

Financial Statements of

NIPISSING UNIVERSITY

Years ended April 30, 2013 and 2012

NIPISSING UNIVERSITY

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Years ended April 30, 2013 and 2012

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NIPISSING UNIVERSITY

Statements of Financial Position

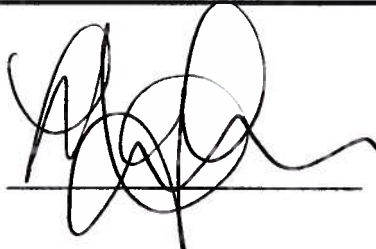
April 30, 2013, April 30, 2012 and May 1, 2011
(thousands of dollars)

	April 30, 2013	April 30, 2012	May 1, 2011
		(restated - note 4)	(restated - note 4)
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,985	13,353	18,650
Cash held in trust – student levies (note 6)	–	3,707	2,745
Investments – short-term (note 7)	22,699	24,551	10,327
Accounts receivable (note 5)	10,255	6,480	13,409
Other	629	444	479
	40,568	48,535	45,610
Investments – long-term (note 7)	22,326	21,898	20,044
Capital assets (note 8)	107,104	102,210	98,292
	\$ 169,998	172,643	163,946
Liabilities and Net Assets			
Current liabilities:			
Short-term debt (note 9)	\$ –	–	1,576
Accounts payable and accrued liabilities (note 10)	9,834	8,507	11,561
Student levies held in trust (note 6)	–	3,707	2,745
Deferred revenue	5,537	5,740	6,842
Current portion of long-term debt (note 11)	1,717	1,597	1,323
	17,088	19,551	24,047
Long-term:			
Long-term debt (note 11)	36,937	38,654	31,777
Interest rate swap payable (note 11)	7,301	7,372	4,998
Deferred contributions (note 12)	10,877	10,797	9,491
Deferred capital contributions (note 13)	57,323	59,192	59,619
Employee future benefits (note 16)	4,828	3,974	3,372
	117,266	119,989	109,257
	134,354	139,540	133,304
Net assets:			
Unrestricted	4,091	2,795	3,283
Internally restricted (note 14)	27,405	26,579	21,804
Interest rate swaps	(7,301)	(7,372)	(4,998)
Endowments (note 15)	11,449	11,101	10,553
	35,644	33,103	30,642
Commitments and contingencies (note 18)			
	\$ 169,998	172,643	163,946

See accompanying notes to financial statements.

On behalf of the Board of Governors:

 Governor

 Governor

NIPISSING UNIVERSITY

Statements of Operations

Years ended April 30, 2013 and 2012
(thousands of dollars)

	2013	2012
		(restated - note 4)
Revenue:		
Government grants	\$ 36,442	35,840
Student fees	31,557	29,978
Sales and services	6,505	6,081
Other	3,167	3,463
Amortization of deferred capital contributions	2,755	2,876
Investment	1,447	1,582
Donations	188	193
	<u>82,061</u>	<u>80,013</u>
Expenses:		
Salaries and benefits	51,013	48,735
Operating and research	13,321	11,730
Occupancy	5,313	5,287
Scholarships and bursaries	3,406	3,093
Cost of ancillary sales and services	2,335	2,226
Amortization of capital assets	4,551	4,655
	<u>79,939</u>	<u>75,726</u>
Excess of revenue over expenses before the undernoted	<u>2,122</u>	<u>4,287</u>
Change in fair value of interest rate swaps	71	(2,374)
Excess of revenue over expenses	<u>\$ 2,193</u>	<u>1,913</u>

See accompanying notes to financial statements.

