

Financial Statements of

**NIPISSING UNIVERSITY**

Year ended April 30, 2017

DRAFT

# NIPISSING UNIVERSITY

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Year ended April 30, 2017

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## INDEPENDENT AUDITORS' REPORT

To the Governors of Nipissing University

We have audited the accompanying financial statements of Nipissing University, which comprise the statement of financial position as at April 30, 2017, the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising 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.

### *Auditors' 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 our 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, we consider 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.



*Opinion*

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

Chartered Professional Accountants, Licensed Public Accountants

September 16, 2017  
North Bay, Canada

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# NIPISSING UNIVERSITY

## Statement of Financial Position

April 30, 2017, with comparative information for 2016  
(thousands of dollars)

|   | 2017              | 2016              |
|---|-------------------|-------------------|
| <b>Assets</b>                                     |                   |                   |
| Current assets:                                   |                   |                   |
| Cash and cash equivalents                         | \$ 6,568          | \$ 11,707         |
| Accounts receivable (note 3)                      | 3,073             | 4,032             |
| Investments - short-term (note 4)                 | 9,034             | 5,580             |
| Other assets                                      | 447               | 547               |
|   | <u>19,122</u>     | <u>21,866</u>     |
| Investments - long-term (note 4)                  | 26,367            | 20,702            |
| Capital assets (note 5)                           | 93,101            | 96,537            |
|   | <u>\$ 138,590</u> | <u>\$ 139,105</u> |
| <b>Liabilities and Net Assets</b>                 |                   |                   |
| Current liabilities:                              |                   |                   |
| Accounts payable and accrued liabilities (note 6) | \$ 5,779          | \$ 4,734          |
| Deferred revenue                                  | 6,720             | 5,586             |
| Current portion of long-term debt (note 7)        | 3,017             | 2,913             |
|   | <u>15,516</u>     | <u>13,233</u>     |
| Long-term:  |                   |                   |
| Long-term debt (note 7)                           | 28,007            | 30,207            |
| Interest rate swap payable (note 7)               | 5,141             | 6,042             |
| Deferred contributions (note 8)                   | 13,434            | 11,253            |
| Deferred capital contributions (note 9)           | 46,054            | 48,092            |
| Employee future benefits (note 10)                | 6,260             | 5,045             |
|   | <u>114,412</u>    | <u>113,872</u>    |
| Net assets:                                       |                   |                   |
| Unrestricted:                                     |                   |                   |
| - operating                                       | (1,860)           | (373)             |
| - employee future benefits                        | (6,260)           | (5,045)           |
| Internally restricted (note 11)                   | 25,753            | 25,031            |
| Interest rate swaps                               | (5,141)           | (6,042)           |
| Endowments (note 12)                              | 11,686            | 11,662            |
|   | <u>24,178</u>     | <u>25,233</u>     |
| Commitments and contingencies (note 14)           |                   |                   |
|   | <u>\$ 138,590</u> | <u>\$ 139,105</u> |

See accompanying notes to financial statements.

On behalf of the Board of Governors:

\_\_\_\_\_ Governor

\_\_\_\_\_ Governor

# NIPISSING UNIVERSITY

## Statement of Operations

Year ended April 30, 2017, with comparative information for 2016  
(thousands of dollars)

|   | 2017            | 2016              |
|---|-----------------|-------------------|
| Revenue:  |                 |                   |
| Government grants   | \$ 40,519       | \$ 38,097         |
| Student fees  | 27,929          | 28,516            |
| Sales and services  | 5,683           | 5,904             |
| Other   | 2,841           | 2,707             |
| Amortization of deferred capital contributions            | 2,038           | 2,273             |
| Investment  | 1,196           | 798               |
| Donations   | 297             | 118               |
|   | <u>80,503</u>   | <u>78,413</u>     |
| Expenses:   |                 |                   |
| Salaries and benefits                                     | 52,855          | 51,383            |
| Operating and research                                    | 12,933          | 12,851            |
| Occupancy   | 5,973           | 5,597             |
| Amortization of capital assets                            | 3,837           | 4,448             |
| Scholarships and bursaries                                | 4,448           | 4,131             |
| Interest on long-term debt                                | 1,667           | 1,815             |
|   | <u>81,713</u>   | <u>80,225</u>     |
| Deficiency of revenue over expenses before the undernoted | (1,210)         | (1,812)           |
| Change in fair value of interest rate swaps               | 901             | 27                |
| Write down of capital to net realizable value             | -               | (1,223)           |
| Deficiency of revenue over expenses                       | <u>\$ (309)</u> | <u>\$ (3,008)</u> |

See accompanying notes to financial statements.

