

Victoria University

Financial Statements
April 30, 2024

Victoria University
Financial Statements
For the year ended April 30, 2024
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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, 2024 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, 2024;
- 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 15, 2024

Victoria University
Statement of Financial Position
As at April 30, 2024

(in thousands of dollars)

	2024 \$	2023 (Note 21) \$
Assets		
Current assets		
Cash and cash equivalents	45,458	41,245
Accounts receivable (note 17)	2,165	589
Inventories	113	90
Prepaid expenses	243	345
	<u>47,979</u>	<u>42,269</u>
Deferred lease costs and other	302	319
Investments (note 3(a))	290,191	268,257
Investments in revenue-producing properties (note 3(b))	302,467	303,333
Endowment assets held by outside trustees	38	38
Property and equipment (note 4)	56,504	56,511
	<u>697,481</u>	<u>670,727</u>

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, 2024

(in thousands of dollars)

	2024 \$	2023 (Note 21) \$
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	5,106	4,764
Current portion of long-term debt (note 6)	3,301	774
	8,407	5,538
Accrued pension benefit liability (note 15)	11,100	10,942
Other post-employment benefits (OPEB) (note 15)	9,245	12,803
Deferred contributions for restricted purposes (note 8)	7,327	6,940
Deferred revenue	730	452
Deferred capital contributions (note 9)	10,797	11,467
Long-term debt (note 6)	10,082	13,383
	57,688	61,525
Net Assets		
Endowments (note 5)		
Externally restricted (note 12)	187,993	176,688
Internally restricted	384,311	379,013
	572,304	555,701
Unrestricted	27,665	15,114
Investment in property and equipment (note 10)	39,824	38,387
	639,793	609,202
	697,481	670,727

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

Victoria University

Statement of Operations

For the year ended April 30, 2024

(in thousands of dollars)

	2024 \$	2023 (Note 21) \$
Revenues		
Student fees	14,657	13,472
Grants from the University of Toronto (note 13)	8,703	7,467
Grants from the Toronto School of Theology (note 13)	236	430
United Church grant	138	139
Government grants and other grants	1,117	839
Donations (note 7)	1,394	1,446
Investment income (note 11)	6,959	3,652
Sales, services and sundry	6,090	4,536
Amortization of deferred capital contributions (note 9)	819	835
Real estate	13,716	14,967
Gain on sale of revenue producing properties (note 3(b))	6,533	-
	<u>60,362</u>	<u>47,783</u>
Expenses		
Salaries	24,129	21,521
Pension and OPEB expense (note 15)	4,378	4,173
Other benefits	3,480	3,070
Supplies and other	6,377	5,943
Repairs and maintenance	1,371	1,131
Utilities	2,486	2,059
Amortization of property and equipment and revenue-producing properties (note 3 and note 4)	5,074	5,021
Scholarships and bursaries	4,190	3,677
Cost of sales and services	2,554	2,271
Management fees	342	315
Interest (note 6)	499	524
	<u>54,880</u>	<u>49,705</u>
Excess (deficiency) of revenues over expenses before fair value adjustment in investments	5,482	(1,922)
Fair value adjustment of investments (note 11)	2,767	2,920
	<u>8,249</u>	<u>998</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, 2024

(in thousands of dollars)