NIPISSING UNIVERSITY

Statements of Changes in Net Assets

Years ended April 30, 2013 and 2012
(thousands of dollars)

April 30, 2013	Unrestricted	Internally Restricted	Interest Rate Swaps	Endowments	Total
Net assets, beginning of year	\$ 2,795	26,579	(7,372)	11,101	33,103
Excess of revenue over expenses	2,122	-	71	-	2,193
Transfer of internally restricted funds (note 14)	(826)	826	-	-	-
Endowment contributions (note 15)	-	-	-	15	15
Capitalization of investment income in endowments	-	-	-	333	333
Net assets, end of year	\$ 4,091	27,405	(7,301)	11,449	35,644

April 30, 2012	Unrestricted	Internally Restricted	Interest Rate Swaps	Endowments	Total (restated – Note 4)
Net assets, beginning of year	\$ 2,978	21,804	(4,998)	10,553	30,337
Transitional Adjustments (note 3)	(761)	-	-	-	(761)
Collaborative Nursing (note 4)	1,066	-	-	-	1,066
Net assets, beginning of year, as restated	3,283	21,804	(4,998)	10,553	30,642
Excess of revenue over expenses	4,287	-	(2,374)	-	1,913
Transfer of internally restricted funds (note 14)	(4,775)	4,775	-	-	-
Endowment contributions (note 15)	-	-	-	315	315
Capitalization of investment income in endowments	-	-	-	233	233
Net assets, end of year	\$ 2,795	26,579	(7,372)	11,101	33,103

See accompanying notes to financial statements.

NIPISSING UNIVERSITY

Statements of Cash Flows

Years ended April 30, 2013 and 2012
(thousands of dollars)

	2013	2012 (restated – note 4)
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 2,193	1,913
Adjustments for:		
Amortization of capital assets	4,551	4,655
Amortization of deferred capital contributions	(2,755)	(2,876)
Change in value of interest rate swap	(71)	2,374
Net change in employee future benefits obligation	854	602
	<u>4,772</u>	<u>6,668</u>
Change in non-cash working capital:		
Accounts receivable	(3,775)	6,929
Other assets	(185)	35
Accounts payable and accrued liabilities	1,327	(3,054)
Student levies held in trust	(3,707)	962
Cash held in trust	3,707	(962)
Deferred revenue	(203)	(1,102)
	<u>1,936</u>	<u>9,476</u>
Cash flows from financing activities:		
Endowment contributions	15	315
Capitalization of investment income in endowments	333	233
Repayment of short-term debt	–	(1,576)
Proceeds of long-term debt	–	8,500
Repayment of long-term debt	(1,597)	(1,349)
Deferred contributions	80	1,306
Deferred capital contributions	886	2,449
	<u>(283)</u>	<u>9,878</u>
Cash flows from investing activities:		
Purchase of capital assets	(9,445)	(8,573)
Change in investments	1,424	(16,078)
	<u>(8,021)</u>	<u>(24,651)</u>
Net decrease in cash and cash equivalents	(6,368)	(5,297)
Cash and cash equivalents, beginning of year	13,353	18,650
Cash and cash equivalents, end of year	\$ 6,985	13,353

See accompanying notes to financial statements.

NIPISSING UNIVERSITY

Notes to Financial Statements

Years ended April 30, 2013 and 2012

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 CICA Handbook (the "Handbook").

In accordance with the transitional provisions, the University has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is May 1, 2011 and all comparative information provided has been presented by applying these accounting standards.

A summary of transitional adjustments recorded to net assets and excess of revenue over expenses is provided in note 3.

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.

NIPISSING UNIVERSITY

Notes to Financial Statements

Years ended April 30, 2013 and 2012

2. Summary of significant accounting policies (continued):

(a) Revenue recognition (continued):

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.

(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:

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

Costs of construction-in-progress, including interest, are capitalized. Amortization is not recognized until project completion.

(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

Years ended April 30, 2013 and 2012

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 statements of operations. The amounts recorded on the statements 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 pro-rated 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. Differences arising from plan amendments, changes in assumptions and actuarial gains and losses are recognized immediately.

(h) Contributed materials and services:

Volunteers contribute an indeterminable number of hours per year to the University to assist in carrying out its mandate. The cost that would be involved with these is not recognized in these financial statements due to the difficulty in determining their fair value.

