

Victoria University

Financial Statements

April 30, 2021

Victoria University
Financial Statements
For the year ended April 30, 2021
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Independent auditor's report

To the Board of Regents of Victoria University

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Victoria University (the University) as at April 30, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The University's financial statements comprise:

- the statement of financial position as at April 30, 2021;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

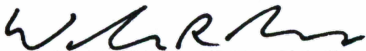
Toronto, Ontario
October 8, 2021

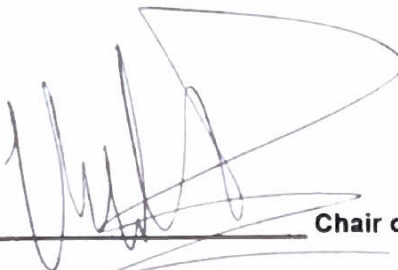
Victoria University
Statement of Financial Position
As at April 30, 2021

(in thousands of dollars)

	2021 \$	2020 \$
Assets		
Current assets		
Cash and cash equivalents	29,269	35,918
Accounts receivable	604	941
Inventories	72	144
Prepaid expenses	296	279
	<hr/>	<hr/>
	30,241	37,282
Deferred lease costs and other (note 14(c))	355	603
Investments in marketable securities (note 3(a))	237,392	196,058
Investments in revenue-producing properties (note 3(b))	304,101	304,461
Endowment assets held by outside trustees	38	38
Property and equipment (note 4)	59,027	60,578
	<hr/>	<hr/>
	631,154	599,020
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Approved by the Board of Regents

 President



Chair of the Audit Committee

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

Victoria University
Statement of Financial Position ...*continued*
As at April 30, 2021

(in thousands of dollars)

	2021 \$	2020 \$
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	4,891	5,672
Current portion of long-term debt (note 6)	725	701
	<hr/>	<hr/>
	5,616	6,373
Accrued pension benefit liability (note 15)	7,876	9,865
Other post-employment benefits (note 15)	9,319	9,709
Deferred contributions for restricted purposes (note 8)	5,704	5,810
Deferred revenue	604	400
Deferred capital contributions (note 9)	13,038	13,975
Long-term debt (note 6)	7,406	8,131
	<hr/>	<hr/>
	49,563	54,263
Net Assets		
Endowments (note 5)		
Externally restricted	154,723	129,725
Internally restricted	369,273	359,033
	<hr/>	<hr/>
	523,996	488,758
Unrestricted	19,737	18,228
Investment in property and equipment (note 10)	37,858	37,771
	<hr/>	<hr/>
	581,591	544,757
	<hr/>	<hr/>
	631,154	599,020
Contingencies and commitments (note 14)		

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

Victoria University

Statement of Operations

For the year ended April 30, 2021

(in thousands of dollars)

	2021 \$	2020 \$
Revenues		
Student fees	4,901	10,917
Grants from the University of Toronto	6,826	6,224
Grants from the Toronto School of Theology	394	453
United Church grant	200	200
Government grants and other grants	879	136
Donations (note 7)	1,319	1,478
Investment income (note 11)	1,076	2,183
Sales, services and sundry	785	4,444
Amortization of deferred capital contributions (note 9)	962	967
Real estate	15,635	15,949
	<u>32,977</u>	<u>42,951</u>
Expenses		
Salaries	18,829	19,596
Pension and OPEB expense (note 15)	3,832	3,188
Other benefits	2,609	2,581
Supplies and other	4,284	5,022
Repairs and maintenance	1,156	1,114
Utilities	1,810	1,880
Amortization of property and equipment and revenue-producing properties (note 3 and note 4)	5,121	4,989
Scholarships and bursaries	2,897	2,756
Cost of sales and services	662	1,812
Interest (note 6)	283	306
	<u>41,483</u>	<u>43,244</u>
Excess (deficiency) of revenues over expenses before fair value adjustment in investments	(8,506)	(293)
Fair value adjustment in investments (note 11)	<u>11,309</u>	<u>(5,238)</u>
Excess (deficiency) of revenues over expenses for the year	<u>2,803</u>	<u>(5,531)</u>

