

Financial Statements of

NIPISSING UNIVERSITY

And Independent Auditors' Report thereon

Year ended April 30, 2021

NIPISSING UNIVERSITY

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Year ended April 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Governors of Nipissing University

Opinion

We have audited the financial statements of Nipissing University (the Entity), which comprise:

- the statement of financial position as at April 30, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the “financial statements”)

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

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 ***Auditors' Responsibilities for the Audit of the Financial Statements*** section of our report.

We are independent of the Entity in accordance with the applicable independence standards, and we have fulfilled our other ethical responsibilities in accordance with these standards.

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



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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion. 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Canada
September 16, 2021

NIPISSING UNIVERSITY

Statement of Financial Position

April 30, 2021, with comparative information for 2020
(thousands of dollars)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,296	\$ 10,866
Accounts receivable (note 4)	2,831	2,770
Investments - short-term (note 5)	4,776	4,834
Other assets	940	619
	<u>21,843</u>	<u>19,089</u>
Investments - long-term (note 5)	26,118	25,666
Capital assets (note 6)	72,529	75,879
	<u>\$ 120,490</u>	<u>\$ 120,634</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 6,416	\$ 5,080
Employee related	2,025	2,022
Deferred revenue	6,273	3,535
Current portion of long-term debt (note 8)	1,213	1,176
	<u>15,927</u>	<u>11,813</u>
Long-term:		
Long-term debt (note 8)	33,492	34,705
Deferred contributions (note 9)	13,246	11,801
Deferred capital contributions (note 10)	33,732	35,036
Employee future benefits (note 11)	8,022	8,110
	<u>104,419</u>	<u>101,465</u>
Net assets:		
Unrestricted:		
- operating	590	1,917
- employee future benefits	(10,047)	(10,132)
Internally restricted (note 12)	13,395	15,371
Endowments (note 13)	12,133	12,013
	<u>16,071</u>	<u>19,169</u>
Commitments and contingencies (note 15)		
	<u>\$ 120,490</u>	<u>\$ 120,634</u>

See accompanying notes to financial statements.

On behalf of the Board of Governors:

_____ Governor

_____ Governor

NIPISSING UNIVERSITY

Statement of Operations

Year ended April 30, 2021, with comparative information for 2020
(thousands of dollars)

	2021	2020
Revenue:		
Government grants	\$ 38,840	\$ 42,051
Student fees	29,709	28,826
Sales and services	2,515	5,809
Other	1,864	2,756
Amortization of deferred capital contributions	1,532	1,519
Investment	1,643	1,250
Donations	81	585
	<u>76,184</u>	<u>82,796</u>
Expenses:		
Salaries and benefits	57,071	58,494
Operating and research	9,875	13,151
Occupancy	4,171	3,726
Amortization of capital assets	3,563	3,595
Scholarships and bursaries	4,481	4,736
Interest on long-term debt	991	999
	<u>80,152</u>	<u>84,701</u>
Deficiency of revenue over expenses	\$ (3,968)	\$ (1,905)

See accompanying notes to financial statements.

NIPISSING UNIVERSITY

Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2021, with comparative information for 2020
(thousands of dollars)

	Unrestricted		Internally Restricted (note 12)	Endowments	2021	2020
	Operating	Employee Related				
Net assets (deficiency), beginning of year	\$ 1,917	(10,132)	15,371	12,013	19,169	\$ 21,355
Excess (deficiency) of revenue over expenses	46	(665)	(3,349)	-	(3,968)	(1,905)
Transfer of internally restricted funds	(1,373)	-	1,373	-	-	-
Endowment contributions	-	-	-	120	120	108
Employee future benefits remeasurements and other items (note 11(b))	-	750	-	-	750	(389)
Net assets (deficiency), end of year	\$ 590	(10,047)	13,395	12,133	16,071	\$ 19,169

See accompanying notes to financial statements.