(i) 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

Years ended April 30, 2013 and 2012

2. Significant accounting policies: (continued)

(j) 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. Accounting adjustments:

(a) Transitional adjustments - Net Assets:

Effective May 1, 2012, the University adopted the requirements of the new accounting framework, Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting. These are the University's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended April 30, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening ASNPO statement of financial position at the date of transition of May 1, 2011. The University issued financial statements for the year ended April 30, 2012 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V – Pre-changeover Accounting Standards. The adoption of ASNPO resulted in adjustments to the previously reported assets, liabilities, equity, excess of revenue over expenses and cash flows of the University. The charges to net assets at the date of transition of May 1, 2011 were as follows:

Net assets (in thousands of dollars):

As previously reported under Canadian generally accepted accounting principles, April 30, 2011	\$	30,337
Transition election to recognize all cumulative actuarial gains and losses on employee future benefits		(761)
Restated, May 1, 2011	\$	29,576

NIPISSING UNIVERSITY

Notes to Financial Statements

Years ended April 30, 2013 and April 30, 2012

3. Accounting adjustments (continued):

(a) Transitional adjustments - Net Assets (continued):

In accordance with the transitional provisions of Canadian accounting standards for not-for-profit organizations, the University has elected to recognize the cumulative actuarial gains and losses on employee future benefits as at the date of transition.

(b) Statement of Operations:

As a result of the above-noted election and the retrospective application of Canadian accounting standards for not-for-profit organizations, the University recorded the following adjustments to excess of revenue over expenses for the year ended April 30, 2012:

Excess of revenue over expenses (in thousands of dollars):	
As previously reported under Canadian generally accepted accounting principles for year ended April 30, 2012	\$ 1,982
Change in salary and benefit expense as a result of electing to recognize all actuarial gains and losses on transition and immediate recognition thereafter	(166)
Restated for the year ended April 30, 2012	\$ 1,816

4. Collaborative Nursing (in thousands of dollars):

During the year ended April 30, 2013, the University became aware that prior to fiscal 2012 the Province of Ontario had changed its policy for funding the Collaborative Nursing Program and the revenue recognition policy should have been changed to record revenue in the year the student is educated, not in the period the funding is received. The impact of the correction in revenue recognized has been recorded retrospectively and the cumulative effect up at May 1, 2011 has been recorded as a \$1,066 increase of accounts receivable and net assets, and a \$97 increase in excess of revenue over expenses for the year ended April 30, 2012.

5. Accounts receivable (in thousands of dollars):

	April 30, 2013	April 30, 2012	May 1, 2011
		(restated – note 4)	(restated – note 4)
Accounts receivable	\$ 10,921	7,052	13,761
Less: allowance for doubtful accounts	(666)	(572)	(352)
	\$ 10,255	6,480	13,409

NIPISSING UNIVERSITY

Notes to Financial Statements

Years ended April 30, 2013 and 2012

6. Student levies held in trust (in thousands of dollars):

Student levies were collected by the University on behalf of the students to be used for the specific expansion and renovation project as approved by a student referendum held November 3rd and 4th, 2003. These funds were maintained in a segregated cash fund and were shown as Student levies held in trust. On May 31, 2012, these funds were transferred to a third party trustee.

7. Investments (in thousands of dollars):

	April 30, 2013	April 30, 2012	May 1, 2011
Cash	\$ 4,920	853	50
Term deposits (i)	11,024	15,145	3,980
Government and corporate bonds (ii)	9,800	7,346	10,064
Guaranteed investment certificates (iii)	3,160	7,693	–
Canadian equities	13,457	7,262	8,376
Foreign equities	2,664	–	–
Sceptre Pooled Equity Funds	–	8,150	7,901
	45,025	46,449	30,371
Less amounts reported as:			
Investments – short-term	22,699	24,551	10,327
Investments – long-term	\$ 22,326	21,898	20,044

(i) Term deposits bear interest at 1.55% to 1.6% and have maturity dates in May and June 2013.