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

Victoria University
Statement of Changes in Net Assets

For the year ended April 30, 2021

(in thousands of dollars)

	Externally restricted endowments \$	Internally restricted endowments \$	Unrestricted \$	Investment in property and equipment \$	Total \$
Balance – April 30, 2019	142,058	364,721	22,116	36,305	565,200
Excess (deficiency) of revenues over expenses for the year	-	(720)	(1,541)	(3,270)	(5,531)
Remeasurement – pension and OPEB (note 15)	-	-	(7,289)	-	(7,289)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	419	(5,155)	4,736	-
Gifts of endowment principal	1,766	-	-	-	1,766
Investment income (note 11)	3,048	-	-	-	3,048
Income draw from endowment	(4,733)	(1,998)	6,731	-	-
Fair value adjustment on investments – marketable securities	(12,437)	-	-	-	(12,437)
Transfer to (from) endowments (note 5)	23	(3,389)	3,366	-	-
Balance – April 30, 2020	129,725	359,033	18,228	37,771	544,757
Excess (deficiency) of revenues over expenses for the year	-	(743)	6,962	(3,416)	2,803
Remeasurement – pension and OPEB (note 15)	-	-	3,593	-	3,593
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	384	(3,887)	3,503	-
Gifts of endowment principal	1,183	16	-	-	1,199
Investment income (note 11)	2,033	-	-	-	2,033
Income draw from endowment	(5,424)	(2,281)	7,705	-	-
Fair value adjustment on investments – marketable securities	27,206	-	-	-	27,206
Transfer to (from) endowments (note 5)	-	12,864	(12,864)	-	-
Balance – April 30, 2021	154,723	369,273	19,737	37,858	581,591

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

Victoria University

Statement of Cash Flows

For the year ended April 30, 2021

(in thousands of dollars)

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess (Deficiency) of revenues over expenses for the year	2,803	(5,531)
Adjustments for non-cash and non-operating items		
Investment income (note 11)	(3,856)	(17,588)
Amortization of property and equipment and revenue-producing properties	5,121	4,989
Amortization of deferred capital contributions	(962)	(967)
Unrealized (gain) loss on investments – marketable securities (note 11)	(10,167)	10,457
Pension and OPEB expense (note 15)	3,832	3,188
Decrease in deferred revenue and deferred contributions for restricted purposes	98	718
	<u>(3,131)</u>	<u>(4,734)</u>
Pension and post-employment contributions (note 15)	(2,618)	(2,076)
Net change in non-cash working capital balances (note 19)	(141)	1,899
	<u>(5,890)</u>	<u>(4,911)</u>
Financing activities		
Endowment contributions	3,232	4,814
Repayment of long-term debt	(701)	(678)
Capital contributions	25	155
	<u>2,556</u>	<u>4,291</u>
Investing activities		
Net purchases of marketable securities	(2,819)	(4,397)
Purchase of property and equipment	(3,210)	(4,665)
Realized gain on sale of marketable securities credited directly to net assets	2,714	12,368
	<u>(3,315)</u>	<u>3,306</u>
Increase (decrease) in cash and cash equivalents during the year	(6,649)	2,686
Cash and cash equivalents – Beginning of year	<u>35,918</u>	<u>33,232</u>
Cash and cash equivalents – End of year	<u>29,269</u>	<u>35,918</u>

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

Victoria University

Notes to Financial Statements

For the year ended April 30, 2021

(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.

Victoria University

Notes to Financial Statements

For the year ended April 30, 2021

(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.
- Private investment interests consisting of private investments and real assets are comprised of private externally managed pooled funds with underlying investments in equities, debt, real estate assets, infrastructure assets and commodities. The investment managers of these interests perform and provide valuations of the underlying investments on a periodic basis. Annual financial statements of the private investment interests are audited and are also provided by the investment managers. The value of the investments in these interests is based on the latest valuations provided (typically December 31), adjusted for subsequent cash receipts and distributions from the fund, and cash disbursements to the fund through April 30. The University believes that the carrying amount of these financial instruments is a reasonable estimate of fair value. Because private investments are not readily traded, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.
- Real estate held by the University is originally valued at cost and, when donated, at the fair value determined through an appraisal process at the date of donation. Subsequently, real estate is valued at cost less any provision for impairment. Revenue-producing land is not amortized. Amortization of revenue-producing buildings and mineral rights is provided on a straight-line basis over periods ranging from 10 to 35 years.
- Deferred lease costs are amortized over the term of the respective lease.