	Externally restricted endowments \$	Internally restricted endowments \$	Unrestricted \$	Investment in property and equipment \$	Total \$
Balance – April 30, 2022	167,864	376,397	12,413	38,623	595,297
Excess (deficiency) of revenues over expenses for the year	-	(797)	5,184	(3,389)	998
Remeasurement – pension and OPEB (note 15)	-	-	(230)	-	(230)
Opening remeasurement of benefit obligation (Note 15)	-	-	(1,705)	-	(1,705)
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	10	(3,163)	3,153	-
Gifts of endowment principal	3,654	319	-	-	3,973
Investment income (note 11)	4,788	-	-	-	4,788
Management fees	(732)	-	-	-	(732)
Income draw from endowment	(5,699)	(2,455)	8,154	-	-
Fair value adjustment on investments – marketable securities	6,813	-	-	-	6,813
Transfer to (from) endowments (note 5)	-	5,539	(5,539)	-	-
Balance – April 30, 2023	176,688	379,013	15,114	38,387	609,202
Excess (deficiency) of revenues over expenses for the year	-	(799)	12,504	(3,456)	8,249
Remeasurement – pension and OPEB (note 15)	-	-	4,639	-	4,639
Investment in property and equipment, net of amounts financed by long-term debt and deferred capital contributions	-	(66)	(4,827)	4,893	-
Gifts of endowment principal	2,002	15	-	-	2,017
Investment income (note 11)	9,700	-	-	-	9,700
Management fees	(797)	-	-	-	(797)
Income draw from endowment	(6,383)	(2,734)	9,117	-	-
Fair value adjustment on investments – marketable securities	6,783	-	-	-	6,783
Transfer to (from) endowments (note 5)	-	8,882	(8,882)	-	-
Balance – April 30, 2024	187,993	384,311	27,665	39,824	639,793

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

Victoria University

Statement of Cash Flows

For the year ended April 30, 2024

(in thousands of dollars)

	2024 \$	2023 (Note 21) \$
Cash provided by (used in)		
Operating activities		
Excess (Deficiency) of revenues over expenses for the year	8,249	998
Adjustments for non-cash and non-operating items		
Investment income realized (note 11)	(232)	(2,197)
Amortization of property and equipment and revenue-producing properties	5,074	5,021
Amortization of deferred capital contributions	(819)	(835)
Unrealized (gain) loss on investments – marketable securities (note 11)	(2,534)	(723)
Pension and OPEB expense (note 15)	4,378	4,173
Decrease in deferred revenue and deferred contributions for restricted purposes	665	619
Gain on sale of revenue producing properties	(6,533)	-
	<u>8,248</u>	<u>7,056</u>
Pension and post-employment contributions (note 15)	(3,139)	(2,961)
Net change in non-cash working capital balances (note 19)	(1,138)	84
	<u>3,971</u>	<u>4,179</u>
Financing activities		
Endowment contributions	11,718	8,761
Management fees	(797)	(732)
Repayment of long-term debt	(774)	(749)
Capital contributions	149	166
	<u>10,296</u>	<u>7,446</u>
Investing activities		
Net purchases of marketable securities	(12,386)	(5,717)
Gain on sale of revenue producing properties	6,533	-
Purchase of property and equipment	(4,201)	(2,581)
	<u>(10,054)</u>	<u>(8,298)</u>
Increase (decrease) in cash and cash equivalents during the year	4,213	3,327
Cash and cash equivalents – Beginning of year	41,245	37,918
Cash and cash equivalents – End of year	<u>45,458</u>	<u>41,245</u>

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

Victoria University

Notes to Financial Statements

For the year ended April 30, 2024

(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.

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.

Victoria University

Notes to Financial Statements

For the year ended April 30, 2024

(in thousands of dollars)

- 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 March 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.

Hedge accounting

Where the requirements for hedge accounting are met, the University designates and documents interest rate swap contracts as hedges of anticipated interest rate risk. The documentation identifies the anticipated transaction being hedged, the risk that is being hedged, the type of hedging instrument used and how effectiveness will be assessed. The hedging instrument must be highly effective in offsetting changes in the anticipated cash flows both at inception and throughout the life of the instrument. Hedge accounting is discontinued prospectively if it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated, or upon the sale or early termination of the hedge.

In accordance with hedge accounting requirements, derivative contracts with a qualifying hedging relationship are not measured at fair value. 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.

Victoria University

Notes to Financial Statements

For the year ended April 30, 2024

(in thousands of dollars)

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. Salaries directly related to the management and oversight of capital projects are included as capitalized costs. 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.

