

# NIPISSING

U N I V E R S I T Y

Financial Statements  
April 30, 2012



ONE STUDENT AT A TIME

**Nipissing University**  
**April 30, 2012**  
**INDEX**

---

	<b>Page</b>
Independent Auditor's Report	
Financial Statements:	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	
1. Description	5
2. Summary of Significant Accounting Policies	5
3. Student Levies Held In Trust	10
4. Investments	10
5. Capital Assets	11
6. Short-term Debt	11
7. Long-term Debt	12
8. Deferred Contributions	15
9. Deferred Capital Contributions	15
10. Internally Restricted Net Assets	16
11. Endowments	17
12. Employee Future Benefits	19
13. Financial Instruments	20
14. Commitments	21
15. Subsequent Events	21
16. Contingencies	22
17. Capital Management	22
18. Comparative Financial Statements	22
19. First Generation Project	23
20. Supplemental Information	23



Tel: 705 495 2000  
Fax: 705 495 2001  
Toll-free: 800 461 6324  
www.bdo.ca

BDO Canada LLP  
142 Main Street W  
North Bay ON P1B 2T5 Canada

---

## Independent Auditor's Report

---

### To the Board of 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, 2012, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nipissing University as at April 30, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

North Bay, Ontario  
October 10, 2012

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

# Nipissing University

## STATEMENT OF FINANCIAL POSITION

[Thousands of dollars]

As at April 30	2012 \$	2011 \$
		<i>[restated: note 18]</i>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	13,353	18,650
Cash held in trust – student levies <i>[note 3]</i>	3,707	2,745
Short-term investments <i>[note 4]</i>	15,145	3,980
Accounts receivable	5,317	12,343
Other assets	444	479
	<b>37,966</b>	<b>38,197</b>
Investments <i>[note 4]</i>	31,304	26,391
Capital assets, net <i>[note 5]</i>	102,210	98,292
	<b>171,480</b>	<b>162,880</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Short-term debt <i>[note 6]</i>	0	1,576
Accounts payable and accrued liabilities	8,507	11,561
Student levies held in trust <i>[note 3]</i>	3,707	2,745
Deferred revenue	5,740	6,842
Current portion of long-term debt <i>[note 7]</i>	1,597	1,323
	<b>19,551</b>	<b>24,047</b>
<b>Long-term</b>		
Long-term debt <i>[note 7]</i>	38,654	31,777
Interest rate swap payable <i>[notes 2 and 7]</i>	7,372	4,998
Deferred contributions <i>[note 8]</i>	10,797	9,491
Deferred capital contributions <i>[note 9]</i>	59,192	59,619
Employee future benefits <i>[note 12]</i>	3,047	2,611
	<b>119,062</b>	<b>108,496</b>
	<b>138,613</b>	<b>132,543</b>
<b>Net assets</b>		
Unrestricted	2,559	2,978
Internally restricted <i>[note 10]</i>	26,579	21,804
Interest rate swaps	(7,372)	(4,998)
Endowments <i>[note 11]</i>	11,101	10,553
	<b>32,867</b>	<b>30,337</b>
	<b>171,480</b>	<b>162,880</b>

*Commitments see note 14*  
*Contingency see note 16*

Signed on behalf of the  
Board of Governors

  
\_\_\_\_\_  
Governor

*Subsequent Events 15*  
*See accompanying notes*

  
\_\_\_\_\_  
Governor

---

# Nipissing University

## STATEMENT OF OPERATIONS

[Thousands of dollars]

Year ended April 30	2012	2011
	\$	\$
<b>REVENUE</b>		
Government grants	35,743	35,491
Student fees	29,978	29,486
Accommodation fees and conference services	6,081	5,998
Other	3,463	3,200
Amortization of deferred capital contributions	2,876	2,456
Investment	1,582	894
Donations	193	98
	<b>79,916</b>	<b>77,623</b>
<b>EXPENSES</b>		
Academic	37,764	35,363
Administrative services	6,696	7,285
Plant	4,970	6,016
Amortization of capital assets	4,655	3,692
Academic support	3,769	3,306
Other	3,518	2,882
Scholarships and bursaries	3,093	2,785
Student services	2,879	3,116
Interest	2,226	2,150
Research	2,183	2,370
Library	2,114	1,890
Alumni & Development	1,693	1,355
	<b>75,560</b>	<b>72,210</b>
<b>Excess of revenues over expenses before the undernoted</b>	<b>4,356</b>	<b>5,413</b>
Change in fair value of interest rate swaps	(2,374)	(194)
<b>Excess of revenues over expenses for the year</b>	<b>1,982</b>	<b>5,219</b>