(ii) Government and corporate bonds bear interest at 4.1% to 10.0% and have maturity dates from 2013 to 2053.

(iii) Guaranteed investment certificates bear interest at 1.95% and mature in 2014.

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

NIPISSING UNIVERSITY

Notes to Financial Statements

Years ended April 30, 2013 and 2012

8. Capital assets (in thousands of dollars):

April 30, 2013	Cost	Accumulated Amortization	Net book Value
Land	\$ 4,099	–	4,099
Building:			
Operating	80,152	16,362	63,790
Residence	34,498	8,381	26,117
Equipment and furnishings:			
Operating	23,361	17,674	5,687
Residence	3,015	2,676	339
Library books	9,126	8,711	415
Construction-in-progress	6,657	–	6,657
	<u>\$ 160,908</u>	<u>53,804</u>	<u>107,104</u>

April 30, 2012	Cost	Accumulated Amortization	Net book Value
Land	\$ 3,533	–	3,533
Building:			
Operating	78,659	14,359	64,300
Residence	34,498	7,518	26,980
Equipment and furnishings:			
Operating	22,453	16,278	6,175
Residence	3,015	2,578	437
Library books	9,127	8,522	605
Construction-in-progress	180	–	180
	<u>\$ 151,465</u>	<u>49,255</u>	<u>102,210</u>

NIPISSING UNIVERSITY

Notes to Financial Statements

Years ended April 30, 2013 and 2012

8. Capital assets (in thousands of dollars) (continued):

May 1, 2011	Cost	Accumulated Amortization	Net book Value
Land	\$ 3,533	–	3,533
Building:			
Operating	53,955	12,392	41,563
Residence	34,452	6,656	27,796
Equipment and furnishings:			
Operating	19,856	14,932	4,924
Residence	2,715	2,367	348
Library books	9,071	8,253	818
Construction-in-progress	19,310	–	19,310
	\$ 142,892	44,600	98,292

9. Short-term debt:

The short-term debt represented a Bankers' Acceptance facility used to finance a portion of the fixed rate loan for the Nipissing University Student Athletic Centre that matured July 2010. The unsecured facility was repaid during 2012.

10. Accounts payable and accrued liabilities (in thousands of dollars):

Included in accounts payable and accrued liabilities are government remittances of \$29 (2012 - \$47; 2011 - \$34), which include amounts payable for payroll related taxes.

NIPISSING UNIVERSITY

Notes to Financial Statements

Years ended April 30, 2013 and 2012

11. Long-term debt:

Site	Due	Rate	Blended Monthly Payment	April 30, 2013	April 30, 2012	May 1, 2011
(in thousands of dollars)						
Founders House Student Residence	July 2022	6.82%	\$ 44,500	\$ 3,601	3,874	4,110
Chancellors House Student Residence	August 2026	7.05%	72,000	7,362	7,690	7,972
Chancellors House Student Residence Expansion	September 2028	6.75%	25,400	2,874	2,979	3,070
Active Living Health Research Innovation Centre	October 2036	5.00%	52,000	8,215	8,407	–
Governors House Student Residence	August 2015 August 2015 to October 2030	6.27% 3.27%	73,360	9,293	9,582	9,839
Subtotal of variable loans converted to fixed rates				31,345	32,532	24,991
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 4.56%. Monthly blended payments of \$6,700. This unsecured loan matures June 30, 2015.				957	994	1,028
City of Brantford Financing:						
The City of Brantford advanced \$2.1 million to the University towards the renovations of the premises at 50 Wellington Street in Brantford. The advance was made in two parts. The first was an interest-free forgivable loan of \$600,000 now forgiven. The second part of the advance was an interest-free loan of \$1.5 million, was discounted at a rate of 5.11% approximating the market borrowing rate for the University. This loan is to be repaid in three annual instalments of \$150,000 commencing July 1, 2010 and six annual instalments of \$175,000 commencing July 1, 2013.				922	1,025	1,123
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 has agreed to repay this unsecured loan in semi-annual blended principal and interest payments of \$182,677.				3,391	3,603	3,806
Brought forward				\$ 36,615	38,154	30,948