# NIPISSING UNIVERSITY

## Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2017, with comparative information for 2016  
(thousands of dollars)

|  | Unrestricted      |                             | Internally<br>Restricted<br>(note 11) | Interest<br>Rate<br>Swaps<br>(note 7) | Endowments    | 2017          | 2016          |
|--|-------------------|-----------------------------|---------------------------------------|---------------------------------------|---------------|---------------|---------------|
|  | Operating         | Employee<br>Future Benefits |                                       |                                       |               |               |               |
| Net assets (deficiency) beginning of year                            | \$ (373)          | (5,045)                     | 25,031                                | (6,042)                               | 11,662        | 25,233        | 27,206        |
| Excess (deficiency) of revenue over expenses                         | 1,034             | (445)                       | (1,799)                               | 901                                   | -             | (309)         | (3,008)       |
| Transfer of internally restricted funds                              | (2,521)           | -                           | 2,521                                 | -                                     | -             | -             | -             |
| Endowment contributions  | -                 | -                           | -                                     | -                                     | 24            | 24            | 15            |
| Employee future benefits remeasurements and other items (note 10(b)) | -                 | (770)                       | -                                     | -                                     | -             | (770)         | 1,020         |
| <b>Net assets (deficiency), end of year</b>                          | <b>\$ (1,860)</b> | <b>(6,260)</b>              | <b>25,753</b>                         | <b>(5,141)</b>                        | <b>11,686</b> | <b>24,178</b> | <b>25,233</b> |

See accompanying notes to financial statements.

# NIPISSING UNIVERSITY

## Statement of Cash Flows

Year ended April 30, 2017, with comparative information for 2016  
(thousands of dollars)

|  | 2017     | 2016       |
|--|----------|------------|
| Cash provided by (used in):                                  |          |            |
| Cash flows from operating activities:                        |          |            |
| Deficiency of revenue over expenses                          | \$ (309) | \$ (3,008) |
| Adjustments for:   |          |            |
| Amortization of capital assets                               | 3,837    | 4,448      |
| Amortization of deferred capital contributions               | (2,038)  | (2,273)    |
| Change in value of interest rate swap                        | (901)    | (27)       |
| Employee future benefits expense                             | 445      | 553        |
| Write-down of capital to net realizable value                | -        | 1,223      |
|  | 1,034    | 916        |
| Changes in non-cash working capital items:                   |          |            |
| Accounts receivable  | 959      | (1,292)    |
| Other assets   | 100      | 91         |
| Accounts payable and accrued liabilities                     | 1,045    | 1,178      |
| Deferred revenue   | 1,134    | 2,508      |
|  | 4,272    | 3,401      |
| Cash flows from financing activities:                        |          |            |
| Endowment contributions and investment income capitalization | 24       | 15         |
| Repayment of long-term debt                                  | (2,096)  | (1,998)    |
| Decrease in deferred contributions                           | 2,181    | (1,138)    |
| Deferred capital contributions                               | -        | 18         |
|  | 109      | (3,103)    |
| Cash flows from investing activities:                        |          |            |
| Purchase of capital assets                                   | (401)    | (170)      |
| Change in investments  | (9,119)  | 587        |
|  | (9,520)  | 417        |
| Increase (decrease) in cash and cash equivalents             | (5,139)  | 715        |
| Cash and cash equivalents, beginning of year                 | 11,707   | 10,992     |
| Cash and cash equivalents, end of year                       | \$ 6,568 | \$ 11,707  |

See accompanying notes to financial statements.



# NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2017  
(thousands of dollars)

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## 1. Objectives and purpose:

Nipissing University (the "University") was incorporated as a university in 1992 under the laws of the Province of Ontario. Its mission provides for undergraduate programming in Liberal Arts, Science, Business and Health Sciences and undergraduate and graduate programs in Education, History, Math, Environmental Studies and Environmental Science. The University aspires to fulfill the best traditions of scholarship and to provide an environment committed to the ideals of free inquiry and expression. As a university with predominantly undergraduate programming and roots in teacher education, the University places priority on the highest ideals of instructional excellence and student engagement.