*See accompanying notes*

# Nipissing University

## STATEMENT OF CHANGES IN NET ASSETS

[Thousands of dollars]

Year ended April 30	2012				2011	
	Unrestricted \$	Internally restricted \$	Interest rate swaps \$	Endowments \$	Total \$	Total \$
<b>Net assets, beginning of year, as originally stated</b>	2,978	20,903	(4,998)	10,553	29,436	27,879
Adjustments to opening net assets [note 18]	—	901	—	—	901	(4,717)
<b>Net assets, beginning of year, as restated</b>	2,978	21,804	(4,998)	10,553	30,337	23,162
Excess of revenues over expenses	1,982	—	—	—	1,982	5,219
Transfer of fair value change of interest rate swaps [note 7]	2,374	—	(2,374)	—	—	—
Transfer of internally restricted funds [note 10]	(4,775)	4,775	—	—	—	—
Endowment contributions [Note 11]	—	—	—	315	315	291
Capitalization of investment income in endowments	—	—	—	233	233	764
<b>Net assets, end of year</b>	2,559	26,579	(7,372)	11,101	32,867	29,436

*See accompanying notes*

# Nipissing University

## STATEMENT OF CASH FLOWS

[Thousands of dollars]

Year ended April 30	2012	2011
	\$	\$
		<i>[restated: note 18]</i>
<b>Cash provided by (used in):</b>		
<b>Operations:</b>		
Excess of revenues over expenses	1,982	5,219
Items not involving cash:		
Amortization of capital assets	4,655	3,692
Amortization of deferred capital contributions	(2,876)	(2,456)
Change in fair value of interest rate swaps	2,374	194
Change in non-cash operating working capital:		
Accounts receivable	7,026	(2,538)
Other assets	35	(8)
Accounts payable and accrued liabilities	(3,054)	2,971
Student levies held in trust	962	837
Deferred revenue	(1,102)	(933)
Net change in employee future benefits obligation	436	341
	<b>10,438</b>	<b>7,319</b>
<b>Investing:</b>		
Purchase of capital assets	(8,573)	(17,716)
Change in investments	(16,078)	3,864
	<b>(24,651)</b>	<b>(13,852)</b>
<b>Financing:</b>		
Endowment contributions	315	291
Capitalization of investment income in endowments	233	764
Proceeds of short-term debt	—	1,576
Repayment of short-term debt	(1,576)	—
Proceeds of long-term debt	8,500	—
Repayment of long-term debt	(1,349)	(4,031)
Cash held in trust	(962)	(837)
Deferred contributions	1,306	720
Deferred capital contributions	2,449	10,796
	<b>8,916</b>	<b>9,279</b>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>(5,297)</b>	<b>2,746</b>
Cash and cash equivalents, beginning of year	18,650	15,904
<b>Cash and cash equivalents, end of year</b>	<b>13,353</b>	<b>18,650</b>

*See accompanying notes*

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

---

April 30, 2012

### 1. DESCRIPTION

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 fulfil 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.

These financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations and organizations controlled by the University. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose endowment funds; and the ancillary operations, such as residences.

The University is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized below:

#### (a) Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted donations are recorded when received as pledges are not legally enforceable claims. 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 the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets. Endowment contributions and related investment income are recognized as direct increases in net assets in the year in which they are received. 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

---

April 30, 2012

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (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

The University accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of three categories: held-for-trading, loans and receivables or other financial liabilities. All financial instruments, including derivatives, are measured in the statement of financial position at fair value except for loans and receivables and other financial liabilities which are measured at amortized cost. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in the statement of operations.

In accordance with Canadian generally accepted accounting principles, the University has undertaken the following:

- (i) Cash and cash equivalents, short-term investments, investments, and interest rate swap payable are designated as held-for-trading, being measured at fair value.
- (ii) Accounts receivable are classified as loans and receivables, which are measured at amortized cost.
- (iii) Accounts payable and accrued liabilities, and long-term debt are classified as other financial liabilities, which are measured at amortized cost.

The University also complies with CICA 3861, "Financial Instruments – Disclosure and Presentation", for the presentation and disclosure of financial instruments and non-financial derivatives.

