-	-	2,903
Investment income (note 11)	1,313	-	-	-	1,313
Income draw from endowment	(4,637)	(1,346)	5,983	-	-
Fair value adjustment on investments - marketable securities	21,118	-	-	-	21,118
Transfer to (from) endowments (note 5)	367	7,716	(8,083)	-	-
Balance - April 30, 2017	131,634	342,290	(18,836)	34,759	489,847

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, 2017

(in thousands of dollars)

	2017 $	2016 $ (note 11(b))
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	802	(3,313)
Adjustments for non-cash and non-operating items		
Investment income (note 11)	(3,103)	(4,331)
Amortization of property and equipment and revenue-producing properties	4,745	4,881
Amortization of deferred capital contributions	(973)	(973)
Unrealized (gain) loss on short-term investments (note 11)	(48)	28
Unrealized (gain) loss on investments - marketable securities (note 11)	(5,419)	2,261
Pension and OPEB expense (note 15)	3,182	2,802
Decrease (increase) in deferred revenue and deferred contributions for restricted purposes	676	(105)
	(138)	1,250
Interim real estate settlement	5,050	5,050
Pension and post-employment contributions (note 15)	(2,668)	(2,579)
Net change in non-cash working capital balances (note 19)	(478)	(1,357)
	1,766	2,364
Financing activities		
Endowment contributions	4,216	3,317
Repayment of long-term debt	(1,676)	(2,005)
Capital contributions	404	398
	2,944	1,710
Investing activities		
Net purchases of marketable securities	(1,525)	(1,809)
Purchase of property and equipment	(3,330)	(2,924)
Realized gain on sale credited directly to net assets	2,404	3,360
	(2,451)	(1,373)
Increase in cash and cash equivalents during the year	2,259	2,701
Cash and cash equivalents - Beginning of year	11,761	9,060
Cash and cash equivalents - End of year	14,020	11,761
Comprising		
Cash	13,510	11,299
Short-term investments	510	462
	14,020	11,761

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	5 to 15 years
Gardens	40 years

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

Endowments

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

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

(in thousands of dollars)

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

Collections

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

Borrowing costs

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

Employee benefit plans

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

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

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The significant estimates made in the financial statements include the fair values of financial instruments, estimates of cash flows for determining provisions for impairment of long-lived assets, the discount rate used in determining the liabilities for employee benefit plans and the recoverability of the interim

(in thousands of dollars)

real estate settlement. Actual results could differ from those estimates under different assumptions or conditions.

3 Investments

a) Investments in marketable securities

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

	2017			2016		
	Cost $	Fair value $	Unrealized gain (loss) $	Cost $	Fair value $	Unrealized gain (loss) $
Cash and foreign currency	4,347	4,439	92	4,610	4,483	(127)
Canadian fixed income pooled funds	30,538	31,177	639	28,778	29,886	1,108
Canadian equity pooled funds	26,730	31,771	5,041	25,861	27,425	1,564
International equity pooled funds	70,287	118,669	48,382	67,982	95,457	27,475
Eccles Trust	392	470	78	394	425	31
Payable	(211)	(211)	-	(218)	(218)	-
Restricted Funds held in marketable securities	(507)	(510)	(3)	(507)	(462)	45
	131,576	185,805	54,229	126,900	156,996	30,096

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:

	2017			2016		
	Cost $	Accumulated amortization $	Net $	Cost $	Accumulated amortization $	Net $
Land	294,076	-	294,076	294,076	-	294,076
Buildings	23,653	14,086	9,567	23,649	13,464	10,185
Mineral rights	1,915	1,879	36	1,915	1,738	177
	319,644	15,965	303,679	319,640	15,202	304,438

(in thousands of dollars)

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

In 2015, the University commissioned professional appraisal studies of the land to determine its current market value. The study, using valuation techniques appropriate for each property, placed a current market value of $416,276 on these holdings as at April 30, 2015. Management intends to update this valuation on a three-year basis. In 2016, the University commissioned a professional appraisal of the Weyburn property to determine its market value with respect to both the surface rights and mineral rights. The appraisal study placed a value of $3,200 on this property. Management intends to update this valuation on a three-year basis.