The University is a registered charity and, as such, is exempt from income taxes under Section 149 (1) of the Income Tax Act (Canada).

## 2. Summary of significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook (the "Handbook").

The significant accounting policies for the University are described below:

### (a) Revenue recognition:

The University follows the deferral method of accounting for contributions, which include donations and government grants.

Unrestricted contributions and donations are recognized as revenue when received or receivable if the amount can be reasonably estimated and allocation is reasonably assured. Contributions pertaining to future periods are deferred and recognized as revenue in the year in which the related expenses are recognized.

Pledges are recorded as revenue in the period in which they are received.

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for capital asset purchases are deferred and amortized to operations on the same basis as the related asset is amortized.

Endowment contributions and investment income preserved as capital protection on externally restricted endowments are recognized as direct increases in net assets in the year in which they are received. Income preserved as capital protection on internally restricted endowments is recorded as unrestricted revenue and transferred to internal endowments.

Student fees are recognized as revenue when courses and seminars are held. Sales and services revenue is recognized at point of sale or when the service has been provided.

# NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2017  
(thousands of dollars)

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## 2. Summary of significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash, money market funds and investments with maturities of three months or less from their date of acquisition. Cash and investments meeting the definition of cash and cash equivalents held for trading rather than liquidity purposes are classified as investments.

(c) Financial instruments:

Financial instruments are recorded at fair value upon initial recognition.

Investments are subsequently measured at fair value. Other financial instruments are subsequently measured at amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are capitalized at fair market value at the date of contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

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|                           |                 |
|---------------------------|-----------------|
| Land                      | No amortization |
| Buildings                 | 40 years        |
| Equipment and furnishings | 5 - 10 years    |
| Library books             | 5 years         |

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Assets no longer in use are carried at the lesser of net book value and net realizable value. No further depreciation is taken on these assets.

(e) Internally restricted net assets:

The University restricts use of portions of its operating net assets for specific future uses. When incurred, the related expenses are charged to operations and the balance of internally restricted assets is reduced accordingly with a transfer to unrestricted net assets.

# NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2017  
(thousands of dollars)

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## 2. Summary of significant accounting policies (continued):

(f) Derivatives:

The University is party to interest rate swap agreements used to manage the exposure to market risks from changing interest rates. The University's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The University has not hedged these agreements and the change in the fair value of the swaps is reflected in the statement of operations. The amounts recorded on the statement of financial position are recorded at fair value.

(g) Employee future benefits:

(i) Pension benefit plan:

The University has a defined contribution pension plan, "Pension Plan for the Employees of Nipissing University", which provides benefits to eligible employees of Nipissing University with more than six months of service. Certain faculty are members of the Ontario Teachers' Pension Plan, a multi-employer defined benefit plan. Contributions to the defined contribution and multi-employer defined benefit plan are expensed when due.

(ii) Other benefit plan:

The University provides medical, dental and life insurance benefits to eligible employees upon retirement. The University accrues for these obligations, with the cost of these benefits being actuarially determined using the projected benefit method prorated on service using management's best estimates of a number of future conditions including salary changes, withdrawals, retirement ages of employees and expected health care costs. Current service and finance costs are expensed during the year, while remeasurements and other items are recognized as a direct increase or decrease in net assets.

(h) Student organizations:

These financial statements do not reflect the assets, liabilities and results of operations of the student organizations as they are not controlled by the University.

# NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2017  
(thousands of dollars)

## 2. Summary of significant accounting policies (continued):

### (i) Use of estimates:

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; financial instruments; valuation allowances for accounts receivable; employee future benefits; and accrued liabilities. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are recognized in the financial statements in the year in which they become known.