NIPISSING UNIVERSITY

Notes to Financial Statements

Years ended April 30, 2013 and 2012

11. Long-term debt (continued):

	April 30, 2013	April 30, 2012	May 1, 2011
	(in thousands of dollars)		
Carried forward	\$ 36,615	38,154	30,948
Muskoka Campus Financing:			
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 Muskoka campus loan was undertaken to finance the construction of dedicated space for Nipissing University Student Union ("NUSU") included in the new building. The University has entered into a formal agreement with NUSU for the University to collect an ancillary student building fee to be applied to the interest and principal payments on this loan as long as the obligation remains outstanding. The University has agreed to repay this unsecured loan in semi-annual blended principal and interest payments of \$81,987.	2,039	2,097	2,152
	38,654	40,251	33,100
Less current portion of long-term debt	1,717	1,597	1,323
	\$ 36,937	38,654	31,777

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 values of these is \$7,301 (2012 - \$7,372, 2011 - \$4,998) 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: (in thousands of dollars)

2014	\$ 1,717
2015	1,820
2016	2,827
2017	2,084
2018	2,196
Thereafter	28,010
	\$ 38,654

Total interest expense for the year ended April 30, 2013 was \$2,335 (2012 - \$2,226; 2011 - \$2,150).

NIPISSING UNIVERSITY

Notes to Financial Statements

Years ended April 30, 2013 and 2012

12. Deferred contributions (in thousands of dollars):

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:

	April 30, 2013	April 30, 2012	May 1, 2011
Balance, beginning of year	\$ 10,797	9,491	8,771
Add: contributions received during the year	933	2,068	882
Less: amount recognized as revenue	(853)	(762)	(162)
Balance, end of year	\$ 10,877	10,797	9,491

13. Deferred capital contributions (in thousands of dollars):

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:

	April 30, 2013	April 30, 2012	May 1, 2011
Balance, beginning of year	\$ 59,192	59,619	51,279
Add: contributions received in the year	886	2,449	10,796
Less: amortization of deferred capital contributions	(2,755)	(2,876)	(2,456)
Balance, end of year	\$ 57,323	59,192	59,619
Comprised of:			
Capital contributions - unamortized	\$ 57,057	58,941	58,783
Capital contributions - unspent	266	251	836
Balance, end of year	\$ 57,323	59,192	59,619

NIPISSING UNIVERSITY

Notes to Financial Statements

Years ended April 30, 2013 and 2012

14. Internally restricted net assets (in thousands of dollars):

	April 30, 2013	April 30, 2012	May 1, 2011
Infrastructure upgrades (i)	\$ 2,250	2,250	2,250
Scholarship funds (ii)	1,354	1,313	1,313
Capital projects (iii)	4,737	9,000	6,178
Ancillary operations (iv)	6,208	6,208	6,208
Investments in capital assets (v)	11,393	6,510	4,833
Commitments to employees (vi)	1,033	892	901
Future budget provision (vii)	430	406	121
	\$ 27,405	26,579	21,804

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

- (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) Capital projects – this represents funds restricted for capital projects planned or in progress.
- (iv) Ancillary operations – this represents funds set aside for future major capital improvements, replacements and refurbishments of the ancillary operations.
- (v) 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.
- (vi) 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.
- (vii) Future budget provision – this represents excess funds from conferences and other ancillary activities set aside for future initiatives.

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Notes to Financial Statements

Years ended April 30, 2013 and 2012

15. Endowments (in thousands of dollars):

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.

Net assets restricted for endowment consist of the following:

	April 30, 2013	April 30, 2012	May 1, 2011
Endowment funds	\$ 8,155	8,140	7,826
Accumulated investment returns	3,294	2,961	2,727
	\$ 11,449	11,101	10,553

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.