Investment income, consisting of interest, dividends and income distributions from pooled funds, is recognized directly in the statement of operations, except for income earned on externally restricted endowments. Gains and losses related to realized and unrealized gains and losses are recorded in the statement of operations, or statement of changes in net assets as applicable, as the change in fair value of investments. In years where the investment income earned is in excess of the amount made available for spending, the excess is recorded as a direct increase in the endowments. In years where the investment income earned is below the amount made available for spending, the shortfall is recorded as a direct decrease in endowments.

Derivative financial instruments

Derivative financial instruments are used to manage particular market and currency exposures for risk management purposes primarily with respect to the University's debt financing. Derivative financial instruments that may be employed include debt, equity and currency futures, options, swaps and forward contracts.

Victoria University

Notes to Financial Statements

For the year ended April 30, 2021

(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 presented on the year-end statement of financial position at cost.

Other financial instruments

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are carried at cost, which approximates fair value.

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and investments in money market funds. Cash and investments meeting the definition of cash and cash equivalents held for investing rather than liquidity purposes are classified as investments.

Inventories

Retail inventories are carried at the lower of cost, determined using the first-in, first-out method, and net realizable value.

Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis using the following periods:

New buildings	35 years
Renovated buildings	25 years
Renovations to buildings	10 to 40 years
Equipment and furnishings	4 to 15 years
Gardens	40 years

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

Endowments

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

Victoria University

Notes to Financial Statements

For the year ended April 30, 2021

(in thousands of dollars)

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

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

Collections

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

Borrowing costs

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

Employee benefit plans

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

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

Use of estimates

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

Victoria University
Notes to Financial Statements
For the year ended April 30, 2021

(in thousands of dollars)

3 Investments

a) Investments in marketable securities

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

	2021			2020		
	Cost \$	Fair value \$	Unrealized gain/(loss) \$	Cost \$	Fair value \$	Unrealized gain/(loss) \$
Cash and foreign currency	3,350	3,280	(70)	10,707	10,770	63
Canadian fixed income pooled funds	36,247	36,602	355	38,969	38,292	(677)
Canadian equity index/pooled funds	26,541	27,645	1,104	12,953	10,092	(2,861)
International equity pooled funds	89,167	139,427	50,260	100,865	124,910	24,045
Private equity	13,091	17,168	4,077	10,459	11,009	550
Private Debt Equity	7,515	7,350	(165)	-	-	-
Private Infrastructure	4,549	4,444	(105)	-	-	-
Global Iman Fund	809	1,112	303	620	702	82
Eccles trust	423	529	106	425	429	4
Payables	(165)	(165)	-	(146)	(146)	-
	<u>181,527</u>	<u>237,392</u>	<u>55,865</u>	<u>174,852</u>	<u>196,058</u>	<u>21,206</u>

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:

	2021			2020		
	Cost \$	Accumulated amortization \$	Net \$	Cost \$	Accumulated amortization \$	Net \$
Land	294,076	-	294,076	294,076	-	294,076
Buildings	26,896	16,871	10,025	26,512	16,127	10,385
Mineral rights	1,915	1,915	-	1,915	1,915	-
	<u>322,887</u>	<u>18,786</u>	<u>304,101</u>	<u>322,503</u>	<u>18,042</u>	<u>304,461</u>

Victoria University

Notes to Financial Statements

For the year ended April 30, 2021

(in thousands of dollars)

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

In 2019, the University commissioned professional appraisal studies of the land to determine its current market value. The study, using valuation techniques appropriate for each property, placed a current market value of \$463,700 on these holdings as at April 30, 2019. In 2019, the University commissioned a professional appraisal of the Weyburn property to determine its market value with respect to both the surface rights and mineral rights. The appraisal study placed a value of \$3,200 on this property as at April 30, 2019. Management intends to update this valuation on a three-year basis. As a result of changes in market conditions including COVID-19 and its impacts on the real estate market, the fair values from the 2019 appraisal may not be representative of current fair values.