## 3. Accounts receivable:

|                                       | 2017     | 2016    |
|---------------------------------------|----------|---------|
| Accounts receivable                   | \$ 4,512 | 5,581   |
| Less: allowance for doubtful accounts | (1,439)  | (1,549) |
|                                       | \$ 3,073 | 4,032   |

## 4. Investments:

|                                    | 2017      | 2016   |
|------------------------------------|-----------|--------|
| Cash                               | \$ 70     | 2,682  |
| Term deposits                      | 8,000     | –      |
| Government and corporate bonds (i) | 586       | 9,398  |
| Mutual funds                       | 26,745    | –      |
| Canadian equities                  | –         | 11,773 |
| Foreign equities                   | –         | 2,429  |
|                                    | 35,401    | 26,282 |
| Less amounts reported as:          |           |        |
| Investments – short-term           | 9,034     | 5,580  |
| Investments – long-term            | \$ 26,367 | 20,702 |

(i) Government and corporate bonds bear interest at 2.35% and have maturity dates in calendar 2017.

Investments – long-term reflect funds for endowments and some specified programs.

# NIPISSING UNIVERSITY

## Notes to Financial Statements

Year ended April 30, 2017  
(thousands of dollars)

### 5. Capital assets:

| 2017                              | Cost              | Accumulated<br>Amortization | Net book<br>Value |
|-----------------------------------|-------------------|-----------------------------|-------------------|
| Land                              | \$ 4,099          | –                           | 4,099             |
| Buildings:                        |                   |                             |                   |
| Operating                         | 84,600            | 23,805                      | 60,795            |
| Residence                         | 29,355            | 11,059                      | 18,296            |
| Equipment and furnishings:        |                   |                             |                   |
| Operating                         | 25,499            | 22,366                      | 3,133             |
| Residence                         | 2,988             | 2,983                       | 5                 |
| Library books                     | 9,126             | 9,080                       | 46                |
| Construction in progress          | 62                | –                           | 62                |
| Assets no longer in use:          |                   |                             |                   |
| Bracebridge campus                | 11,718            | 5,053                       | 6,665             |
| Brantford campus – Darling Street | 1,242             | 1,242                       | –                 |
|                                   | <u>\$ 168,689</u> | <u>75,588</u>               | <u>93,101</u>     |

The Bracebridge Campus, no longer in use, has been written down to net realizable value.

The Brantford – Darling Street Campus, no longer in use, has been written off.

| 2016                              | Cost              | Accumulated<br>Amortization | Net book<br>Value |
|-----------------------------------|-------------------|-----------------------------|-------------------|
| Land                              | \$ 4,099          | –                           | 4,099             |
| Buildings:                        |                   |                             |                   |
| Operating                         | 84,600            | 21,690                      | 62,910            |
| Residence                         | 29,355            | 10,324                      | 19,031            |
| Equipment and furnishings:        |                   |                             |                   |
| Operating                         | 25,160            | 21,426                      | 3,734             |
| Residence                         | 2,988             | 2,981                       | 7                 |
| Library books                     | 9,126             | 9,035                       | 91                |
| Assets no longer in use:          |                   |                             |                   |
| Bracebridge campus                | 11,718            | 5,053                       | 6,665             |
| Brantford campus – Darling Street | 1,242             | 1,242                       | –                 |
|                                   | <u>\$ 168,288</u> | <u>71,751</u>               | <u>96,537</u>     |

# NIPISSING UNIVERSITY

## Notes to Financial Statements

Year ended April 30, 2017  
(thousands of dollars)

### 6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$247 (2016 - \$292), which include amounts payable for payroll related taxes.

### 7. Long-term debt:

| Site   | Due            | Rate  | Blended<br>Monthly<br>Payment | 2017      | 2016   |
|--|----------------|-------|-------------------------------|-----------|--------|
| Unsecured loans  |                |       |                               |           |        |
| Founders House Student Residence   | July 2022      | 6.82% | \$ 44.5                       | \$ 2,306  | 2,662  |
| Chancellors House Student Residence  | August 2026    | 7.05% | 72.0                          | 5,801     | 6,231  |
| Chancellors House Student Residence Expansion  | September 2028 | 6.75% | 25.4                          | 2,378     | 2,515  |
| Active Living Health Research Innovation Centre  | October 2036   | 5.00% | 52.0                          | 7,354     | 7,584  |
| Governors House Student Residence  | October 2030   | 3.27% | 73.4                          | 7,803     | 8,256  |
| Subtotal of variable unsecured loans converted to fixed rates  |                |       |                               | 25,642    | 27,248 |
| Brantford Campus Financing:  |                |       |                               |           |        |
| The University has a ten-year, term loan agreement with a Canadian Chartered Bank in the amount of \$1.2 million to be amortized over twenty-five years. The interest rate is 1.56%. Monthly blended payments of \$5.4. This unsecured loan matured June 30, 2016 and interest only has been paid subsequently.                              |                |       |                               | 817       | 829    |
| City of Brantford Financing:   |                |       |                               |           |        |
| The City of Brantford provided an interest-free loan of \$1.5 million, discounted at a rate of 5.11% approximating the then market borrowing rate for the University. This loan is repaid in three annual instalments of \$150 commencing July 1, 2010 and six annual instalments of \$175 commencing July 1, 2013.                          |                |       |                               | 339       | 496    |
| Research Complex:  |                |       |                               |           |        |
| In February 2010, the University borrowed in the form of a debenture from Ontario Infrastructure Projects Corporation, the principal sum of \$4 million at a rate of 4.33% calculated semi-annually for a term of 15 years. The University will repay this unsecured loan in semi-annual blended principal and interest payments of \$182.7. |                |       |                               | 2,448     | 2,699  |
| Brought forward  |                |       |                               | \$ 29,246 | 31,272 |