NIPISSING UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2021, with comparative information for 2020
(thousands of dollars)

	2021	2020
Cash provided by (used in):		
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (3,968)	\$ (1,905)
Adjustments for:		
Amortization of capital assets	3,563	3,595
Amortization of deferred capital contributions	(1,532)	(1,519)
Employee future benefits expense	662	561
	<u>(1,275)</u>	<u>732</u>
Changes in non-cash working capital items:		
Accounts receivable	(61)	1,691
Other assets	(321)	175
Accounts payable and accrued liabilities	1,336	384
Deferred revenue	2,738	162
Deferred contributions	1,445	(1,850)
Employee related	3	288
	<u>3,865</u>	<u>1,582</u>
Cash flows from financing activities:		
Endowment contributions	120	108
Repayment of long-term debt	(1,176)	(1,141)
Deferred capital contributions	228	750
	<u>(828)</u>	<u>(283)</u>
Cash flows from investing activities:		
Purchase of capital assets	(213)	(831)
Change in investments	(394)	899
	<u>(607)</u>	<u>68</u>
Increase in cash and cash equivalents	2,430	1,367
Cash and cash equivalents, beginning of year	10,866	9,499
Cash and cash equivalents, end of year	<u>\$ 13,296</u>	<u>\$ 10,866</u>

See accompanying notes to financial statements.

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

(thousands of dollars)

1. Objectives and purpose:

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

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

2. Summary of significant accounting policies:

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

The significant accounting policies for the University are described below:

(a) Revenue recognition:

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

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

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

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

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

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

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

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021
(thousands of dollars)

2. Summary of significant accounting policies (continued):

(b) Cash and cash equivalents:

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

(c) Financial instruments:

Financial instruments are recorded at fair value upon initial recognition.

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

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

The University enters into interest rate swaps to hedge the effect of changes in interest rates on its long-term debt that bears interest based on LIBOR. Gains or losses realized on the settlement of the hedging item are deferred until the settlement of the hedged item.

At the inception of hedging relationship, the University designates that hedge accounting will be applied. The University formally documents the hedging relationship between the hedging instruments and hedged item. At the inception of the hedge and throughout its term, the terms of the hedging item and hedged item are the same.

(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
Land improvement	20 years
Buildings	40 years
Equipment and furnishings	5 - 10 years

Assets no longer in use are carried at the lesser of net book value and net realizable value. No further depreciation is taken on these assets. Assets under construction are not amortized until they are put in use.

(e) Internally restricted net assets:

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

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021
(thousands of dollars)

2. Summary of significant accounting policies (continued):

(f) Employee future benefits:

(i) Pension benefit plan:

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

(ii) Other benefit plan:

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

(g) 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.

(h) 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.

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021
(thousands of dollars)

3. Funds held in trust:

\$2,535 (2020 - \$2,057) is held in trust for Nipissing University Student Union (NUSU) for the construction of the student centre. This balance is not reflected in these financial statements.

4. Accounts receivable:

	2021	2020
Accounts receivable	\$ 4,634	\$ 4,371
Less: allowance for doubtful accounts	(1,803)	(1,601)
	\$ 2,831	\$ 2,770

5. Investments:

	2021	2020
Cash	\$ 32	\$ 8
Term deposits	2,500	3,599
Mutual funds	28,362	26,893
	30,894	30,500
Less amounts reported as:		
Investments – short-term	(4,776)	(4,834)
Investments – long-term	\$ 26,118	\$ 25,666

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

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021
(thousands of dollars)

6. Capital assets:

2021	Cost	Accumulated Amortization	Net book Value
Land	\$ 3,024	\$ –	\$ 3,024
Land Improvements	2,396	463	1,933
Buildings:			
Operating	81,231	31,035	50,196
Residence	29,355	13,994	15,361
Equipment and furnishings:			
Operating	25,785	23,961	1,824
Residence	2,967	2,965	2
Construction in progress	189	–	189
	<u>\$ 144,947</u>	<u>\$ 72,418</u>	<u>\$ 72,529</u>

2020	Cost	Accumulated Amortization	Net book Value
Land	\$ 3,024	\$ –	\$ 3,024
Land Improvements	2,396	343	2,053
Buildings:			
Operating	81,219	29,005	52,214
Residence	29,355	13,260	16,095
Equipment and furnishings:			
Operating	25,659	23,284	2,375
Residence	2,967	2,963	4
Construction in progress	114	–	114
	<u>\$ 144,734</u>	<u>\$ 68,855</u>	<u>\$ 75,879</u>

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021
(thousands of dollars)

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$876 (2020 - \$387), which include amounts payable for payroll related taxes.