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

Victoria University

Notes to Financial Statements

For the year ended April 30, 2024

(in thousands of dollars)

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 general pension plan is determined based on an actuarial valuation report prepared for funding purposes. The discount rate used for the funding valuation is based on the expected returns of the investment portfolio with a provision for adverse deviations. This report is required to be prepared at least on a three-year basis by the applicable regulations. 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 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 general pension plan is determined based on an actuarial valuation using accounting assumptions that are prepared at least every three years. The discount rate used for the accounting valuation is management's best estimate with reference to high-quality debt instruments with a similar duration as the expected benefit payments. 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.

3 Investments

a) Investments in marketable securities

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

Victoria University
Notes to Financial Statements
For the year ended April 30, 2024

(in thousands of dollars)

	2024			2023		
	Cost \$	Fair value \$	Unrealized gain/(loss) \$	Cost \$	Fair value \$	Unrealized gain/(loss) \$
Cash and foreign currency	5,315	5,353	38	4,562	4,590	28
Canadian fixed income pooled funds	39,353	37,309	(2,044)	37,859	35,858	(2,001)
Canadian equity index/pooled funds	26,910	30,858	3,948	26,912	29,362	2,450
International equity pooled funds	91,003	138,775	47,772	86,689	124,846	38,157
Private Equity	19,195	22,929	3,734	18,980	28,375	9,395
Private Debt	12,833	14,339	1,506	12,029	13,158	1,129
Private Infrastructure	30,979	38,433	7,454	25,213	30,015	4,802
Global Iman Fund	1,009	1,697	688	1,009	1,333	324
Eccles Trust	419	498	79	420	539	119
Dividend Receivables	-	-	-	181	181	-
	<u>227,016</u>	<u>290,191</u>	<u>63,175</u>	<u>213,854</u>	<u>268,257</u>	<u>54,403</u>

All of the above funds are held in investment pools whose market prices are calculated at least quarterly.

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:

	2024			2023		
	Cost \$	Accumulated amortization \$	Net \$	Cost \$	Accumulated amortization \$	Net \$
Land	293,981	-	293,981	294,076	-	294,076
Buildings	27,763	19,277	8,486	27,734	18,477	9,257
Mineral rights	-	-	-	1,915	1,915	-
	<u>321,744</u>	<u>19,277</u>	<u>302,467</u>	<u>323,725</u>	<u>20,392</u>	<u>303,333</u>

The amount of amortization recorded in the statement of operations during the year is \$799 (2023 - \$797).

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. The Board of Regents resolved to divest from the Weyburn property after conducting an assessment of its alignment

Victoria University
Notes to Financial Statements
For the year ended April 30, 2024

(in thousands of dollars)

with the University's strategic objectives. On July 31, 2023, the University sold the Weyburn property for \$6,630.

In 2022, the University commissioned professional appraisal studies of its land and buildings to determine its current market value. The study, using valuation techniques appropriate for each property, placed a current market value of \$731,200 (2019 – \$463,700) on these holdings as at April 30, 2022.

4 Property and equipment

	2024			2023		
	Cost \$	Accumulated amortization \$	Net \$	Cost \$	Accumulated amortization \$	Net \$
Buildings	128,611	83,031	45,580	124,900	79,578	45,322
Equipment and furnishings	7,900	6,153	1,747	7,748	5,793	1,955
Library books	18,774	9,597	9,177	18,370	9,136	9,234
	<u>155,285</u>	<u>98,781</u>	<u>56,504</u>	<u>151,018</u>	<u>94,507</u>	<u>56,511</u>

The amount of amortization recorded in the statement of operations during the year is \$4,274 (2023 – \$4,224).

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, \$8,882 (2023 – \$5,539) was transferred from unrestricted net assets to internally restricted endowments.

