Victoria University

Financial Statements
April 30, 2016

Victoria University

Financial Statements

Table of Contents

October 13, 2016

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, 2016 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Victoria University as at April 30, 2016 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, 2016

Statement 1

(in thousands of dollars)

	2016 $	2015 $
Assets		
Current assets		
Cash and cash equivalents	11,761	9,060
Accounts receivable	696	651
Inventories	93	69
Prepaid expenses	252	168
	12,802	9,948
Deferred lease costs and other (note 14(c))	5,884	4,760
Investments in marketable securities (note 3(a))	156,996	160,636
Investments in revenue-producing properties (note 3(b))	304,438	305,223
Endowment assets held by outside trustees (note 5)	63	63
Property and equipment (note 4)	64,099	65,412
	544,282	546,042

Approved by the Board of Regents

_______________ President _______________ Chair of Audit Committee

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

(in thousands of dollars)

	2016 $	2015 $
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	3,849	3,929
Current portion of long-term debt (note 6)	1,734	3,293
	5,583	7,222
Interim real estate settlement (note 14(c))	30,417	25,367
Accrued pension benefit liability (note 15)	7,714	3,469
Other post-employment benefits (note 15)	8,976	8,423
Deferred contributions for restricted purposes (note 8)	3,753	3,948
Deferred revenue	421	331
Deferred capital contributions (note 9)	17,092	17,667
Long-term debt (note 6)	11,962	12,408
	85,918	78,835
Net Assets		
Endowments (note 5)		
Externally restricted	110,914	115,423
Internally restricted	336,194	338,602
	447,108	454,025
Unrestricted	(22,055)	(18,862)
Investment in properties and equipment (note 10)	33,311	32,044
	458,364	467,207
	544,282	546,042

Contingencies and commitments (note 14)

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

Victoria University

Statement of Operations

Statement 2

For the year ended April 30, 2016

(in thousands of dollars)

	2016 $	2015 $
Revenues		
Student fees	10,855	10,231
Grants from the University of Toronto	5,397	5,309
Grants from the Toronto School of Theology	413	450
United Church grant	273	272
Government grants	157	98
Other grants	16	-
Donations (note 7)	2,702	1,910
Investment income (note 11)	899	2,049
Sales, services and sundry	5,414	5,008
Amortization of deferred capital contributions (note 9)	973	971
Real estate	9,676	9,577
	36,775	35,875
Expenses		
Salaries	16,139	15,649
Pension and OPEB expense	2,802	2,669
Other benefits	2,064	1,929
Supplies and other	4,248	3,562
Repairs and maintenance	1,378	1,241
Utilities	1,983	2,074
Amortization of property and equipment and revenue-producing properties	4,881	4,853
Scholarships and bursaries	2,668	2,635
Cost of sales and services	1,771	1,599
Interest	501	600
	38,435	36,811
Deficiency of revenues over expenses before fair value adjustment in investments	(1,660)	(936)
Fair value adjustment in investments (note 11)	2,042	3,900
Excess of revenues over expenses for the year	382	2,964

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, 2016

(in thousands of dollars)

	Externally restricted endowments $	Internally restricted endowments $	Unrestricted $	Investment in property and equipment $	Total $
Balance - April 30, 2014	101,235	335,638	(16,097)	28,846	449,622
Excess (deficiency) of revenues over expenses for the year	141	(653)	6,704	(3,228)	2,964
Remeasurement - pension and OPEB (note 15)	-	-	574	-	574
Amortization of mineral rights	(141)	-	-	-	(141)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	786	(7,212)	6,426	-
Gifts of endowment principal	4,033	-	-	-	4,033
Investment loss (note 11)	1,869	-	-	-	1,869
Net excess of capital draw over realized investment loss (note 11)	(964)	-	-	-	(964)
Unrealized gain on investments - marketable securities	9,250	-	-	-	9,250
Transfer to (from) endowments (note 5)	-	2,831	(2,831)	-	-
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)	4,149	(3,264)	382
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)	3,251	-	-	-	3,251
Net excess of capital draw over realized investment loss (note 11)	(1,963)	-	-	-	(1,963)
Unrealized gain (loss) on investments - marketable securities	(7,826)	-	-	-	(7,826)
Transfer to (from) endowments (note 5)	-	(1,764)	1,764	-	-
Balance - April 30, 2016	110,914	336,194	(22,055)	33,311	458,364

