

Non-consolidated Financial Statements of

# **CAPE BRETON UNIVERSITY**

Year ended March 31, 2016

# CAPE BRETON UNIVERSITY

## Non-consolidated Financial Statements

Year ended March 31, 2016

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## INDEPENDENT AUDITORS' REPORT

To the Board of Governors of  
Cape Breton University

We have audited the accompanying non-consolidated financial statements of Cape Breton University which comprise the non-consolidated statement of financial position as at March 31, 2016 and the non-consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these non-consolidated 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of Cape Breton University as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants

Sydney, Canada  
July 8, 2016

# CAPE BRETON UNIVERSITY

Non-consolidated Statement of Financial Position

March 31, 2016, with comparative figures for 2015

					2016	2015
	Operating Fund	Special Purpose and Research Fund	Capital Fund	Endowment Fund	Total	Total
<b>ASSETS</b>						
<b>Current assets</b>						
Cash	\$ 10,575,296	\$ -	\$ -	\$ -	\$ 10,575,296	\$ 12,552,064
Accounts receivable (note 2)	3,473,873	-	-	-	3,473,873	2,990,537
Due from CBU 2015 Business Trust	165,000	-	-	-	165,000	-
Due from Gardiner Mines Wind Farm Limited Partnership	539,501	-	-	-	539,501	829,258
Inventories (note 3)	62,685	-	-	-	62,685	85,179
Prepaid expenses	186,346	-	-	-	186,346	163,329
	15,002,701	-	-	-	15,002,701	16,640,367
Investments held for scholarship and special purposes (note 4)	-	8,461,273	-	23,856,568	32,317,841	33,331,390
Investment in CBU Developments Inc. (note 5)	-	100	-	-	100	-
Interfund balances	(1,727,255)	9,556,644	(7,238,112)	(591,277)	-	-
Capital assets (note 6)	-	-	65,322,201	-	65,322,201	68,953,800
Work in progress (note 7)	-	-	484,092	-	484,092	-
Due from LearnCorp and CBU Foundation (note 8)	144,513	-	-	-	144,513	-
	\$ 13,419,959	\$ 18,018,017	\$ 58,568,181	\$ 23,265,291	\$ 113,271,448	\$ 118,925,557
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities	\$ 4,844,808	\$ -	\$ -	\$ -	\$ 4,844,808	\$ 5,601,102
Due to LearnCorp and CBU Foundation (note 8)	-	-	-	-	-	458,608
Current portion of accrued service awards and vacation entitlements (note 9)	1,711,712	-	-	-	1,711,712	1,376,572
Current portion of accrued retirement incentive costs (note 10)	555,609	-	-	-	555,609	322,005
Deferred revenue	3,728,542	-	-	-	3,728,542	4,263,620
Deferred special purpose and research funds (note 11)	-	4,942,222	-	-	4,942,222	5,815,024
Current portion of long-term debt (note 12)	-	-	684,000	-	684,000	654,000
Current portion of obligations under capital lease (note 14)	-	-	266,535	-	266,535	273,322
	10,640,669	4,942,222	950,535	-	16,533,426	18,764,253
<b>Long-term liabilities</b>						
Accrued service awards and vacation entitlements (note 9)	3,412,096	-	-	-	3,412,096	3,496,033
Accrued retirement incentive costs (note 10)	1,866,081	-	-	-	1,866,081	571,141
Long-term debt (note 12)	-	-	11,454,000	-	11,454,000	12,138,000
Obligations under capital lease (note 14)	-	-	130,392	-	130,392	396,927
Deferred capital contributions (note 15)	-	-	31,236,786	-	31,236,786	32,061,193
	5,278,177	-	42,821,178	-	48,099,355	48,663,294
	15,918,846	4,942,222	43,771,713	-	64,832,781	67,427,547
<b>FUND BALANCES</b>						
Fund balances	(2,498,887)	13,075,795	14,796,468	23,265,291	48,638,667	51,498,010
Commitments and contingencies (note 22)						
	\$ 13,419,959	\$ 18,018,017	\$ 58,568,181	\$ 23,265,291	\$ 113,271,448	\$ 118,925,557

See accompanying notes to non-consolidated financial statements.