4 Property and equipment

			2017			2016
	Cost $	Accumulated amortization $	Net $	Cost $	Accumulated amortization $	Net $
Buildings	111,636	58,558	53,078	108,853	55,047	53,806
Equipment and furnishings	4,956	4,049	907	4,959	3,898	1,061
Library books	15,633	6,316	9,317	15,087	5,855	9,232
	132,225	68,923	63,302	128,899	64,800	64,099

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 $7,716 (2016 - $(145)) was transferred to (from) internally restricted endowments. $367 (2016 - $377) was transferred to externally restricted endowments.

	2017 $	2016 $
Externally restricted	131,634	110,570
Internally restricted	342,290	336,538
	473,924	447,108

(in thousands of dollars)

	2017 $	2016 $
Marketable securities	185,805	156,996
Revenue-producing properties	303,679	304,438
Assets held by outside trustees	63	63
Net accounts payable	(15,623)	(14,389)
	473,924	447,108

6 Long-term debt

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

	2017 $	2016 $
Burwash loan A #6156-273 (a)	-	70
Burwash loan B #6001-159 (b)	-	70
Operating loan A #6160-440 (c)	-	54
Operating loan B #6162-585 (d)	-	157
Rowell-Jackman Hall loan A #6121-660 (e)	470	696
Rowell-Jackman Hall loan B #6121-038 (f)	750	1,235
GSC loan A#6973-943 (g)	5,508	5,924
GSC loan B#6973-994 (h)	5,292	5,490
	12,020	13,696
Less: Current portion	1,446	1,734
Long-term portion	10,574	11,962

a) The Burwash loan A was payable in monthly instalments of $17 (2016 - $17) including interest at 3.22% (2016 - 3.22%) per annum, with the balance due on August 9, 2016.

b) The Burwash loan B was payable in monthly instalments of $13 (2016 - $13), including interest at 2.98% (2016 - 2.98%) per annum, with the balance due on September 30, 2016.

c) The Operating loan A matured on June 30, 2015 and was subsequently refinanced. This loan was payable in monthly instalments of $17 (2016 - $17), including interest of 1.86% (2016 - 1.86%) per annum, with the balance due on June 30, 2016.

d) The Operating loan B was payable in monthly instalments of $17 (2016 - $17), including interest at 2.50% (2016 - 2.5%) per annum, with the balance due on January 31, 2017.

e) The Rowell-Jackman Hall loan A is payable in monthly instalments of $22 (2016 - $22), including interest of 3.13% (2016 - 3.13%) per annum, with the balance due on January 31, 2019.

f) The Rowell-Jackman Hall loan B is payable in monthly instalments of $42 (2016 - $42), including interest of 2.32% (2016 - 2.32%) per annum, with the balance due on September 30, 2018.

(in thousands of dollars)

g) 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, $255 of deferred contributions utilized was recorded as a decrease in deferred contributions for restricted purposes (note 8).

h) 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:

	$
2018	1,446
2019	1,065
2020	678
2021	701
2022	725
Thereafter	7,405
	12,020

7 Donations

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

	2017 $	2016 $
Endowment	2,902	2,029
Amortization of deferred capital contributions	973	973
Unrestricted for operations	860	2,702
	4,735	5,704

8 Deferred contributions for restricted purposes

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

(in thousands of dollars)

	2017 $	2016 $
Balance - Beginning of year	3,753	3,948
Grants and donations	1,416	1,298
Contributions utilized - GSC loan A (note 6(g))	(255)	(254)
Contributions utilized - other	(588)	(1,239)
Balance - End of year	4,326	3,753

The deferred contributions will be spent as follows:

	2017 $	2016 $
Specific campaigns	2,080	1,702
Other restricted purposes	954	829
Research	787	708
Library - collections, development and maintenance	466	423
Conferences/lectures	31	83
Scholarships	8	8
	4,326	3,753

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.

	2017 $	2016 $
Deferred capital contributions used to purchase property and equipment		
Balance - Beginning of year	17,092	17,667
Capital contributions	171	105
Spending of capital contributions on GSC project	233	293
Less: Amortization of deferred capital contributions	(973)	(973)
Balance - End of year	16,523	17,092

(in thousands of dollars)

Deferred capital contributions have been allocated to the following projects:

	2017 $	2016 $
GSC project	5,802	5,756
Residences	753	826
Bader Theatre	3,660	3,851
Library of the Future	2,719	3,021
Library books	2,946	2,872
Campus Renewal Program	491	590
Other	152	176
	16,523	17,092