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, 2016

(in thousands of dollars)

	2016 $	2015 $
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	382	2,964
Adjustments for non-cash and non-operating items		
Other investment income (note 11)	(4,331)	(1,154)
Amortization of property and equipment and revenue-producing properties	4,881	4,853
Amortization of deferred capital contributions	(973)	(971)
Unrealized (gain) loss on interest rate swap contract (note 11)	-	(10)
Unrealized (gain) loss on short-term investments (note 11)	28	(39)
Unrealized (gain) loss on investments - marketable securities (note 11)	2,261	(2,697)
Pension and OPEB expense (note 15)	2,802	2,669
Decrease in deferred revenue and deferred contributions for restricted purposes	(105)	(390)
	4,945	5,225
Interim real estate settlement	5,050	5,050
Pension and post-employment contributions (note 15)	(2,579)	(2,537)
Net change in non-cash working capital balances (note 19)	(1,357)	(683)
	6,059	7,055
Financing activities		
Endowment contributions	3,317	4,938
Repayment of long-term debt	(2,005)	(2,769)
Capital contributions	398	406
	1,710	2,575
Investing activities		
Net purchases of marketable securities	(2,144)	(2,826)
Purchase of property and equipment	(2,924)	(4,849)
	(5,068)	(7,675)
Increase in cash and cash equivalents during the year	2,701	1,955
Cash and cash equivalents - Beginning of year	9,060	7,105
Cash and cash equivalents - End of year	11,761	9,060
Comprising		
Cash	11,299	8,569
Short-term investments	462	491
	11,761	9,060

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 rented out for rental income. Rental income is 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, for which only the amount made available for spending is recorded as revenue. Gains and losses related to realized and unrealized gains and losses are recorded in the statement of operations 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. These contracts are generally supported by liquid assets with a fair value approximately equal to the fair value of the instruments underlying the derivative contract. Investment dealer quotes or quotes from a bank are available for substantially all of the University's derivative financial instruments.

Derivative financial instruments are recorded in the statement of financial position at fair value. Changes in fair value of derivative financial instruments that are not designated as hedges for accounting purposes are recognized in fair value adjustment in investments.

(in thousands of dollars)

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.

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 not presented on the year-end statement of financial position at fair value.

Other financial instruments

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are not subsequently revalued and continue to be carried at this value, which represents cost net of any provisions for impairment.

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.

(in thousands of dollars)

Endowments

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

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

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

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.

(in thousands of dollars)

The University recognizes actuarial gains and losses and past service costs as a charge to net assets in the statement of financial position rather than in the statement of operations in the year they arise.

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 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:

	2016			2015		
	Cost $	Fair value $	Unrealized gain (loss) $	Cost $	Fair value $	Unrealized gain $
Cash and foreign currency	4,610	4,483	(127)	109	109	-
Canadian fixed income pooled funds	28,778	29,886	1,108	27,491	29,151	1,660
Canadian equity pooled funds	25,861	27,425	1,564	24,151	29,766	5,615
International equity pooled funds	67,982	95,457	27,475	69,011	101,866	32,855
Eccles Trust	394	425	31	395	432	37
Trade payable	(218)	(218)	-	(197)	(197)	-
Funds held in endowment	(507)	(462)	45	(507)	(491)	16
	126,900	156,996	30,096	120,453	160,636	40,183

All of the above funds are held in investment pools with regularly calculated market prices.

The University has formal policies and procedures in place governing the asset mix among fixed income, equity and marketable alternative investments, requiring diversification and setting limits on the size of exposure to individual investments by asset category to manage risk.

(in thousands of dollars)

b) Investments in revenue-producing properties

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

			2016			2015
	Cost $	Accumulated amortization $	Net $	Cost $	Accumulated amortization $	Net $
Land	294,076	-	294,076	294,076	-	294,076
Buildings	23,649	13,464	10,185	23,649	12,820	10,829
Mineral rights	1,915	1,738	177	1,915	1,597	318
	319,640	15,202	304,438	319,640	14,417	305,223

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

			2016			2015
	Cost $	Accumulated amortization $	Net $	Cost $	Accumulated amortization $	Net $
Buildings	108,853	55,047	53,806	106,835	51,543	55,292
Equipment and furnishings	4,959	3,898	1,061	4,556	3,624	932
Library books	15,087	5,855	9,232	14,584	5,396	9,188
	128,899	64,800	64,099	125,975	60,563	65,412