4 Property and equipment

	2021			2020		
	Cost \$	Accumulated amortization \$	Net \$	Cost \$	Accumulated amortization \$	Net \$
Buildings	120,006	72,583	47,423	118,187	69,026	49,161
Equipment and furnishings	7,202	5,009	2,193	6,565	4,665	1,900
Library books	17,611	8,200	9,411	17,241	7,724	9,517
	<u>144,819</u>	<u>85,792</u>	<u>59,027</u>	<u>141,993</u>	<u>81,415</u>	<u>60,578</u>

5 Endowments

Net assets restricted for endowments consist of externally restricted donations received by the University and internally restricted amounts transferred by the Board of Regents in the exercise of its discretion. The Board of Regents has the right in future to remove such internal restrictions it has imposed. The investment income generated from endowments is used in accordance with the various purposes established by the donors or the Board of Regents. During the year, an amount of \$12,864 (2020 – (\$3,389)) was transferred (from) to internally restricted endowments. \$0 (2020 – \$23) was transferred to externally restricted endowments.

Victoria University
Notes to Financial Statements
For the year ended April 30, 2021

(in thousands of dollars)

	2021 \$	2020 \$
Externally restricted	154,723	129,725
Internally restricted	369,273	359,033
	<u>523,996</u>	<u>488,758</u>
Marketable securities	237,392	196,058
Revenue-producing properties	304,101	304,461
Assets held by outside trustees	38	38
Net accounts payable	(17,535)	(11,799)
	<u>523,996</u>	<u>488,758</u>

6 Long-term debt

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

	2021 \$	2020 \$
GSC loan A#6973-943 (a)	3,699	4,174
GSC loan B#6973-994 (b)	4,432	4,658
	<u>8,131</u>	<u>8,832</u>
Less: Current portion	(725)	(701)
Long-term portion	<u>7,406</u>	<u>8,131</u>

- a) The GSC loan A is payable in variable monthly instalments with a balance due on February 1, 2028. This loan bears a floating rate of interest at the Canadian dollar offering rate plus 1.22% per annum. A related interest rate swap transaction was entered into on February 1, 2013 for \$7,000 with the lender to swap the floating interest rate for a fixed interest rate of 3.3% per annum on the same principal amount over the same period as the loan effective July 2, 2013.

This loan is financed by student contributions. During the year, \$240 of deferred contributions utilized was recorded as a decrease in deferred contributions for restricted purposes (note 8).

Victoria University

Notes to Financial Statements

For the year ended April 30, 2021

(in thousands of dollars)

- b) The GSC loan B is payable in variable monthly instalments with a balance due on February 1, 2036. This loan bears a floating rate of interest at the Canadian dollar offering rate plus 1.22% per annum. A related interest rate swap transaction was entered into on February 1, 2013 for \$6,000 with the lender to swap the floating interest rate for a fixed interest rate of 3.39% per annum on the same principal amount over the same period as the loan effective July 2, 2013.

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

	\$
2022	725
2023	749
2024	774
2025	801
2026	828
Thereafter	<u>4,254</u>
	<u>8,131</u>

7 Donations

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

	2021 \$	2020 \$
Endowment	1,199	1,766
Amortization of deferred capital contributions	962	967
Unrestricted for operations	<u>1,319</u>	<u>1,478</u>
	<u>3,480</u>	<u>4,211</u>

8 Deferred contributions for restricted purposes

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

	2021 \$	2020 \$
Balance – Beginning of year	5,810	5,157
Grants and donations	696	1,609
Contributions utilized – GSC loan A (note 6(a))	(240)	(259)
Contributions utilized – other	<u>(562)</u>	<u>(697)</u>
Balance – End of year	<u>5,704</u>	<u>5,810</u>

Victoria University
Notes to Financial Statements
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The deferred contributions will be spent as follows:

	2021	2020
	\$	\$
Specific campaigns	3,009	3,250
Other restricted purposes	1,379	1,302
Research	763	787
Library – collections, development and maintenance	386	384
Conferences/lectures	155	77
Scholarships	12	10
	<hr/>	<hr/>
	5,704	5,810
	<hr/>	<hr/>

9 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of property and equipment and capitalized contributed assets. The amortization of capital contributions is on the same basis as the amortization of the related property and equipment and is recorded as revenues in the statement of operations.