	2024 \$	2023 \$
Externally restricted	187,993	176,688
Internally restricted	<u>384,311</u>	<u>379,013</u>
	<u>572,304</u>	<u>555,701</u>
Investments	290,191	268,257
Revenue-producing properties	302,467	303,333
Assets held by outside trustees	38	38
Net accounts payable (interfund)	<u>(20,392)</u>	<u>(15,927)</u>
	<u>572,304</u>	<u>555,701</u>

6 Long-term debt

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

Victoria University
Notes to Financial Statements
For the year ended April 30, 2024

(in thousands of dollars)

	2024 \$	2023 \$
GSC loan A#6973-943 (a)	2,177	2,701
GSC loan B#6973-994 (b)	3,706	3,956
U of T Ancillary loan	7,500	7,500
	13,383	14,157
Less: Current portion	(3,301)	(774)
	10,082	13,383

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

This loan is financed by student contributions. During the year, \$254 of deferred contributions utilized was recorded as a decrease in deferred contributions for restricted purposes (note 8).

The Canadian dollar offering rate will be replaced by alternative benchmark rates during the next fiscal period. In response to this, the University has amended this loan agreement and the related swap subsequent to year-end. As a result of the amendment, the loan will bear a floating rate of interest at adjusted daily compounded Canadian Overnight Repo Rate Average plus 0.60% per annum, effective June 26, 2024.

- b) The GSC loan B is payable in variable monthly instalments with the 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 Canadian dollar offering rate will be replaced by alternative benchmark rates during the next fiscal period. In response to this, the University has amended this loan agreement and the related swap subsequent to year-end. As a result of the amendment, the loan will bear a floating rate of interest at adjusted daily compounded Canadian Overnight Repo Rate Average plus 0.60% per annum, effective June 26, 2024.

- c) The University of Toronto (U of T) Ancillary interest-free loan of \$7.5 million is payable within three years of the five-year term. This interest-free loan bears a fixed interest rate of 3.857% and U of T will cover this interest charge of \$289. This interest expense and the related interest grant from U of T are recorded on the Statement of Operations. The first payment of one third of the principal amount is due in 2024-25 with full repayment of the loan by 2026-27. This loan is measured at cost. The relationship with the UofT is described in Note 13.

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

Victoria University
Notes to Financial Statements
For the year ended April 30, 2024

(in thousands of dollars)

	\$
2025	3,301
2026	3,328
2027	3,355
2028	784
2029	296
Thereafter	2,319
	<u>13,383</u>

7 Donations

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

	2024	2023
	\$	\$
Endowment	2,017	3,973
Amortization of deferred capital contributions	819	835
Unrestricted for operations	1,394	1,446
	<u>4,230</u>	<u>6,254</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.

	2024	2023
	\$	\$
Balance – Beginning of year	6,941	6,396
Grants and donations	1,895	1,952
Contributions utilized – GSC loan A (note 6(a))	(254)	(254)
Contributions utilized – other	(1,255)	(1,153)
Balance – End of year	<u>7,327</u>	<u>6,941</u>

The deferred contributions will be spent as follows:

	2024	2023
	\$	\$
Specific campaigns	4,968	4,430
Other restricted purposes	1,051	1,066
Research	757	896
Library – collections, development and maintenance	347	349
Conferences/lectures	195	192
Scholarships	9	8
	<u>9,627</u>	<u>10,172</u>

Victoria University
Notes to Financial Statements
For the year ended April 30, 2024

(in thousands of dollars)

7,327 6,941

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.

	2024	2023
	\$	\$
Deferred capital contributions used to purchase property and equipment		
Balance – Beginning of year	11,367	12,136
Capital contributions	49	66
Spending of Capital Contributions on Vic Chapel Project	147	-
Less: Amortization of deferred capital contributions	(819)	(835)
Balance – End of year	<u>10,744</u>	<u>11,367</u>
Unutilized deferred capital contributions		
Balance – Beginning of the year	100	-
Capital contributions	100	100
Spending of Capital Contributions on Vic Chapel Project	(147)	-
Balance – End of year	<u>53</u>	<u>100</u>
	<u>10,797</u>	<u>11,467</u>

Deferred capital contributions have been allocated to the following projects:

	2024	2023
	\$	\$
Goldring Student Center (GSC)	4,509	4,697
Residences	279	334
Bader Theatre	2,319	2,510
Library of the Future	604	906
Library books	2,834	2,852
Vic Chapel	200	100
Other	52	68
	<u>10,797</u>	<u>11,467</u>