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

---

April 30, 2012

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (d) Investments and investment returns

Investments are recorded in the accounts at fair value. The value of investments recorded in the financial statements is determined as follows:

- (i) Short-term investments are valued based on cost plus accrued interest which together approximates fair value.
- (ii) Publicly traded bonds and equities are determined based quoted market values based on the latest bid prices.
- (iii) Investments in pooled funds are valued at their reported net asset value per unit.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized capital gains and losses, is recorded as follows:

Unrestricted investment income is recognized as revenue in the statement of operations in the year it is earned.

Externally restricted investment income that must be added to the principal amount of resources held for endowments (referred to as capital protection) is recognized as a direct increase (decrease) in endowment net assets.

Externally restricted investment income, other than that designated for capital protection of endowments is recognized as revenue in the statement of operations, when the related expenses are incurred. All externally restricted investment income, other than that designated for capital protection of endowments, which is in excess of related expenses incurred, is recorded as deferred contributions.

Investment income that is internally restricted is recorded as a transfer from unrestricted to internally restricted net assets in the statement of changes in net assets.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

---

April 30, 2012

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (e) 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 the 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.

#### (f) Internally restricted net assets

The University restricts use of portions of its operating assets for specific future uses. These internally restricted amounts are not available for other purposes without approval of the Board of Governors.

#### (g) Interest rate swaps

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 amount recorded on the statement of financial position is recorded at fair value.

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

---

April 30, 2012

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) 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 in income over the expected average remaining service life of employees.

#### (i) Contributed materials and services

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed materials and services are not recognized in these financial statements.

#### (j) Future accounting policy changes

In December 2010, the Accounting Standards Board of the CICA issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The University is currently evaluating the impact of these standards.

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of dollars unless otherwise indicated)

---

April 30, 2012

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (k) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles require 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; 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 reported in the statement of operations in the year in which they become known.

### 3. STUDENT LEVIES HELD IN TRUST

Student levies have been collected for the construction of a proposed expanded student centre. In addition, these funds are used to service the debt incurred for the construction of the Muskoka Campus Student Centre. These funds, totalling \$3,707 (2011 - \$2,745) as at year end, are maintained in a segregated cash fund and are shown as Student levies held in trust. These funds are collected by the University on behalf of the students and are only to be used for capital expenditures for the specific expansion and renovation project as approved by student referendum held November 3<sup>rd</sup> and 4<sup>th</sup>, 2003. During 2010, the University was served with an application to have these funds forwarded to Nipissing University Student Union for their custody and direct control. This request was denied by the Court in light of the funds being defined as a Charitable Trust. Subsequent to year end, an alternate agreement was reached and the University transferred the funds to a third party trustee on May 31, 2012.

### 4. INVESTMENTS

Investments consist of the following:

	2012	2011
	\$	\$
Cash	853	50
Term deposits (i)	15,145	3,980
Government and corporate bonds (ii)	7,346	10,064
Guaranteed investment certificates (iii)	7,693	—
Canadian equities	7,262	8,376
Sceptre Pooled Equity Funds	8,150	7,901
Total Investments	46,449	30,371
Less amounts reported as:		
Short-term investments	15,145	3,980
	31,304	26,391

---

(i) Term deposits bear interest at rates 1.54% to 3.0% and have maturity dates in June and July 2012.

(ii) Government and corporate bonds bear interest at rates 5.5% to 10.0% and have maturity dates from 2013 to 2029.

(iii) Guaranteed investment certificates bear interest at 1.2% to 1.95% and mature from 2013 to 2014.

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of dollars unless otherwise indicated)

April 30, 2012

### 5. CAPITAL ASSETS

Capital assets consist of the following:

	2012			2011		
	Cost \$	Accumulated amortization \$	Net book value \$	Cost \$	Accumulated amortization \$	Net book value \$
Land	3,533	—	3,533	3,533	—	3,533
Buildings - Operating	78,659	14,359	64,300	53,955	12,392	41,563
- Residence	34,498	7,518	26,980	34,452	6,656	27,796
Equipment and furnishings:						
- Operating	22,453	16,278	6,175	19,856	14,932	4,924
- Residence	3,015	2,578	437	2,715	2,367	348
Library books	9,127	8,522	605	9,071	8,253	818
Construction in Progress	180	—	180	19,310	—	19,310
	<b>151,465</b>	<b>49,255</b>	<b>102,210</b>	<b>142,892</b>	<b>44,600</b>	<b>98,292</b>