On behalf of the Board of Governors



# CAPE BRETON UNIVERSITY

## Non-consolidated Statement of Operations

Year ended March 31, 2016, with comparative figures for 2015

					2016	2015
	Operating Fund	Special Purpose and Research Fund	Capital Fund	Endowment Fund	Total	Total
<b>REVENUES</b>						
Government grants and contracts	\$ 21,989,224	\$ —	\$ —	\$ —	\$ 21,989,224	\$ 21,770,973
Tuition and related fees	24,109,625	—	—	—	24,109,625	24,350,795
Scholarship revenue	720,000	—	—	—	720,000	806,106
Sale of services	175,831	—	—	—	175,831	178,077
Investment income	391,170	777,674	—	—	1,168,844	855,985
Other income	2,576,294	—	—	—	2,576,294	1,778,857
Ancillary enterprises	2,668,894	198,890	—	—	2,867,784	3,606,704
Special purpose and research revenue (note 11)	—	8,560,775	—	—	8,560,775	7,791,746
Amortization of deferred capital contributions (note 15)	—	—	2,870,946	—	2,870,946	2,665,487
	52,631,038	9,637,339	2,870,946	—	65,039,323	63,804,740
<b>EXPENSES</b>						
Instruction and non-sponsored research	27,254,687	—	—	—	27,254,687	26,289,469
Library	1,914,440	—	—	—	1,914,440	1,946,603
Student services	4,686,657	—	—	—	4,686,657	4,924,359
Administration and general	2,989,791	—	—	—	2,989,791	3,192,680
Development and recruiting	3,657,106	—	—	—	3,657,106	3,503,507
Facilities management	5,573,721	—	—	—	5,573,721	5,452,932
Computing	1,331,905	—	—	—	1,331,905	1,339,657
Ancillary enterprises	2,683,495	3,236	—	—	2,686,731	3,713,377
Special purpose and research expenses (note 11)	—	8,560,775	—	—	8,560,775	7,791,746
Amortization of capital assets	—	—	5,149,185	—	5,149,185	5,048,267
Transition and renewal costs	89,403	—	—	—	89,403	266,033
Voluntary retirement incentive 2016 costs	1,822,062	—	—	—	1,822,062	—
Service awards, net periodic benefit cost recognized (note 16)	310,578	—	—	—	310,578	314,121
Net change in vacation accrual	139,256	—	—	—	139,256	157,357
	52,453,101	8,564,011	5,149,185	—	66,166,297	63,940,108
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>						
	\$ 177,937	\$ 973,328	\$ (2,278,239)	\$ —	\$ (1,126,974)	\$ (135,368)

See accompanying notes to non-consolidated financial statements

# CAPE BRETON UNIVERSITY

## Non-consolidated Statement of Changes in Fund Balances

Year ended March 31, 2016, with comparative figures for 2015

					2016	2015
	Operating Fund	Special Purpose and Research Fund	Capital Fund	Endowment Fund	Total	Total
<b>BALANCE, BEGINNING OF YEAR</b>	\$ (1,204,505)	\$ 14,286,921	\$ 14,305,419	\$ 24,110,175	\$ 51,498,010	\$ 48,635,691
<b>Transactions during the year</b>						
Excess (deficiency) of revenues over expenses	177,937	973,328	(2,278,239)	—	(1,126,974)	(135,368)
Service awards remeasurement (note 18)	67,318	—	—	—	67,318	(350,092)
Contributions	—	—	—	314,094	314,094	620,735
Drawdowns from special purpose endowments	—	(2,656)	—	—	(2,656)	(400,201)
Investment income on scholarship endowments in excess of scholarships awarded	—	—	—	1,495,187	1,495,167	1,327,091
Change in fair value of investments	—	(952,247)	—	(2,654,145)	(3,606,392)	1,800,154
Investment in CBU Developments Inc.	—	100	—	—	100	—
Net change in investment in capital assets (note 17)	(586,806)	(195,654)	882,460	—	—	—
Capital assets to be funded from future operations						
Residences	(300,000)	—	300,000	—	—	—
Roads and parking	(195,654)	—	195,654	—	—	—
Verschuren Centre	(645,000)	—	645,000	—	—	—
Capital assets temporarily financed by operations	(746,174)	—	746,174	—	—	—
Interfund transfers (note 18)	1,033,997	(1,033,997)	—	—	—	—
	(1,294,382)	(1,211,126)	491,049	(644,884)	(2,859,343)	2,862,319
<b>BALANCE, END OF YEAR</b>	\$ (2,498,887)	\$ 13,075,795	\$ 14,796,468	\$ 23,265,291	\$ 48,638,667	\$ 51,498,010
<b>Fund balances are comprised of</b>						
Investment in capital assets (note 17)	\$ —	\$ —	\$ 14,796,468	\$ —	\$ 14,796,468	\$ 14,305,419
Internally restricted funds (note 20)	—	5,527,079	—	—	5,527,079	5,651,076
Endowment funds	—	7,548,616	—	23,265,291	30,813,907	32,746,020
Equity in CBU Developments Inc	—	100	—	—	100	—
Unrestricted	(2,498,887)	—	—	—	(2,498,887)	(1,204,505)
	\$ (2,498,887)	\$ 13,075,795	\$ 14,796,468	\$ 23,265,291	\$ 48,638,667	\$ 51,498,010

See accompanying notes to non-consolidated financial statements.