OSTOF – Phase 1	2013	2012
Ontario Student Opportunity Trust Fund balance, beginning of year	\$ 3,535	3,535
Expendable balance, beginning of year	\$ 1,096	1,062
Realized investment income, net of direct investment related expenses	47	132
Unrealized investment gain	198	31
Bursaries awarded (2013 – 93 bursaries; 2012 – 148 bursaries)	(107)	(129)
	\$ 1,234	1,096

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Years ended April 30, 2013 and 2012

15. Endowments (continued) (in thousands of dollars):

OSTOF – Phase 2	2013	2012
Endowment balance, beginning of year	\$ 689	689
Expendable balance, beginning of year	\$ 187	178
Realized investment income, net of direct investment related expenses	8	26
Unrealized investment gain (loss)	29	2
Bursaries awarded (2013 – 20 bursaries; 2012 – 17 bursaries)	(15)	(19)
Expendable balance, end of year	\$ 209	187

OTSS	2013	2012
Endowment balance, March 31, 2012	\$ 1,539	1,187
Cash donations received within annual matching ceiling	–	121
Matching funds received or receivable from MTCU	–	231
Endowment balance, March 31, 2013	\$ 1,539	1,539
Expendable balance, beginning of year	\$ 204	154
Realized investment income, net of direct investment related expenses	26	90
Bursaries awarded (2013 – 39 bursaries; 2012 – 36 bursaries)	(37)	(40)
Expendable balance, end of year	\$ 193	204
Market value, end of year	\$ 1,774	1,729

Outstanding donations pledged:

	<u>OSAP Recipient</u>		<u>Non-OSAP Recipient</u>		<u>Total</u>	
	Number	Amount	Number	Amount	Number	Amount
Full-time	35	33	4	4	39	37

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Notes to Financial Statements

Years ended April 30, 2013 and 2012

16. Employee future benefits (in thousands of dollars):

(a) Pension benefit plan:

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

Total contributions made during the year were \$2,448 (2012 - \$2,282).

(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, 2013. In years between valuations, an extrapolation of the actuarial valuation is used to determine the projected benefit obligation.

There are no plan assets. The University selected the immediate recognition approach which accounts for valuation gains and losses annually.

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

	April 30, 2013	April 30, 2012	May 1, 2011
Accrued benefit obligation, being plan deficit	\$ 4,828	3,974	3,372

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

	April 30, 2013	April 30, 2012
Current service costs	\$ 320	282
Interest cost	202	199
Actuarial loss	413	195
	\$ 935	676

Benefits paid during the year amounted to \$81 (2012 - \$74; 2011 - \$129).

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Notes to Financial Statements

Years ended April 30, 2013 and 2012

16. Employee future benefits (in thousands of dollars) (continued):

(b) Other benefit plan:

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

	2013	2012
Discount rate	4.00%	4.75%
Rate of compensation increase for life insurance	3.00%	3.00%
Prescription drug trend rate (to 2030)	8.29% to 4.5%	8.53% to 4.5%
Average health care trend rate (to 2030)	7.52% to 4.5%	7.71% to 4.5%

17. 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 4.1% to 10.0%. 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 are subject to foreign currency risk.

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.

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Notes to Financial Statements

Years ended April 30, 2013 and 2012

18. Commitments and contingencies:

- (a) In May 2012, the University entered into a fixed price contract in the amount of \$9.4 million for Phase II and III of the expansion of the Active Living Health Research Innovation Centre. The project is financed by debt and internally restricted capital reserves. The commitment remaining as at April 30, 2013 was \$3.5 million.
- (b) 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.
- (c) The University has access to an unsecured line of credit in the amount of \$1 million. The line of credit bears interest at TD Commercial Banking less .5% prime, as at April 30, 2013, the University has not drawn on this line of credit.

19. First Generation Pilot Project Initiatives:

For the period of May 1, 2012 to April 30, 2013, the University's financial statements include expenditures totaling \$218,723 incurred for the purpose of carrying out the First Generation Pilot Project initiatives. The goal of the project is to increase the awareness of the benefits of post secondary education of first generation students and to increase their participation, retention and graduation rates