### 6. 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 the year.

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of dollars unless otherwise indicated)

---

April 30, 2012

### 7. LONG-TERM DEBT

Long-term debt consists of the following:

	2012	2011
	\$	\$
Founders House Student Residence:		
Term loan bearing interest at a variable rate of 1.2% as at April 2012 (converted to effective interest rate of 6.82%) repayable in blended monthly instalments of \$44,500, unsecured due July 2022.	3,874	4,110
Chancellors House Student Residence:		
Term loan bearing interest at a variable rate of 1.2% as at April 2012 (converted to effective interest rate of 7.05%) repayable in blended monthly instalments of \$72,000, unsecured due August 2026.	7,690	7,972
Chancellors House Student Residence Expansion:		
Term loan bearing interest at a variable rate of 1.2% as at April 2012 (converted to effective interest rate of 6.74%) repayable in blended monthly instalments of \$25,400, unsecured due September 2028.	2,979	3,070
Active Living Health Research Innovation Centre:		
Term loan bearing interest at a variable rate of 1.2% as at April 2012 (converted to effective interest rate of 5.25%) repayable in blended monthly instalments of \$52,000, unsecured due October 2021.	8,407	—
Governors House Student Residence:		
Term loan bearing interest at a variable rate of 1.2% as at April 2012 (converted to effective interest rate of 6.27%) repayable in blended monthly instalments of \$73,360, unsecured due August 2015. Subsequent to year end, the loan was refinanced in August 2012 for an effective rate of 3.27% commencing August 2015 and due October 2030 (note 15).	9,582	9,839
<b>Subtotal Long-term debt</b>	<b>32,532</b>	<b>24,991</b>

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of dollars unless otherwise indicated)

---

April 30, 2012

### 7. LONG-TERM DEBT (cont'd)

	2012	2011
	\$	\$
Subtotal carried forward	32,532	24,991
Brantford Campus Financing:		
The University has entered into 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 for the ten years will be 4.56%. Monthly blended payments of principal and interest will be approximately \$6,700 and commenced July 31, 2005. This unsecured loan matures June 30, 2015. The carrying value approximates fair market value.	994	1,028
City of Brantford Financing:		
In July 2007, the City of Brantford advanced \$2.1 million to the University to assist the University with the renovations of the premises at 50 Wellington Street in Brantford. The advance was made in two parts. The first is an interest-free forgivable loan of \$ 600,000 repayable July 1, 2009. This part of the loan is forgivable once the University has completed certain improvements to the premises. As at April 30, 2009, these improvements were completed and the loan forgiven. The second part of the advance was an interest-free loan of \$1.5 million. The loan 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. The carrying value approximates fair market value.	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 with an interest 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 commencing August 16, 2010. The carrying value approximates fair market value.	3,603	3,806
Subtotal Long-term debt	38,154	30,948



---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of dollars unless otherwise indicated)

---

April 30, 2012

### 7. LONG-TERM DEBT (cont'd)

	2012	2011
	\$	\$
Subtotal carried forward	38,154	30,948
Muskoka Campus Financing:		
In January, 2008 the University borrowed in the form of a debenture from Ontario Infrastructure Projects Corporation, the principal sum of \$ 2.3 million with an interest 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 commencing July 15, 2008. The carrying value approximates fair market value.	2,097	2,152
Total long-term debt	40,251	33,100
Less current portion	1,597	1,323
Long-term debt	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 5.25% to 7.05%. The related derivative agreements are in place until the maturity of the associated debt.

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

Years ended April 30,	\$
2013	1,597
2014	1,717
2015	1,820
2016	11,082
2017	1,631
Thereafter	22,404
	40,251

---

Total interest expense for the year ended April 30, 2012 was \$2,226 [2011 - \$2,150].