10 Investment in property and equipment

	2017 $	2016 $
Property and equipment	63,302	64,099
Less		
Long-term debt used to purchase property and equipment	(12,020)	(13,696)
Deferred capital contributions used to purchase property and equipment	(16,523)	(17,092)
	34,759	33,311

11 Investment income

a) Investment income reconciliation

	2017 $	2016 $
Sources of investment income		
Investment income from endowment net assets	1,669	2,092
Investment income from unrestricted non-endowment assets	144	95
Realized gain on foreign currency	52	475
Realized gain on sales of investments in endowment net assets	3,051	3,856
Total investment income	4,916	6,518

(in thousands of dollars)

	2017 $	2016 $
Investment income reported as follows		
Amount credited directly to externally restricted endowments	1,313	1,623
Realized gain on foreign currency from internally restricted endowments	12	107
Realized gain on foreign currency from externally restricted endowments	40	369
Realized gain on sales on internally restricted endowments	687	865
Realized gain on sales on externally restricted endowments	2,364	2,991
Net excess of capital draw over realized investment income	-	-
Revenues in statement of operations	500	563
	4,916	6,518

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.

	2017		2016	
	Net assets $	Statement of operations $	Net assets $	Statement of operations $
Unrealized gain (loss) on short-term investments	-	48	-	(28)
Unrealized gain (loss) on investments - marketable securities	18,714	5,419	(7,826)	(2,261)
Realized gain on foreign currency	40	12	369	107
Realized gain on sales of investments in endowment net assets	2,364	687	2,991	865
Fair value adjustment in investments	21,118	6,166	(4,466)	(1,317)

b) Revisions to prior year comparative balances

Certain 2016 comparative balances have been changed to consistently reflect a revised methodology adopted to allocate investment income between the balances recognized in the statement of operations and externally restricted endowments. The revised income allocation methodology more accurately reflects the sources of income.

(in thousands of dollars)

The change is noted on each statement as follows:

Statement/item	**Current Presentation** $	**Previously Reported** $	**Change** $
Statement of financial position			
Externally restricted endowments	110,570	110,914	(344)
Internally restricted endowments	336,538	336,194	344
Statement of operations			
Investment income	563	899	(336)
Deficiency of revenues over expenses before fair value adjustment in investment	(1,996)	(1,660)	(336)
Fair value adjustment in investments	(1,317)	2,042	(3,359)
(Deficiency) excess of revenues over expenses for the year	(3,313)	382	(3,695)
Statement of cash flows			
Net purchases of marketable securities	(1,809)	(2,144)	335
Realized gain on sale credited directly to net assets	3,360	-	3,360

(in thousands of dollars)

Statement of changes in net assets

	Externally restricted endowment		Internally restricted endowment		Unrestricted		Investment in property and equipment		Total	
	Current $	**Previous $**	**Current $**	**Previous $**	**Current $**	**Previous $**	**Current $**	**Previous $**	**Current $**	**Previous $**
Balance - April 30, 2015	115,423	115,423	338,602	338,602	(18,862)	(18,862)	32,044	32,044	467,207	467,207
Excess (deficiency) of revenues over expenses for the year	141	141	(644)	(644)	454	4,149	(3,264)	(3,264)	(3,313)	382
Remeasurement - pension and OPEB	-	-	-	-	(4,575)	(4,575)	-	-	(4,575)	(4,575)
Amortization of mineral rights	(141)	(141)	-	-	-	-	-	-	(141)	(141)
Investment in property and equipment net of amounts financed by long-term debt and deferred capital contributions	-	-	-	-	(4,531)	(4,531)	4,531	4,531	-	-
Gifts of endowment principal	2,029	2,029	-	-	-	-	-	-	2,029	2,029
Investment income	1,623	3,251	-	-	-	-	-	-	1,623	3,251
Net excess of capital draw over realized investment loss	-	(1,963)	-	-	-	-	-	-	-	(1,963)
Income draw from endowment	(4,416)	-	(1,275)	-	5,691	-	-	-	-	-
Unrealized gain (loss) on investments - marketable securities	-	(7,826)	-	-	-	-	-	-	-	(7,826)
Fair value adjustments on investments - marketable securities	(4,466)	-	-	-	-	-	-	-	(4,466)	-
Transfer to (from) endowments	377	-	(145)	(1,764)	(232)	1,764	-	-	-	-
Balance - April 30, 2016	110,570	110,914	336,538	336,194	(22,055)	(22,055)	33,311	33,311	458,364	458,364

(in thousands of dollars)