10 Investment in property and equipment

	2024	2023
	\$	\$
Property and equipment	56,504	56,511
Less		
Long-term debt used to purchase property and equipment	(5,883)	(6,657)
Deferred capital contributions used to purchase property and equipment	(10,797)	(11,467)
	<u>39,824</u>	<u>38,387</u>

Victoria University
Notes to Financial Statements
For the year ended April 30, 2024

(in thousands of dollars)

11 Investment income

	2024 \$	2023 \$
Sources of investment income		
Investment income from endowment net assets	13,779	6,787
Investment income from unrestricted non-endowment assets	2,879	1,653
Realized gain on foreign currency	609	3,660
Realized gain on sales of investments in endowment net assets	168	3,637
Total investment income	<u>17,435</u>	<u>15,737</u>
Investment income reported as follows		
Amount credited directly to externally restricted endowments	9,700	4,788
Realized gain on foreign currency from internally restricted endowments	182	1,102
Realized gain on foreign currency from externally restricted endowments	427	2,558
Realized gain on sales on internally restricted endowments	50	1,095
Realized gain on sales on externally restricted endowments	117	2,542
Revenues in statement of operations	6,959	3,652
	<u>17,435</u>	<u>15,737</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
For the year ended April 30, 2024

(in thousands of dollars)

	2024		2023	
	Net assets	Statement of operations	Net assets	Statement of operations
	\$	\$	\$	\$
Unrealized gain (loss) on investments – marketable securities	6,239	2,534	1,713	723
Realized gain on foreign currency	427	183	2,558	1,102
Realized gain on sales of investments in endowment net assets	117	50	2,542	1,095
Fair value adjustment in investments	6,783	2,767	6,813	2,920

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.

	2024		2023	
	Victoria College	Emmanuel College	Total	Total
	\$	\$	\$	\$
Endowment balance – Beginning of year	13,072	557	13,629	13,385
Preservation of capital	226	10	236	244
Endowment balance – End of year	13,298	567	13,865	13,629
Expendable funds available for awards – Beginning of year	620	33	653	652
Investment income	562	24	586	552
Bursaries awarded	(553)	(18)	(571)	(551)
Expendable funds available for awards – End of year	629	39	668	653
Fair value	16,017	679	16,696	16,042

During the year, Victoria College awarded 180 (2023 – 170) bursaries and Emmanuel College awarded 16 (2023 – 15) bursaries under the OSOTF.

Victoria University

Notes to Financial Statements

For the year ended April 30, 2024

(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.

			2024	2023
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Endowment balance – Beginning of year	1,710	93	1,803	1,769
Preservation of capital	31	2	33	34
Endowment balance – End of year	<u>1,741</u>	<u>95</u>	<u>1,836</u>	<u>1,803</u>
Expendable funds available for awards				
– Beginning of year	78	10	88	75
Investment income	76	4	80	76
Bursaries awarded	(49)	-	(49)	(63)
Expendable funds available for awards				
– End of year	<u>105</u>	<u>14</u>	<u>119</u>	<u>88</u>
Fair value	2,175	119	2,294	2,204

During the year, Victoria College awarded 26 (2023 – 30) bursaries and Emmanuel College awarded 0 (2023 – 2) 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.

			2024	2023
	Victoria College \$	Emmanuel College \$	Total \$	Total \$
Endowment balance – Beginning of year	4,418	290	4,708	4,610
Preservation of capital	88	6	94	98
Endowment balance – End of year	<u>4,506</u>	<u>296</u>	<u>4,802</u>	<u>4,708</u>
Expendable funds available for awards				
– Beginning of year	284	55	339	223
Investment income	218	16	234	221
Bursaries awarded	(132)	(10)	(142)	(105)
Expendable funds available for awards				
– End of year	<u>370</u>	<u>61</u>	<u>431</u>	<u>339</u>
Fair value	6,215	447	6,662	6,401

Victoria University

Notes to Financial Statements

For the year ended April 30, 2024

(in thousands of dollars)

During the year, Victoria College awarded 63 (2023 – 55) bursaries and Emmanuel College awarded 9 (2023 – 7) bursaries under the OTSS program.