# NIPISSING UNIVERSITY

## Notes to Financial Statements

Year ended April 30, 2017  
(thousands of dollars)

### 7. Long-term debt (continued):

|  | 2017      | 2016   |
|--|-----------|--------|
| Carried forward  | \$ 29,246 | 31,272 |
| Muskoka Campus Financing:<br>In January 2008, the University borrowed in the form of a debenture from Ontario Infrastructure Projects Corporation \$2.3 million at a rate of 5.11% calculated semi-annually for a term of 25 years. The University is to repay this unsecured loan in semi-annual blended principal and interest payments of \$82. | 1,778     | 1,848  |
|  | 31,024    | 33,120 |
| Less current portion of long-term debt   | 3,017     | 2,913  |
|  | \$ 28,007 | 30,207 |

The University has entered into interest rate derivative agreements to manage the volatility of interest rates on long-term debt. The University converted the full face value of its variable rate term loans to a fixed rate of interest ranging from 5.0% to 7.05%. The related derivative agreements are in place until the maturity of the associated debt. The fair value of these agreements is \$5,141 (2016 - \$6,042) which is estimated by obtaining market-to-market quotes from the University's lending institutions. The quoted prices generally reflect the estimated amount that the University would pay (receive) to settle these agreements at the statement of financial position date. These represent a liability position for the University as interest rates at the statement of financial position date were lower than the fixed rate specified in the swap agreements.

The following are the minimum annual debt principal repayments due over the next five years and thereafter:

|            |           |
|------------|-----------|
| 2018       | \$ 3,017  |
| 2019       | 2,314     |
| 2020       | 2,257     |
| 2021       | 2,379     |
| 2022       | 2,510     |
| Thereafter | 18,547    |
|            | \$ 31,024 |

Subsequent to year end, the University has entered into a financing arrangement to extinguish the existing unsecured variable rate loans in the amount of \$25,642, and Research Complex Financing of \$2,448 and interest rate swap payable of \$5,141 and Brantford Campus of \$817, as well as to provide for future capital. The new unsecured financing was separated into four tranches for release as follows:

1. On June 29, 2017, a \$35 million 10 year term loan with a fixed interest rate of 2.84%
2. On July 4, 2017, a \$2 million 10 year term loan with a fixed interest rate of 2.872%

There are two remaining tranches of \$1 million each to be released on November 1, 2017 and February 1, 2018 with terms consistent with the second tranche release noted above.

# NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2017  
(thousands of dollars)

## 8. Deferred contributions:

Deferred contributions represent the unspent amount of externally restricted donations, grants and investment income received for research and other restricted purposes. The change in the deferred contribution balance is as follows:

|   | 2017      | 2016   |
|---|-----------|--------|
| Balance, beginning of year                  | \$ 11,253 | 12,391 |
| Add: contributions received during the year | 109       | 136    |
| Less: amount recognized as revenue          | (1,069)   | (761)  |
| Investment returns                          | 3,141     | (513)  |
| Balance, end of year                        | \$ 13,434 | 11,253 |