(in thousands of dollars)

5 Endowments

Net assets restricted for endowments consist of externally restricted donations received by the University and internally restricted amounts transferred by the Board of Regents in the exercise of its discretion. The Board of Regents has the right in future to remove such internal restrictions it has imposed. The investment income generated from endowments is used in accordance with the various purposes established by the donors or the Board of Regents. During the year, an amount of $1,764 (2015 - $(2,831)) was transferred from internally restricted endowments to unrestricted net assets.

	2016 $	2015 $
Externally restricted	110,914	115,423
Internally restricted	336,194	338,602
	447,108	454,025
Marketable securities	156,996	160,636
Revenue-producing properties, net of associated long-term debt	304,438	305,223
Assets held by outside trustees	63	63
Net accounts payable	(14,389)	(11,897)
	447,108	454,025

6 Long-term debt

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

	2016 $	2015 $
Burwash loan A #6156-273 (a)	70	269
Burwash loan B #6001-159 (b)	70	232
Operating loan A #6160-440 (c)	54	242
Operating loan B #6162-585 (d)	157	362
Rowell-Jackman Hall loan A #6121-660 (e)	696	933
Rowell-Jackman Hall loan B #6121-038 (f)	1,235	1,654
GSC loan A#6973-943 (g)	5,924	6,327
GSC loan B#6973-994 (h)	5,490	5,682
	13,696	15,701
Less: Current portion	(1,734)	(3,293)
Long-term portion	11,962	12,408

a) The Burwash loan A is payable in monthly instalments of $17 (2015 - $17) including interest at 3.22% (2015 - 3.22%) per annum, with the balance due on August 9, 2016.

b) The Burwash loan B is payable in monthly instalments of $14 (2015 - $14), including interest at 2.98% (2015 - 2.98%) per annum, with the balance due on September 30, 2016.

(in thousands of dollars)

c) The Operating loan A matured on June 30, 2015 and was subsequently refinanced. This loan is payable in monthly instalments of $18 (2015 - $17), including interest of 1.86% (2015 - 4.20%) per annum, with the balance due on June 30, 2016.

d) The Operating loan B is payable in monthly instalments of $18 (2015 - $18), including interest at 2.5% (2015 - 2.50%) per annum, with the balance due on January 31, 2017.

e) The Rowell-Jackman Hall loan A is payable in monthly instalments of $22 (2015 - $22), including interest of 3.13% (2015 - 3.13%) per annum, with the balance due on January 31, 2019.

f) The Rowell-Jackman Hall loan B matured on September 30, 2015 and was subsequently refinanced. This loan is payable in monthly instalments of $42 (2015 - $44), including interest of 2.32% (2015 - 4.92%) per annum, with the balance due on September 30, 2018.

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, $254 of 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:

	$
2017	1,734
2018	1,384
2019	1,067
2020	678
2021	701
Thereafter	8,132
	13,696

In January 2011, the University issued an irrevocable line of credit in the amount of $1,122 to the City of Toronto to secure the landscaping requirement of the GSC project. Of this, $157 is outstanding as at April 30, 2016.

(in thousands of dollars)

7 Donations

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

	2016 $	2015 $
Endowment	2,029	4,033
Amortization of deferred capital contributions	973	971
Unrestricted for operations	2,702	1,910
	5,704	6,914

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.

	2016 $	2015 $
Balance - Beginning of year	3,948	4,269
Grants and donations	1,298	1,248
Contributions utilized - GSC loan A (note 6(g))	(254)	(254)
Contributions utilized - other	(1,239)	(1,315)
Balance - End of year	3,753	3,948

The deferred contributions will be spent as follows:

	2016 $	2015 $
Specific campaigns	1,702	1,464
Other restricted purposes	829	1,318
Research	708	658
Library - collections, development and maintenance	423	427
Conferences/lectures	83	73
Scholarships	8	8
	3,753	3,948

(in thousands of dollars)

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.