13 Related party transactions

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

As of April 30, 2024, the University of Toronto owed Victoria University \$1,520 (2023 – \$182) and Victoria University owed the University of Toronto \$8,693 (2023 – \$8,309), which includes the U of T Ancillary interest free loan of \$7,500 to support the ancillary business. The Ancillary operations includes all residence, food service, parking and conference operations of the University.

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, 2024, T.S.T. owed Victoria University \$150 (2023 – \$63).

14 Contingencies and commitments

- a) The University participates in a reciprocal exchange of insurance risks in association with 79 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, 2024.

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 \$15 million to a maximum of \$1.25 billion per occurrence for property losses and claims in excess of \$5 million to a maximum of \$50 million per occurrence for liability and errors and omissions losses.

In the event premiums are not sufficient to cover claim settlements, the member universities would be subject to assessments in proportion to their participation. As at December 31, 2023, CURIE had a surplus of \$107,548 (2022 – \$99,851), of which the University's pro rata share was approximately 0.345% (2022 – 0.443%) 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, 2024, the University believes it has valid defences and/or appropriate insurance coverage in place. The amount of loss, if any, cannot be determined at this time.
- c) The University has invested in two private equity funds. The University estimates its capital obligation under one of the commitments to be \$10,000 USD (\$13,738 CAD). As at April 30, 2024 the University had funded \$8,846 USD (\$12,153 CAD) towards this commitment. On August 20, 2018 the University committed

Victoria University

Notes to Financial Statements

For the year ended April 30, 2024

(in thousands of dollars)

\$7,500 USD (\$10,304 CAD) to a second private equity fund. As of April 30, 2024 the University had funded \$5,474 USD (\$7,520 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 (\$26,789 CAD) and \$8,500 USD (\$11,677 CAD), respectively. As at April 30, 2024, the University had funded \$16,066 USD (\$22,071 CAD) and \$7,876 USD (\$10,820 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 (\$8,243 CAD) and \$6,000 USD (\$8,243 CAD), respectively. As at April 30, 2024, the University had funded \$4,776 USD (\$6,561 CAD) and \$5,400 USD (\$7,419 CAD), respectively.

- d) On June 18, 2015, the University entered into a capital expenditure facility agreement for \$20,000 related to the financing of capital renewal projects. The University may receive advances under the credit facility by way of fixed rate term loans for a period of one to five years. The credit facility is non-revolving and bears interest at a bank-designated rate plus 0.5%. As at April 30, 2024, \$nil (2023 - \$nil) was draw down on this credit facility.

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, 2024. The most recent actuarial valuation of the general pension plan for funding purposes was performed as at June 30, 2021 under the new funding rules and the next required valuation will be as at June 30, 2024. The accrued liability for employee future benefits other than the general pension plan is determined based on an actuarial valuation using accounting assumptions that are prepared at least every three years. Information about the University's defined benefit plans is as follows:

Victoria University
Notes to Financial Statements
For the year ended April 30, 2024

(in thousands of dollars)

	2024		2023	
	Pension and other retirement benefits \$	Other benefits \$	Pension and other retirement benefits \$	Other benefits \$
Changes in benefit obligation				
Benefit obligation – Beginning of year	86,876	12,803	82,556	10,523
Opening remeasurement of benefit obligation	-	-	162	1,543
Current service cost	3,549	736	3,306	721
Interest cost	5,227	628	4,966	581
Benefits paid	(3,878)	(341)	(3,823)	(293)
Actuarial loss (gain)	8	(4,581)	(291)	(272)
Benefit obligation – End of year	91,782	9,245	86,876	12,803
Changes in plan assets				
Fair value – Beginning of year	75,934		72,481	-
Actual return on plan assets	4,588		3,516	-
Administrative expense	(199)		(165)	-
Benefits paid	(3,878)	(341)	(3,823)	(293)
Contributions	4,237	341	3,925	293
Fair value – End of year	80,682	-	75,934	-
Accrued liability – End of year	11,100	9,245	10,942	12,803

An amount of \$3,380 (2023 – \$3,226) has been established in the internally restricted endowment of the University for a portion of the costs of other benefits.