8. Long-term debt:

	Due	Rate	Blended Monthly Payment	2021	2020
\$35,000 TD Loan 1	June 2027	2.84%	\$ 162.9	\$ 31,111	\$ 32,168
\$2,000 TD Loan 2	June 2027	2.84%	9.3	1,783	1,843
\$1,000 TD Loan 3	June 2027	2.897%	4.7	910	939
\$1,000 TD Loan 4	June 2027	2.872%	4.7	901	931
Subtotal of unsecured loans				34,705	35,881
Less current portion of long-term debt				(1,213)	(1,176)
				\$ 33,492	\$ 34,705

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

2021	\$ 1,213
2022	1,248
2023	1,274
2024	1,318
2025	1,356
Thereafter	28,296
	\$ 34,705

The University has entered into interest rate derivative agreements to manage the volatility of interest rates. The University converted floating rate debt (1% for first two and 2% for last two) for fixed rate debt as noted above. The related derivative agreements are in place until the maturity date. The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt of June 30, 2027. The notional and fair values of the interest rate swap agreements is as follows:

	2021		2020	
	Notional value	Fair value	Notional value	Fair value
TD Loan 1	\$ 31,111	\$ 31,687	\$ 32,168	\$ 34,185
TD Loan 2	1,783	1,816	1,843	1,958
TD Loan 3	910	929	939	1,002
TD Loan 4	901	920	931	992
	\$ 34,705	\$ 35,352	\$ 35,881	\$ 38,137

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021
(thousands of dollars)

9. 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:

	2021	2020
Balance, beginning of year	\$ 11,801	\$ 13,651
Add: contributions received during the year	113	182
Less: amount recognized as revenue	(1,336)	(2,187)
Investment returns	2,668	155
Balance, end of year	\$ 13,246	\$ 11,801

10. Deferred capital contributions:

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

	2021	2020
Balance, beginning of year	\$ 35,036	\$ 35,805
Add: contributions received in the year	228	750
Less: amortization of deferred capital contributions	(1,532)	(1,519)
Balance, end of year	\$ 33,732	\$ 35,036
Comprised of:		
Capital contributions - unamortized	\$ 33,682	\$ 34,986
Capital contributions - unspent	50	50
	\$ 33,732	\$ 35,036

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021
(thousands of dollars)

11. Employee future benefits:

(a) Pension benefit plan:

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

Total contributions made during the year were \$3,061 (2020 - \$3,015).

(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, 2020. In years between valuations, an extrapolation of the actuarial valuation is used to determine the projected benefit obligation.

There are no plan assets.

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

	2021	2020
Accrued benefit obligation, being plan deficit	\$ 8,022	\$ 8,110

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

	2021	2020
Current service costs	\$ 484	\$ 438
Interest cost	243	236
Actuarial loss	(750)	389
	\$ (23)	\$ 1,063

Benefits paid during the year amounted to \$66 (2020 - \$113).

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021
(thousands of dollars)

11. Employee future benefits (continued):

(b) Other benefit plan (continued):

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

	2021	2020
Discount rate	3.20%	3.30%
Rate of compensation increase for life insurance	2.00% to 3.00%	2.00% to 3.00%
Prescription drug trend rate (to 2040)	6.53% to 4.00%	6.67% to 4.00%
Average health care trend rate (to 2040)	6.20% to 4.00%	6.31% to 4.00%

12. Internally restricted net assets:

	2021	2020
Infrastructure upgrades (i)	\$ 1,358	\$ 1,358
Scholarship funds (ii)	1,687	1,555
Ancillary operations (iii)	2,410	3,728
Investment in capital assets (iv) (a)	5,024	5,894
Commitments to employees (v)	1,495	1,209
Future budget provision (vi)	808	732
International student initiative (vii)	613	895
	<u>\$ 13,395</u>	<u>\$ 15,371</u>