12 Externally restricted endowments

a) Ontario Student Opportunity Trust Fund Program (OSOTF)

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

			2017	2016
	Victoria College $	Emmanuel College $	Total $	Total $
Endowment balance - Beginning of year	10,869	468	11,337	11,238
Recapitalized funds	110	-	110	-
Preservation of capital	(85)	(3)	(88)	99
Endowment balance - End of year	10,894	465	11,359	11,337
Expendable funds available for awards - Beginning of year	168	46	214	150
Investment income	466	20	486	478
Bursaries awarded	(357)	(16)	(373)	(420)
Transfer from operating	-	-	-	1
Recapitalization	(110)	-	(110)	5
Expendable funds available for awards - End of year	167	50	217	214
Fair value	13,282	563	13,845	12,444

During the year, Victoria College awarded 191 (2016 - 176) bursaries and Emmanuel College awarded 12 (2016 - 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.

	2017			2016
	Victoria College $	**Emmanuel College $**	**Total $**	**Total $**
Endowment balance - Beginning of year	1,425	77	1,502	1,488
Preservation of capital	(10)	(1)	(11)	14
Endowment balance - End of year	1,415	76	1,491	1,502
Expendable funds available for awards - Beginning of year	12	18	30	23
Investment income	64	3	67	66
Bursaries awarded	(49)	(11)	(60)	(59)
Expendable funds available for awards - End of year	27	10	37	30
Fair value	1,803	99	1,902	1,724

During the year, Victoria College awarded 40 (2016 - 46) bursaries and Emmanuel College awarded 1 (2016 - nil) bursary under the OSOTF II.

c) Ontario Trust for Student Support (OTSS)

	2017			2016
	Victoria College $	**Emmanuel College $**	**Total $**	**Total $**
Endowment balance - Beginning of year	3,603	231	3,834	3,794
Preservation of capital	(30)	(2)	(32)	40
Endowment balance - End of year	3,573	229	3,802	3,834
Expendable funds available for awards - Beginning of year	38	15	53	35
Investment income	183	13	196	192
Bursaries awarded	(162)	(9)	(171)	(174)
Expendable funds available for awards - End of year	59	19	78	53
Fair value	5,152	371	5,523	5,006

(in thousands of dollars)

During the year, Victoria College awarded 100 (2016 - 107) bursaries and Emmanuel College awarded 8 (2016 - 8) bursaries under the OTSS program.

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

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

As of April 30, 2017, Victoria University owed the University of Toronto $180 (2016 - $261).

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, 2017, T.S.T. owed Victoria University $88 (2016 - $76).

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, 2017.

   The projected cost of claims is funded through members' premiums based on actuarial projections. CURIE has obtained reinsurance from commercial insurers to cover claims in excess of $5 million to a maximum of $1.25 billion per occurrence for property losses and claims in excess of $5 million to a maximum of $50 million per occurrence for liability and errors and omissions losses.

   In the event premiums are not sufficient to cover claim settlements, the member universities would be subject to assessments in proportion to their participation. As at December 31, 2016, CURIE had a surplus of $84,908 (2016 - $69,679), of which the University's pro rata share was approximately 0.43% (2016 - 0.43%) on an ongoing basis. The amount of loss, if any, cannot be determined at this time.

b) From time to time, the University is subject to litigation. With respect to claims as at April 30, 2017, the University believes it has valid defences and/or appropriate insurance coverage in place. The amount of loss, if any, cannot be determined at this time.

(in thousands of dollars)

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). On June 21, 2013, the Arbitrators awarded their decision and concluded on a land value that resulted in the annual rent increasing from $2,779 to $10,962 on the land known as 131 Bloor, and from $875 to $2,240 on the land known as 151 Bloor.

   The lessees have appealed the Arbitrators' decision and the panel has agreed to hear additional relevant evidence concerning alternative highest and best use. However, pending the ultimate decision, the lessees agreed to pay the University increased annual rents in the amount of $7,306 for 131 Bloor and $1,557 for 151 Bloor. As at April 30, 2017, an amount of $35,467 (2016 - $30,417) was received for increased rents retroactive to July 1, 2010, which is included in interim real estate settlement on the statement of financial position until the final resolution of this matter.

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

   Also included in deferred lease costs and other is $803 (2016 - $892) of straight-line rent receivable.