## 9. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent amounts of donations, student contributions and grants received for the purchase of capital assets. The amortization of deferred capital contributions, which commences once an asset is put into service, is recorded as revenue in the statement of operations. The change in the deferred capital contribution balance is as follows:

|   | 2017      | 2016    |
|---|-----------|---------|
| Balance, beginning of year                                  | \$ 48,092 | 52,960  |
| Add: contributions received in the year                     | –         | 18      |
| Less: amortization of deferred capital contributions        | (2,038)   | (2,273) |
| Less: Write down of net contributions to Bracebridge assets | –         | (2,613) |
| Balance, end of year  | \$ 46,054 | 48,092  |
| Comprised of:   |           |         |
| Capital contributions - unamortized                         | \$ 46,004 | 48,042  |
| Capital contributions - unspent                             | 50        | 50      |
| Balance, end of year  | \$ 46,054 | 48,092  |



# NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2017  
(thousands of dollars)

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## 10. Employee future benefits:

(a) Pension benefit plan:

The University's contributions to the defined contribution plan and the multi-employer defined benefit plan are expensed when due.

Total contributions made during the year were \$2,712 (2016 - \$2,498).

(b) Other benefit plan:

The University provides certain non-pension benefits to eligible retirees until the age of 65. These benefits include medical, dental and life insurance. For eligible faculty retirees only, the University provides a health care spending account which commences at the age of 65 and continues until death.

The interval between actuarial valuations does not exceed three years with the most recent valuation prepared as at April 30, 2017. In years between valuations, an extrapolation of the actuarial valuation is used to determine the projected benefit obligation.

There are no plan assets.

Information about the financial status of University's non-pension benefits is as follows:

|  | 2017     | 2016  |
|--|----------|-------|
| Accrued benefit obligation, being plan deficit | \$ 6,260 | 5,045 |

Total net benefit expense for the University's non-pension benefits plan is as follows:

|                       | 2017     | 2016    |
|-----------------------|----------|---------|
| Current service costs | \$ 375   | 445     |
| Interest cost         | 191      | 209     |
| Actuarial loss (gain) | 230      | (1,020) |
| Plan amendments       | 540      | -       |
|                       | \$ 1,336 | (366)   |

Benefits paid during the year amounted to \$122 (2016 - \$101).

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Notes to Financial Statements

Year ended April 30, 2017  
(thousands of dollars)

## 10. Employee future benefits (continued):

(b) Other benefit plan (continued):

The significant actuarial assumptions adopted in measuring the University's employee future benefits obligation are as follows (weighted-average assumptions):

|  | 2017          | 2016           |
|--|---------------|----------------|
| Discount rate                                    | 3.80%         | 3.80%          |
| Rate of compensation increase for life insurance | 1.75%         | 1.5%           |
| Prescription drug trend rate (to 2030)           | 9.00% to 4.5% | 7.58% to 4.5%  |
| Average health care trend rate (to 2030)         | 4.50%         | 6.83% to 4.50% |

## 11. Internally restricted net assets:

|                                   | 2017      | 2016   |
|-----------------------------------|-----------|--------|
| Infrastructure upgrades (i)       | \$ 1,750  | 1,750  |
| Scholarship funds (ii)            | 1,532     | 1,374  |
| Ancillary operations (iii)        | 4,728     | 4,939  |
| Investment in capital assets (iv) | 16,073    | 15,375 |
| Commitments to employees (v)      | 996       | 957    |
| Future budget provision (vi)      | 674       | 636    |
|                                   | \$ 25,753 | 25,031 |

Internally restricted net assets include funds committed for specific purposes as approved by the Board of Governors as follows:

# NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2017  
(thousands of dollars)

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## 11. Internally restricted net assets (continued):

- (i) Infrastructure upgrades - this represents funds restricted for deferred maintenance and capital emergencies.
- (ii) Scholarship funds – this represents net assets the University has invested for the purposes of providing scholarships and bursaries to students.
- (iii) Ancillary operations – this represents funds set aside for future major capital improvements, replacements and refurbishments of the ancillary operations.
- (iv) Investment in capital assets – this represents the unamortized value of capital assets funded by the University, net of outstanding debt. It excludes assets funded through capital contributions.
- (v) Commitments to employees – this represents the net carry forward of funds set aside to meet future commitments to various employees for professional development activities and internally-funded research.
- (vi) Future budget provision – this represents excess funds from conferences and other ancillary activities set aside for future initiatives.