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) Ancillary operations - this represents funds set aside for future major capital improvements, replacements and refurbishments of the ancillary operations.
- (iv) Investment in capital assets - this represents the unamortized value of capital assets funded by the University, net of outstanding debt for these assets. It excludes assets funded through capital contributions.
- (v) Commitments to employees - this represents the net carryforward of funds set aside to meet future commitments to various employees for professional development activities and internally-funded research.
- (vi) Future budget provision - this represents excess funds from conferences and other ancillary activities set aside for future initiatives.
- (vii) International student initiative - this represents excess funds from ancillary operations set aside for recruitment of international students

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021
(thousands of dollars)

12. Internally restricted net assets (continued):

(a) Investment in capital assets:

The investment in capital assets is calculated as follows:

	2021	2020
Capital assets	\$ 72,529	\$ 75,879
Less amounts financed by:		
Long-term debt	(34,705)	(35,881)
Add: unspent cash	882	882
Unamortized deferred capital contributions (note 10)	(33,682)	(34,986)
	\$ 5,024	\$ 5,894

13. Endowments:

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

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

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

OSOTF – Phase 1	2021	2020
Ontario Student Opportunity Trust Fund balance	\$ 4,769	\$ 4,769
Expendable balance, beginning of year	\$ 690	\$ 849
Investment gain	579	11
Bursaries awarded (2021 – 101 bursaries; 2020 – 112 bursaries)	(161)	(170)
Expendable balance, end of year	\$ 1,108	\$ 690

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021
(thousands of dollars)

13. Endowments (continued):

OSOTF – Phase 2	2021	2020
Endowment balance	\$ 898	\$ 898
Expendable balance, beginning of year	\$ 128	144
Investment gain	109	2
Bursaries awarded (2021 – 27 bursaries; 2020 – 28 bursaries)	(19)	(18)
Expendable balance, end of year	\$ 218	\$ 128

OTSS	2021	2020
Endowment balance	\$ 1,774	\$ 1,774
Expendable balance, beginning of year	\$ 482	\$ 528
Investment gain	205	4
Bursaries awarded (2021 – 48 bursaries; 2020 – 51 bursaries)	(51)	(50)
Expendable balance, end of year	\$ 636	\$ 482

14. Financial risks:

(a) Credit 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.

(b) Interest rate risk:

The University is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the University to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

The University mitigates interest rate risk on its term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate (see note 8). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt. There have been no changes in interest rate risk exposure as compared to the prior year.

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021
(thousands of dollars)

14. Financial risks (continued):

(c) Foreign currency risk:

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

(d) Market volatility 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.

There has been no significant change to risk exposures from 2020.

(e) Other risks:

The University's main sources of revenue are tuition fees and government operation grants. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The University halted all in-person activity and closed its facilities to staff and students and moved to an online education format in March 2020 based on recommendations from Public Health Ontario.

The 2020/2021 semesters continued in the same format. The University continues to monitor the situation and plan for the fall 2021 semester and beyond.

In response to the adverse impact the pandemic has had on domestic and international tuition fee revenue, as well as ancillary revenue including residence and parking fees, the University has undertaken certain cost cutting measures. The Provincial government has provided financial relief in the form of grants totaling \$2,961.

The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably predicted. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the University is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

NIPISSING UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021
(thousands of dollars)

15. Commitments and contingencies:

- (a) The University can be involved from time to time in litigation that arises in the normal course of operations. In respect to these claims, the University believes it has valid defenses, funded provisions and/or appropriate insurance coverage in place. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable. It is possible the final resolution of some of these matters may require the University to make expenditures in excess of estimated reserves, over an extended period of time and range that cannot be reasonably estimated at this time. The University's policy is to recognize the losses on any litigation when the outcome becomes known and the amount is reasonably determinable.
- (b) The University has access to an unsecured line of credit in the amount of \$5 million. The line of credit bears interest at TD Commercial Banking prime less 0.5%. As at April 30, 2021, the University has not drawn on this line of credit (2020 - \$Nil).
- (c) Nipissing University Student Union, through a referendum, approved a student levy to cover repayment of a student long-term debt facility to provide funding for a new Student Centre. The Board of Governors of the University has approved that the University guarantee the student loan up to the amount of \$6,500.

16. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2021 financial statements.