	2021	2020
	\$	\$
Deferred capital contributions used to purchase property and equipment		
Balance – Beginning of year	13,975	14,787
Capital contributions	25	155
Less: Amortization of deferred capital contributions	(962)	(967)
	<hr/>	<hr/>
Balance – End of year	13,038	13,975
	<hr/>	<hr/>

Deferred capital contributions have been allocated to the following projects:

	2021	2020
	\$	\$
GSC project	5,072	5,260
Residences	463	535
Bader Theatre	2,894	3,085
Library of the Future	1,511	1,813
Library books	2,878	2,938
Campus Renewal Program	98	197
Other	122	147
	<hr/>	<hr/>
	13,038	13,975
	<hr/>	<hr/>

Victoria University

Notes to Financial Statements

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10 Investment in property and equipment

	2021 \$	2020 \$
Property and equipment	59,027	60,578
Less		
Long-term debt used to purchase property and equipment	(8,131)	(8,832)
Deferred capital contributions used to purchase property and equipment	(13,038)	(13,975)
	<u>37,858</u>	<u>37,771</u>

11 Investment income

	2021 \$	2020 \$
Sources of investment income		
Investment income from endowment net assets	2,823	4,300
Investment income from unrestricted non-endowment assets	286	931
Realized gain on foreign currency	1,985	7,077
Realized gain on sales of investments in endowment net assets	1,871	10,511
	<u>6,965</u>	<u>22,819</u>
Total investment income	<u>6,965</u>	<u>22,819</u>
Investment income reported as follows		
Amount credited directly to externally restricted endowments	2,033	3,048
Realized gain on foreign currency from internally restricted endowments	588	2,100
Realized gain on foreign currency from externally restricted endowments	1,397	4,977
Realized gain on sales on internally restricted endowments	554	3,120
Realized gain on sales on externally restricted endowments	1,317	7,391
Revenues in statement of operations	1,076	2,183
	<u>6,965</u>	<u>22,819</u>

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

Victoria University
Notes to Financial Statements
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	2021		2020	
	Net assets \$	Statement of operations \$	Net assets \$	Statement of operations \$
Unrealized gain (loss) on investments – marketable securities	24,492	10,167	(24,805)	(10,457)
Realized gain on foreign currency	1,397	588	4,977	2,100
Realized gain on sales of investments in endowment net assets	1,317	554	7,391	3,119
Fair value adjustment in investments	27,206	11,309	(12,437)	(5,238)

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.

	2021		2020	
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Endowment balance – Beginning of year	12,281	523	12,804	11,821
Preservation of capital	(85)	(3)	(88)	983
Endowment balance – End of year	12,196	520	12,716	12,804
Expendable funds available for awards – Beginning of year	467	30	497	431
Investment income	511	21	532	522
Bursaries awarded	(407)	(25)	(432)	(456)
Expendable funds available for awards – End of year	571	26	597	497
Fair value	14,550	617	15,167	12,929

During the year, Victoria College awarded 139 (2020 – 189) bursaries and Emmanuel College awarded 17 (2020 – 17) bursaries under the OSOTF.

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For the year ended April 30, 2021

(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.