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of dollars unless otherwise indicated)

---

April 30, 2012

### 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:

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

---

### 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 commence 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:

	2012	2011
	\$	\$
Balance, beginning of year	59,619	51,279
Add: contributions received in the year	2,449	10,796
Less: amortization of deferred capital contributions	(2,876)	(2,456)
Balance, end of year	59,192	59,619
Comprised of:		
Capital contributions – unamortized	58,941	58,783
Capital contributions – unspent	251	836
	59,192	59,619

---

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of dollars unless otherwise indicated)

---

April 30, 2012

### 10. INTERNALLY RESTRICTED NET ASSETS

Details of internally restricted funds are as follows:

	2012	2011
	\$	\$ (restated)
Infrastructure upgrades	2,250	2,250
Scholarship funds	1,313	1,313
Capital projects	9,000	6,178
Ancillary operations	6,208	6,208
Investments in capital assets	6,510	4,833
Commitments to employees	892	901
Future budget provision	406	—
Program initiative fund	—	121
	<b>26,579</b>	<b>21,804</b>

---

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.
- (viii) Program initiative fund – this represents net unspent program funds restricted to meet future cost requirements of the related program.

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of dollars unless otherwise indicated)

---

April 30, 2012

### 11. 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.

Net assets restricted for endowment consist of the following:

	2012 \$	2011 \$
Endowed funds	8,140	7,826
Accumulated investment returns	2,961	2,727
Balance, end of year	<b>11,101</b>	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.

OSOTF - Phase 1 as at April 30, 2012	2012 \$	2011 \$
<b>Ontario Student Opportunity Trust Fund balance, beginning and end of year</b>	<b>3,535</b>	3,535
<b>Expendable balance, beginning of year</b>	<b>1,062</b>	747
Realized investment income, net of direct investment-related expenses	132	120
Unrealized investment gain	31	367
Bursaries awarded (2012 – 148 bursaries, 2011 – 143 bursaries)	(129)	(172)
<b>Expendable balance, end of year</b>	<b>1,096</b>	1,062

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of dollars unless otherwise indicated)

April 30, 2012

### 11. ENDOWMENTS (cont'd)

OSOTF – Phase 2 as at April 30, 2012	2012 \$	2011 \$
<b>Endowment balance, beginning and end of year</b>	<b>689</b>	689
<b>Expendable balance, beginning of year</b>	<b>178</b>	99
Realized investment income, net of direct investment-related expenses	26	23
Unrealized investment gain ( loss)	2	59
Bursaries awarded (2012 - 17 bursaries, 2011 – 4 bursaries)	<b>(19)</b>	<b>(3)</b>
<b>Expendable balance, end of year</b>	<b>187</b>	178
<b>OTSS as at March 31, 2012</b>	<b>2012 \$</b>	<b>2011 \$</b>
<b>Endowment balance, March 31, 2011</b>	<b>1,187</b>	928
Cash donations received within annual matching ceiling	84	93
Matching funds received or receivable from MTCU	231	166
<b>Endowment balance, March 31, 2012</b>	<b>1,502</b>	1,187
<b>Expendable balance, beginning of year</b>	<b>154</b>	110
Realized investment income, net of direct investment-related expenses	90	52
Bursaries awarded (2012 - 36 bursaries, 2011 – 11 bursaries)	<b>(40)</b>	<b>(8)</b>
<b>Expendable balance, end of year</b>	<b>204</b>	154
<b>Market value, end of year</b>	<b>1,729</b>	1,372
<b>Outstanding donations pledged</b>	<b>—</b>	3

Status of OTSS Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount \$	Number	Amount \$	Number	Amount \$
Full-time	24	34	12	6	36	40

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of dollars unless otherwise indicated)

---

April 30, 2012

### 12. EMPLOYEE FUTURE BENEFITS

#### (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 \$2,282 [2011 - \$2,393].

#### (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, 2010. In years between valuations, an extrapolation of the actuarial valuation is used to determine the projected benefit obligation.

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

	2012	2011
	\$	\$
Accrued benefit obligation	3,974	3,372
Fair value of plan assets	—	—
Plan deficit	3,974	3,372
Unamortized net actuarial loss	(927)	(761)
Accrued benefit liability	3,047	2,611

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

	2012	2011
	\$	\$
Total service cost of the plan for the year	282	262
Interest cost	199	182
Actuarial loss	28	26
	509	470

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

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of dollars unless otherwise indicated)

---

April 30, 2012

### 12. EMPLOYEE FUTURE BENEFITS (cont'd)

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

	2012	2011
Discount rate	4.75%	5.50%
Rate of compensation increase for life insurance	3.00%	3.00%
Initial prescription drug trend rate	8.53%	8.76%
Ultimate prescription drug trend rate	4.50%	4.50%
Year ultimate rate reached	2030	2030
Initial and ultimate hospital trend rate	4.50%	4.50%
Initial and ultimate other medical care trend rate	4.50%	4.50%
Initial weighted average health care trend rate	7.71%	7.95%
Ultimate weighted average health care trend rate	4.50%	4.50%
Initial and ultimate dental care trend rate	4.50%	4.50%

### 13. FINANCIAL INSTRUMENTS

#### (a) Fair value:

The carrying values of the University's accounts receivable, accounts payable and accrued liabilities, approximate their fair values due to the relatively short periods to maturity of these items because they are receivable or payable on demand.