Pension plan assets consist of:

Asset category	2024		2023	
	Fair value \$	Percentage of plan assets %	Fair value \$	Percentage of plan assets %
Cash	2,500	3.10	1,729	2.28
Canadian mutual funds	20,156	24.98	19,179	25.26
Canadian bond funds	29,936	37.10	28,058	36.95
Global equity funds	28,065	34.79	26,943	35.48
Segregated funds	25	0.03	25	0.03
	80,682	100	75,934	100

Victoria University
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(in thousands of dollars)

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

	2024		2023	
	Pension benefit plan %	Other benefit plans %	Pension benefit plan %	Other benefit plans %
Discount rate	5.95	5.20	5.95	4.70
Rate of compensation increase	3.50	3.50	3.50	3.50
Provision for Adverse Deviation	8.90	-	8.90	-

For measurement purposes, a 5.50% (2023 - 5.70%) annual rate of increase in the per capita cost of covered drug benefits was assumed for 2024. The rate was assumed to decrease gradually to 4.0% (2023 - 4.0%) by 2041 and remain at that level thereafter. Covered extended health, hospital and dental care benefits were assumed to have a 6.0%, 6.0% and 6.0% (2023 - 5.70%, 4.0% and 4.0%) rate of increase, respectively.

The University's net benefit plan expense for the year ended April 30, 2024 and a reconciliation of the change in the accrued benefit liability are as follows:

	2024		2023	
	Pension and other retirement benefits \$	Other benefits \$	Pension and other retirement benefits \$	Other benefits \$
Benefit plan expense				
Current service cost, net of employee contributions	2,110	736	2,050	721
Finance cost	904	628	821	581
Net benefit plan expense	<u>3,014</u>	<u>1,364</u>	<u>2,871</u>	<u>1,302</u>
Accrued benefit liability				
Balance – Beginning of year	(10,943)	(12,803)	(10,075)	(10,523)
Opening remeasurement of benefit obligation	-	0	(162)	(1,543)
Plan expense for the year	(3,013)	(1,364)	(2,871)	(1,302)
Contributions by the University	2,798	341	2,668	293
Remeasurement and other items	58	4,581	(502)	272
Balance – End of year	<u>(11,100)</u>	<u>(9,245)</u>	<u>(10,942)</u>	<u>(12,803)</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

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(in thousands of dollars)

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

Credit risk

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

Liquidity risk

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

Currency risk

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

Interest rate risk

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

17 Government remittances

Government remittances consist of amounts (such as property taxes, sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$33 (2023 – \$15) is included within accounts receivables for HST rebates.

18 Bank overdraft

As at April 30, 2024, the University has an undrawn revolving line of credit of \$4,000 (2023 – \$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.

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(in thousands of dollars)

19 Changes in non-cash working capital balances

	2024	2023
	\$	\$
Accounts receivable	(1,576)	925
Inventories	(23)	17
Prepaid expenses	102	(170)
Deferred lease costs and other	17	14
Accounts payable and accrued liabilities	342	(702)
	<u>(1,138)</u>	<u>84</u>

20 Subsequent Events

- a) On June 27, 2024, the terms for the University of Toronto (U of T) Ancillary interest-free loan of \$7.5 million were renewed with an extension to the repayment period. The original loan agreement required annual principal repayments of \$2.5 million for 3 consecutive years, starting in fiscal 2025. The amended loan agreement requires annual principal repayments of \$1.25 million for 6 consecutive years, starting in fiscal 2025. This loan is measured at cost.
- b) On July 23, 2024, an Agreement related to the Lillian Massey Building was signed between Victoria University and a prospective tenant. As part of the agreement, the University agreed to cease marketing the retail space within the property until August 31, 2025. A preliminary financial consideration was received for the agreement and the final consideration is contingent on the outcome of the lease negotiations between the two parties.

21 Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.