	2016 $	2015 $
Deferred capital contributions used to purchase property and equipment		
Balance - Beginning of year	17,667	18,232
Capital contributions	105	61
Spending of capital contributions on GSC project	293	345
Less: Amortization of deferred capital contributions	(973)	(971)
Balance - End of year	17,092	17,667

Deferred capital contributions have been allocated to the following projects:

	2016 $	2015 $
GSC project	5,756	5,643
Residences	826	899
Bader Theatre	3,851	4,043
Library of the Future	3,021	3,324
Library books	2,872	2,870
Campus Renewal Program	590	688
Other	176	200
	17,092	17,667

10 Investment in property and equipment

	2016 $	2015 $
Property and equipment	64,099	65,412
Less		
Long-term debt used to purchase property and equipment	(13,696)	(15,701)
Deferred capital contributions used to purchase property and equipment	(17,092)	(17,667)
	33,311	32,044

(in thousands of dollars)

11 Investment income

	2016 $	2015 $
Sources of investment income		
Investment income from endowment net assets	2,092	2,848
Investment income from unrestricted non-endowment assets	95	106
Realized gain on foreign currency	475	14
Realized gain on sales of investments in endowment net assets	3,856	1,140
Total investment income	6,518	4,108
Investment income reported as follows		
Amount credited directly to externally restricted endowments	3,251	1,869
Net excess of capital draw over realized investment income	(1,963)	(964)
Revenues in statement of operations	899	2,049
Realized gain on foreign currency	475	14
Realized gain on sales of investments in endowment net assets	3,856	1,140
	6,518	4,108

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.

	2016 $	2015 $
Unrealized gain on interest rate swap contract	-	10
Unrealized gain (loss) on short-term investments	(28)	39
Unrealized gain (loss) on investments - marketable securities	(2,261)	2,697
Realized gain on foreign currency	475	14
Realized gain on sales of investments in endowment net assets	3,856	1,140
Fair value adjustment in investments	2,042	3,900

(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.

	2016			2015
	Victoria College $	Emmanuel College $	Total $	Total $
Endowment balance - Beginning of year	10,774	464	11,238	10,948
Recapitalized funds	-	-	-	-
Preservation of capital	95	4	99	290
Endowment balance - End of year	10,869	468	11,337	11,238
Expendable funds available for awards - Beginning of year	101	49	150	153
Investment income	458	20	478	-
Bursaries awarded	(397)	(23)	(420)	(349)
Transfer from operating	1	-	1	346
Recapitalization	5	-	5	-
Expendable funds available for awards - End of year	168	46	214	150
Fair value	11,934	510	12,444	13,199

During the year, Victoria College awarded 176 (2015 - 154) bursaries and Emmanuel College awarded 16 (2015 - 8) bursaries under the OSOTF.

b) Ontario Student Opportunity Trust Fund II Program (OSOTF II)

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

(in thousands of dollars)

	2016			2015
	Victoria College $	**Emmanuel College $**	**Total $**	**Total $**
Endowment balance - Beginning of year	1,412	76	1,488	1,448
Recapitalized funds	-	-	-	-
Preservation of capital	13	1	14	40
Endowment balance - End of year	1,425	77	1,502	1,488
Expendable funds available for awards - Beginning of year	9	14	23	23
Investment income	62	4	66	-
Bursaries awarded	(59)	-	(59)	(54)
Transfer from operating	-	-	-	54
Recapitalization	-	-	-	-
Expendable funds available for awards - End of year	12	18	30	23
Fair value	1,634	90	1,724	1,829

During the year, Victoria College awarded 46 (2015 - 37) bursaries and Emmanuel College awarded nil (2015 - nil) bursaries under the OSOTF II.

c) Ontario Trust for Student Support (OTSS)

	2016			2015
	Victoria College $	**Emmanuel College $**	**Total $**	**Total $**
Endowment balance - Beginning of year	3,565	229	3,794	3,677
Preservation of capital	38	2	40	117
Endowment balance - End of year	3,603	231	3,834	3,794
Expendable funds available for awards - Beginning of year	25	10	35	35
Investment income	179	13	192	-
Bursaries awarded	(166)	(8)	(174)	(157)
Transfer from operating	-	-	-	157
Expendable funds available for awards - End of year	38	15	53	35
Fair value	4,670	336	5,006	5,311

During the year, Victoria College awarded 107 (2015 - 96) bursaries and Emmanuel College awarded 8 (2015 - 5) bursaries under the OTSS program.