#### (b) Risk Management:

The University's financial instruments consist of accounts receivable, investments, accounts payable and accrued liabilities, long-term debt and interest rate swaps. Financial instruments are subject to a variety of risks.

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 6.5% 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

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

---

April 30, 2012

### 13. FINANCIAL INSTRUMENTS (cont'd)

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.

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.

Interest rate, foreign currency and market volatility risk arise principally from the University's investments, which the University manages through investment policies governing asset mixes, equity and fixed income allocations and diversification among fund managers.

### 14. COMMITMENTS

In March 2011, the University entered into an agreement to purchase property in the amount of \$500,000. The University took possession of the property on August 10, 2012 at which time payment was made in full.

### 15. SUBSEQUENT EVENTS

In May 2012, the University entered into a fixed price contract in the amount of \$9,414,000 plus applicable taxes 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.

In July 2012, the University entered into a fixed price contract in the amount of \$1,141,000 plus applicable taxes for renovations to the former library space. The project is financed by internally restricted capital reserves.

In August 2012, the University entered into a forward interest rate swap agreement with a Canadian chartered bank for the purposes of extending the term loan facility for the Governor's House Residence that will become due August 2015 for an additional 15 years to October 2030. The University has locked in the interest rate under the swap agreement at 3.27% based on an effective date of August 2015.



---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

---

April 30, 2012

### 16. CONTINGENCIES

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 defences, 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.

### 17. CAPITAL MANAGEMENT

In managing capital, the University focuses on liquid resources available for operations. The University's objective is to have sufficient liquid resources to continue to operate even if adverse financial events were to occur. The University's mandate is to prepare an annual balanced budget and the levels of liquid resources are considered in the annual budget process. Cash flows are monitored on a regular basis. The University attempts to minimize the use of its line of credit of \$1,000,000 which can be used in the event that sufficient cash flow is not available to cover operating and capital expenditures. The University manages its capital expenditures in accordance with its debt capacity. As at April 30, 2012, the University has met its objective of having sufficient liquid resources to meet its current operations.

### 18. COMPARATIVE FINANCIAL STATEMENTS

The University funds a number of research and professional development activities undertaken by employees. In prior years, the unexpended funds pertaining to these activities were included in accounts payable and accrued liabilities. These financial statements have been restated to include these amounts in internally restricted net assets.

The impact of this change to the 2011 comparative figures is an increase in opening internally restricted net assets and a decrease in accounts payable and accrued liabilities of \$901,000. There was no impact on revenues and expenses reported in the statement of operations for the year ended April 30, 2011.

Certain prior year comparative figures have been reclassified to conform to the presentation to the 2012 financial statements.

---

# Nipissing University

## NOTES TO FINANCIAL STATEMENTS

(All amounts in thousands of dollars unless otherwise indicated)

---

April 30, 2012

### 19. FIRST GENERATION PROJECT

The University entered into an agreement with the Province of Ontario to provide assistance to First Generation students with the goal of enhancing the participation of First Generation students in postsecondary education and increasing the retention and graduate rates for this student population. For the period from April 1, 2010 to March 31, 2012 the University's financial statements include the following expenditures for the purpose of carrying out the First Generation Project:

Year ended April 30	2012 \$ (In Dollars)
<b>EXPENSES</b>	
Employee salaries and benefits	317,383
Operational expenses	96,875
	<b>414,258</b>

---

### 20. SUPPLEMENTAL INFORMATION

In addition to the information presented in the statement of operations, presented below is a Schedule of Expenses classified by object of expense.

Year ended April 30	2012 \$	2011 \$ <i>[restated: note 18]</i>
<b>EXPENSES</b>		
Employee salaries and benefits	49,686	47,417
Academic supplies and services	7,176	6,261
Plant and operating expenditures	8,724	9,905
Scholarships and bursaries	3,093	2,785
Interest	2,226	2150
Amortization of capital assets	4,655	3,692
	<b>75,560</b>	<b>72,210</b>

---