## 12. Endowments:

Endowments consist of externally restricted donations received by the University. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support:

The Government of Ontario established the Ontario Student Opportunity Trust Fund (“OSOTF”) and the Ontario Trust of Student Support (“OTSS”) programs to encourage individuals and companies to contribute funds to support post-secondary students. The University established three funds – OSOTF - Phase 1 in fiscal 1997; OSOTF - Phase 2 in fiscal 2004; and OTSS in fiscal 2005. Eligible donations are equally matched by the Province. Investment income earned on these funds is used to finance awards to qualified students in need of financial aid. The funds are included in the total of endowments.

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Notes to Financial Statements

Year ended April 30, 2017  
(thousands of dollars)

## 12. Endowments (continued):

| <b>OSOTF – Phase 1</b>   | 2017     | 2016  |
|--|----------|-------|
| Ontario Student Opportunity Trust Fund balance                 | \$ 4,769 | 4,769 |
| Expendable balance, beginning of year                          | \$ 47    | 172   |
| Investment gain  | 654      | 6     |
| Bursaries awarded (2017 – 103 bursaries; 2016 – 119 bursaries) | (116)    | (131) |
| Expendable balance, end of year                                | \$ 585   | 47    |
| <b>OSOTF – Phase 2</b>   | 2017     | 2016  |
| Endowment balance  | \$ 898   | 898   |
| Expendable balance, beginning of year                          | \$ (26)  | (6)   |
| Investment gain (loss)   | 122      | (3)   |
| Bursaries awarded (2017 – 32 bursaries; 2016 – 30 bursaries)   | (16)     | (17)  |
| Expendable balance, end of year                                | \$ 80    | (26)  |
| <b>OTSS</b>  | 2017     | 2016  |
| Endowment balance  | \$ 1,774 | 1,774 |
| Expendable balance, beginning of year                          | \$ 75    | 119   |
| Investment gain (loss)   | 260      | (1)   |
| Bursaries awarded (2017 – 50 bursaries; 2016 – 48 bursaries)   | (36)     | (43)  |
| Expendable balance, end of year                                | \$ 299   | 75    |

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Notes to Financial Statements

Year ended April 30, 2017  
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## 12. Endowments (continued):

Bursary recipients:

|           | OSAP Recipient |        | Non-OSAP Recipient |        | Total  |        |
|-----------|----------------|--------|--------------------|--------|--------|--------|
|           | Number         | Amount | Number             | Amount | Number | Amount |
| Full-time | 42             | \$ 30  | 8                  | \$ 6   | 50     | \$ 36  |

## 13. Financial instrument risk:

Credit risk is the risk of financial loss to the University if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the University's accounts receivable and investments. The University mitigates its potential credit risk from accounts receivable through credit evaluation, approval and monitoring processes. Furthermore, it evaluates the collectability of accounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount the University reasonably believes will be collected. Credit risk with respect to investments is managed through the University's investment policies.

Interest rate risk refers to the adverse consequences of interest rate changes. The University holds fixed rate government and corporate issued bonds with annual yields of 2.35%. The value of fixed rate instruments will generally rise if interest rates fall and fall if interest rates rise. The value of the instruments will vary with developments within the specific governments and entities which issue the instruments.

Foreign currency risk refers to the extent to which instruments denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to other currencies. The University holds investments denominated in a foreign currency and is subject to foreign currency risk. The University believes that it is not exposed to significant currency risks arising from its financial instruments.

Market volatility risk arises from the University's investment portfolio, which contains various pooled funds, fixed income and equity instruments. It is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of general economic and other market factors affecting equity prices.

There has been no significant change to risk exposures from 2016.

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Notes to Financial Statements

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## 14. Commitments and contingencies:

- (a) The University is involved from time to time in litigation that arises in the normal course of operations. In respect to these claims, the University believes it has valid defenses, funded provisions and/or appropriate insurance coverage in place. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable. It is possible the final resolution of some of these matters may require the University to make expenditures in excess of estimated reserves, over an extended period of time and range that cannot be reasonably estimated at this time. The University's policy is to recognize the losses on any litigation when the outcome becomes known and the amount is reasonably determinable.
- (b) The University has access to an unsecured line of credit in the amount of \$5 million. The line of credit bears interest at TD Commercial Banking prime less 0.5%. As at April 30, 2017, the University has not drawn on this line of credit.

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