(in thousands of dollars)

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, 2016, Victoria University owed the University of Toronto $261 (2015 - $130).

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, 2016, T.S.T. owed Victoria University $76 (2015 - $72).

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, 2015, CURIE had a surplus of $69,679 (2014 - $74,231), of which the University's pro rata share was approximately 0.43% (2014 - 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, 2016, the University believes it has valid defences and/or appropriate insurance coverage in place. The amount of loss, if any, cannot be determined at this time.

c) The University earns revenue through its holding of land and buildings in Toronto. Two ground leases have 100-year terms (expiring on June 30, 2060) with reset periods established at June 30, 2010, 2030 and 2050. The rent is calculated at 6% of the fair value of the land as established at the reset periods. Since the lessees and the University were not able to reach an agreement on the fair value of the land on the last scheduled reset date of July 1, 2010, the matter was referred to an Arbitration Tribunal (the Arbitrators). On June 21, 2013, the Arbitrators awarded their decision and concluded on a land value that resulted in

(in thousands of dollars)

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 Board of Regents is reviewing the judgement of the appeal court before finalizing instructions to the University's legal counsel. 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, 2016, an amount of $30,417 (2015 - $25,367) 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 loss, if any, cannot be determined at this time.

Also included in deferred lease costs and other is $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, 2016, $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, 2016, $nil was contributed to the fund.

(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, 2016. 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:

	2016		2015	
	Pension and other retirement benefits $	Other benefits $	Pension and other retirement benefits $	Other benefits $
Changes in benefit obligation				
Benefit obligation - Beginning of year	57,662	8,423	50,771	10,628
Current service cost	2,525	355	2,232	451
Interest cost	3,513	518	3,068	655
Benefits paid	(2,063)	(185)	(2,269)	(192)
Actuarial loss (gain)	24	(135)	3,860	(3,119)
Benefit obligation - End of year	61,661	8,976	57,662	8,423
Changes in plan assets				
Fair value - Beginning of year	54,193	-	49,065	-
Actual return on plan assets	(1,435)	-	4,241	-
Benefits paid	(2,063)	(185)	(2,269)	(192)
Contributions	3,252	185	3,156	192
Fair value - End of year	53,947	-	54,193	-
Accrued liability - End of year	7,714	8,976	3,469	8,423

An amount of $2,390 (2015 - $2,295) has been established in the internally restricted endowment of the University for a portion of the costs of other benefits.

(in thousands of dollars)

Pension plan assets consist of:

	2016		2015	
Asset category	**Fair value $**	**Percentage of plan assets %**	**Fair value $**	**Percentage of plan assets %**
Cash	1,340	2.5	441	0.8
Canadian mutual funds	15,329	28.4	16,637	30.7
Canadian bond funds	16,753	31.1	16,342	30.2
Global equity funds	19,920	36.9	20,163	37.2
Standard Life funds	605	1.1	610	1.1
	53,947	100	54,193	100.0

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

	2016		2015	
	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 2016. 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.

(in thousands of dollars)

The University's net benefit plan expense for the year ended April 30, 2016 and a reconciliation of the change in the accrued benefit liability are as follows:

	2016		2015	
	Pension and other retirement benefits $	**Other benefits $**	**Pension and other retirement benefits $**	**Other benefits $**
Benefit plan expense				
Current service cost, net of employee contributions	1,667	355	1,421	451
Finance cost	262	518	142	655
Net benefit plan expense	1,929	873	1,563	1,106
Accrued benefit liability				
Balance - Beginning of year	(3,469)	(8,423)	(1,706)	(10,628)
Plan expense for the year	(1,929)	(873)	(1,563)	(1,106)
Contributions by the University	2,394	185	2,345	192
Remeasurement and other items	(4,710)	135	(2,545)	3,119
Balance - End of year	(7,714)	(8,976)	(3,469)	(8,423)

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.

(in thousands of dollars)

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, $145 (2015 - $79) is included within accounts payable and accrued liabilities.

18 Bank overdraft

As at April 30, 2016, the University has an undrawn revolving line of credit of $4,000 (2015 - $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

	2016 $	2015 $
Accounts receivable	(45)	(107)
Inventories	(24)	(15)
Prepaid expenses	(84)	46
Deferred lease costs and other	(1,124)	(364)
Accounts payable and accrued liabilities	(80)	(243)
	(1,357)	(683)