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, 2017, $nil was drawn on this credit facility.

e) The University has committed to invest in a private equity fund. The University estimates its capital obligation under this commitment to be US$10,000. As at April 30, 2017, $nil was contributed to the fund.

f) The University owns various commercial properties in Toronto. Pursuant to the Victoria University Act (1951) (the act), these properties are exempt from realty taxation. The University has been advised that the city of Toronto will lobby the province of Ontario to amend the act to repeal the University's exemption from realty taxes. The outcome of the City of Toronto's initiative to repeal the exemption or quantification of financial exposure, if any, cannot be determined at this time.

(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, 2017. The most recent actuarial valuation of the pension plan for funding purposes was performed as at June 30, 2014 and the next required valuation will be as at June 30, 2017. Information about the University's defined benefit plans is as follows:

	2017		2016	
	Pension and other retirement benefits $	**Other benefits $**	**Pension and other retirement benefits $**	**Other benefits $**
Changes in benefit obligation				
Benefit obligation - Beginning of year	61,661	8,976	57,662	8,423
Current service cost	2,678	339	2,525	355
Interest cost	3,756	550	3,513	518
Benefits paid	(2,512)	(203)	(2,063)	(185)
Actuarial loss (gain)	197	(87)	24	(135)
Benefit obligation - End of year	65,780	9,575	61,661	8,976
Changes in plan assets				
Fair value - Beginning of year	53,947	-	54,193	-
Actual return on plan assets	8,831	-	(1,435)	-
Benefits paid	(2,512)	(203)	(2,063)	(185)
Contributions	3,373	203	3,252	185
Fair value - End of year	63,639	-	53,947	-
Accrued liability - End of year	2,141	9,575	7,714	8,976

An amount of $2,490 (2016 - $2,390) has been established in the internally restricted endowment of the University for a portion of the costs of other benefits.

Pension plan assets consist of:

	2017		2016	
Asset category	**Fair value $**	**Percentage of plan assets %**	**Fair value $**	**Percentage of plan assets %**
Cash	1,858	2.9	1,340	2.5
Canadian mutual funds	19,136	30.1	15,329	28.4
Canadian bond funds	17,630	27.7	16,753	31.1
Global equity funds	24,625	38.7	19,920	36.9
Segregated funds	390	0.6	605	1.1
	63,639	100	53,947	100

(in thousands of dollars)

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

	2017		2016	
	Pension benefit plan %	Other benefit plans %	Pension benefit plan %	Other benefit plans %
Discount rate	6.0	6.0	6.0	6.0
Rate of compensation increase	3.5	3.5	3.5	3.5

For measurement purposes, an 8.9% annual rate of increase in the per capita cost of covered drug benefits was assumed for 2017. The rate was assumed to decrease gradually to 4.5% by 2027 and remain at that level thereafter. Covered extended health, hospital and dental care benefits were assumed to have a 8.9%, 4.5% and 5% rate of increase, respectively.

The University's net benefit plan expense for the year ended April 30, 2017 and a reconciliation of the change in the accrued benefit liability are as follows:

	2017		2016	
	Pension and other retirement benefits $	Other benefits $	Pension and other retirement benefits $	Other benefits $
Benefit plan expense				
Current service cost, net of employee contributions	1,771	339	1,667	355
Finance cost	522	550	262	518
Net benefit plan expense	2,293	889	1,929	873
Accrued benefit liability				
Balance - Beginning of year	(7,714)	(8,976)	(3,469)	(8,423)
Plan expense for the year	(2,293)	(889)	(1,929)	(873)
Contributions by the University	2,465	203	2,394	185
Remeasurement and other items	5,401	87	(4,710)	135
Balance - End of year	(2,141)	(9,575)	(7,714)	(8,976)

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

(in thousands of dollars)

group of asset classes managed by external investment managers. The University monitors the performance of investment managers and their compliance with investment policies on a regular basis.

Credit risk

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

Liquidity risk

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

Currency risk

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

Interest rate risk

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

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, $137 (2016 - $145) is included within accounts payable and accrued liabilities.

18 Bank overdraft

As at April 30, 2017, the University has an undrawn revolving line of credit of $4,000 (2016 - $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.

(in thousands of dollars)

19 Changes in non-cash working capital balances

	2017 $	2016 $
Accounts receivable	(5)	(45)
Inventories	(27)	(24)
Prepaid expenses	(11)	(84)
Deferred lease costs and other	(275)	(1,124)
Accounts payable and accrued liabilities	(160)	(80)
	(478)	(1,357)