			2021	2020
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Endowment balance – Beginning of year	1,603	87	1,690	1,555
Preservation of capital	(12)	(1)	(13)	135
Endowment balance – End of year	1,591	86	1,677	1,690
Expendable funds available for awards – Beginning of year	18	11	29	39
Investment income	69	4	73	72
Bursaries awarded	(48)	(11)	(59)	(82)
Expendable funds available for awards – End of year	39	4	43	29
Fair value	1,975	108	2,083	1,775

During the year, Victoria College awarded 25 (2020 – 40) bursaries and Emmanuel College awarded 3 (2020 – 3) bursary under the OSOTF II.

c) Ontario Trust for Student Support (OTSS)

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

			2021	2020
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Endowment balance – Beginning of year	4,111	267	4,378	3,986
Preservation of capital	(33)	(2)	(35)	392
Endowment balance – End of year	4,078	265	4,343	4,378

Victoria University

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Expendable funds available for awards –				
Beginning of year	15	38	53	60
Investment income	199	14	213	208
Bursaries awarded	(105)	(14)	(119)	(215)
Expendable funds available for awards –				
End of year	109	38	147	53
Fair value	5,646	406	6,052	5,159

During the year, Victoria College awarded 54 (2020 – 96) bursaries and Emmanuel College awarded 13 (2020 – 10) 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.

The University of Toronto issues any refunds owed to students and charges Victoria University for payments made. As of April 30, 2021, Victoria University owed the University of Toronto \$824 (2020 – \$2441).

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, 2021, T.S.T. owed Victoria University \$149 (2020 – \$143).

14 Contingencies and commitments

- a) The University participates in a reciprocal exchange of insurance risks in association with 64 other Canadian universities. This self-insurance co-operative is named the Canadian Universities Reciprocal Insurance Exchange (CURIE) and involves a contractual agreement to share the property and liability insurance risks of member universities for a term, which expires on December 31, 2022.

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

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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, 2020, CURIE had a surplus of \$99,449 (2019 – \$90,185), of which the University's pro rata share was approximately 0.457 % (2019 – 0.457%) 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, 2021, the University believes it has valid defences and/or appropriate insurance coverage in place. The amount of loss, if any, cannot be determined at this time.
- c) As at April 30, 2021, straight-line rents receivable of \$0 are included in Deferred lease costs and other (April 30, 2020 - \$233).
- d) The University has invested in two private equity funds. The University estimates its capital obligation under one of the commitments to be \$10,000 USD. As at April 30, 2021 the University had funded \$5,873 USD (\$7,700CAD) towards this commitment. On August 20, 2018 the University committed \$7,500 USD to a second private equity fund. As of April 30, 2021 the University had funded \$3,709 USD (\$4,983 CAD) towards this commitment.

On July 2, 2020 and July 31, 2020, the University invested with two infrastructure private equity managers with capital commitments of \$19,500 USD and \$8,500 USD, respectively. As at April 30, 2021, the University had funded \$1,950 USD (\$2,435 CAD) and \$1,662 USD (\$2,114 CAD), respectively.

On January 22, 2021 and April 1, 2021, the University invested with two private debt funds with capital commitments of \$6,000 USD and \$6,000 USD, respectively. As at April 30, 2021, the University had funded \$4,475 USD (\$5,629 CAD) and \$1,500 USD (\$1,886 CAD), respectively.

Victoria University

Notes to Financial Statements

For the year ended April 30, 2021

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

	2021		2020	
	Pension and other retirement benefits \$	Other benefits \$	Pension and other retirement benefits \$	Other benefits \$
Changes in benefit obligation				
Benefit obligation – Beginning of year	73,891	9,709	71,666	9,099
Current service cost	3,053	373	2,852	351
Interest cost	4,762	632	4,593	591
Benefits paid	(3,502)	(238)	(3,995)	(287)
Past service cost	-	-	188	-
Actuarial loss (gain)	(567)	(1,157)	(1,413)	(45)
Benefit obligation – End of year	77,637	9,319	73,891	9,709
Changes in plan assets				
Fair value – Beginning of year	64,026	-	69,592	-
Actual return on plan assets	5,916	-	(4,196)	-
Administrative expense	(215)	-	(299)	-
Benefits paid	(3,502)	(238)	(3,995)	(287)
Contributions	3,536	238	2,924	287
Fair value – End of year	69,761	-	64,026	-
Accrued liability – End of year	7,876	9,319	9,865	9,709

An amount of \$2,952 (2020 – \$2,827) has been established in the internally restricted endowment of the University for a portion of the costs of other benefits.

Victoria University
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Pension plan assets consist of:

Asset category	2021		2020	
	Fair value \$	Percentage of plan assets %	Fair value \$	Percentage of plan assets %
Cash	1,052	1.5	7,834	12.2
Canadian mutual funds	15,362	22.0	7,290	11.4
Canadian bond funds	28,638	41.1	28,282	44.2
Global equity funds	24,497	35.1	20,420	31.9
Segregated funds	212	0.3	200	0.3
	69,761	100	64,026	100

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

	2021		2020	
	Pension benefit plan %	Other benefit plans %	Pension benefit plan %	Other benefit plans %
Discount rate	6.35	6.35	6.35	6.35
Rate of compensation increase	3.50	3.50	3.50	3.50
Provision for Adverse Deviation	10.65	10.65	10.65	10.65

For measurement purposes, a 7.8% annual rate of increase in the per capita cost of covered drug benefits was assumed for 2018. The rate was assumed to decrease gradually to 4.5% by 2027 and remain at that level thereafter. Covered extended health, hospital and dental care benefits were assumed to have a 7.8%, 4.5% and 4.5% rate of increase, respectively.

The University's net benefit plan expense for the year ended April 30, 2021 and a reconciliation of the change in the accrued benefit liability are as follows:

	2021		2020	
	Pension and other retirement benefits \$	Other benefits \$	Pension and other retirement benefits \$	Other benefits \$
Benefit plan expense				
Current service cost, net of employee contributions	1,897	373	1,717	351
Finance cost	930	632	529	591
Net benefit plan expense	2,827	1,005	2,246	942

Victoria University

Notes to Financial Statements

For the year ended April 30, 2021

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Accrued benefit liability				
Balance – Beginning of year	(9,865)	(9,709)	(2,074)	(9,099)
Plan expense for the year	(2,827)	(1,005)	(2,246)	(942)
Contributions by the University	2,380	238	1,789	287
Remeasurement and other items	2,436	1,157	(7,334)	45
Balance – End of year	<u>(7,876)</u>	<u>(9,319)</u>	<u>(9,865)</u>	<u>(9,709)</u>

16 Risk management

Market risk

Market risk arises from the possibility that changes in the market prices will affect the value of the financial instruments. Cash, short-term deposits, receivables and payables are not subject to significant market risk. The University manages the risk of its investment portfolio by investing in pooled funds in a widely diversified group of asset classes managed by external investment managers. The University monitors the performance of investment managers and their compliance with investment policies on a regular basis.

Credit risk

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

Liquidity risk

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

Currency risk

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

Interest rate risk

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

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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, (\$9) (2020 – \$83) is included within accounts payable and accrued liabilities.

18 Bank overdraft

As at April 30, 2021, the University has an undrawn revolving line of credit of \$4,000 (2020 – \$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

	2021 \$	2020 \$
Accounts receivable	337	13
Inventories	72	(35)
Prepaid expenses	(17)	(94)
Deferred lease costs and other	248	266
Accounts payable and accrued liabilities	(781)	1,749
	<u>(141)</u>	<u>1,899</u>

20 COVID-19

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

The extent of such adverse effects on the University's business and financial and operational performance are uncertain and difficult to assess. The financial impacts will depend on future developments, including the duration, spread and severity of the outbreak, physical distancing requirements, the duration and geographic scope of related travel advisories and restrictions, and the extent of disruptions to businesses globally and its related impact on the economy.

During 2021, the levels of on-campus activity were significantly reduced in the year, and campus services such as residences, food, and parking were particularly impacted. As a result, revenues for residence, parking and food service operations have decreased significantly due to the above measures and reduced activities on campus. In addition to the campus activity, COVID-19 also impacted global commercial and financial activities. This led to significant volatility and declines in the global public equity markets towards the end of fiscal 2020. These markets subsequently recovered their losses. It is uncertain whether market volatility relating to COVID-19 will occur again in the near future. The University does not believe there has been any impairment to its real estate assets.

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The University's budgets and forecasts have taken the expected impacts of the pandemic into account and management continues to manage the University's liquidity to ensure that obligations are met as they become due. The University has access to sufficient liquid resources to support operations in the coming year. Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.