# CAPE BRETON UNIVERSITY

## Non-consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
<b>CASH FLOWS FROM OPERATIONS</b>		
Excess (deficiency) of revenues over expenses Items not involving cash	\$ (1,126,974)	\$ (135,368)
Amortization of capital assets	5,149,185	5,048,267
Amortization of deferred capital contributions	(2,870,946)	(2,665,497)
Increase (decrease) in accrued retirement incentive costs	1,528,544	(226,283)
Increase in accrued service awards and vacation entitlements	318,521	293,794
Change in non-cash working capital (note 21)	(2,828,035)	3,615,617
	170,295	5,930,530
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in investments	(2,592,845)	(3,970,931)
Acquisition of capital assets and work in progress	(2,001,676)	(3,577,647)
Endowment contributions	314,094	620,735
Special purpose contributions, net of drawdowns	(2,656)	(400,201)
Investment income on scholarship endowments in excess of scholarships awarded	1,495,167	1,327,091
	(2,787,916)	(6,000,953)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances (to) from Gardiner Mines Wind Farm Limited Partnership	289,757	(829,258)
Advances to CBU 2015 Business Trust	(165,000)	—
Advances (to) from LearnCorp International Inc. and CBU Foundation	(603,121)	73,457
Contributions for capital assets	2,046,539	2,316,484
Long-term debt for capital assets	—	77,441
Repayment of long-term debt	(654,000)	(5,967,901)
Repayment of capital lease obligations	(273,322)	(388,440)
	640,853	(4,718,217)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,976,768)	(4,788,640)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	12,552,064	17,340,704
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 10,575,296	\$ 12,552,064
<b>Supplemental cash flow information</b>		
Non-cash investing and financing activities		
Acquisition of capital assets through capital leases	\$ —	\$ 491,035

See accompanying notes to non-consolidated financial statements.

# CAPE BRETON UNIVERSITY

## Notes to Non-consolidated Financial Statements

Year ended March 31, 2016

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The College of Cape Breton was established on June 28, 1974, combining the Sydney Campus of Saint Francis Xavier University and the Nova Scotia Eastern Institute of Technology into a single post-secondary institution under an autonomous Board of Governors by an Act of the Nova Scotia legislature. In June, 1982, the College was granted university status by an amendment to the College of Cape Breton Act.

The Cape Breton University is a registered charity under the Income Tax Act and is therefore, exempt from payment of income taxes.

### 1. ACCOUNTING POLICIES

These non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations:

#### a) Basis of presentation

The University follows the deferral method using fund accounting. The following is a description of the nature and purpose of each of the funds.

##### Endowment fund

The Endowment Fund reports the net assets available for scholarship purposes. The University regards scholarship funds as being of an endowment nature.

Contributions to the fund are accounted for as a direct increase in the endowment fund balance. Pledges to the endowment fund are recognized when the pledged assets are received. Investment income earned on endowment funds is:

- recognized as scholarship revenue in the operating fund to the extent utilized to pay scholarships included in student services, and
- the remaining balance of investment income is added directly to the endowment fund balance.

##### Capital fund

The capital fund reports the assets, liabilities, revenues and expenses related to the University's capital assets.

##### Special purpose and research fund

The special purpose and research fund principally reports the revenues and expenses related to sponsored research and special projects along with the ancillary operation of the parking lot.



# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

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## 1. ACCOUNTING POLICIES (CONTINUED)

### a) Basis of presentation (continued)

In addition, the fund reports the continuity of endowment funds (other than scholarships) and other special funds which have been established by internal restrictions to meet designated priorities of the University.

#### Operating fund

The operating fund reports all the remaining residual activities of the University and consists principally of the assets, liabilities, revenues and expenses associated with the core operations of the University.

### b) Revenue recognition

Revenues, including government grants and contributions, are recorded using the deferral method of accounting. Major revenues, including tuition fees, residence fees and sales are recognized when the services are provided or the goods are sold.

Operating grants are recorded as revenue in the period to which it relates. Capital grants are recorded as deferred capital contributions and are amortized to revenue at a rate corresponding with the amortization of the related capital asset.

Unrestricted contributions are recognized as revenue when the amount can be reasonably estimated and collections are reasonably assured.

Externally restricted contributions are recognized as revenue in the same accounting period as the related expense.

### c) Investments

Investments in pooled funds, equities and long-term bonds are recorded at fair value. Changes in fair market value of investments held for endowments are recorded directly to the fund balance.

The investment in CBU Developments Inc. is accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the University's share of post-acquisition earnings or losses less dividends.

### d) Inventories

Inventories are recorded at the lower of cost and net realizable value.

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 1. ACCOUNTING POLICIES (CONTINUED)

### e) Capital assets

Capital assets are reported in the statement of financial position at cost net of accumulated amortization. They are amortized on a straight-line basis over their estimated useful lives at the following rates:

Asset	Basis	Rate
Buildings	Straight-line	40 years
Capital improvements	Straight-line	15 years
Computer and information systems Equipment	Straight-line	5 years
Computers and peripherals	Straight-line	3 years
Other equipment	Straight-line	5 years
Library collection	Straight-line	10 years
Vehicles	Straight-line	3 years
Equipment under capital lease	Straight-line	3-5 years

A full year's amortization is taken in the year of acquisition and no amortization in the year of disposal. Equipment under capital lease is amortized over the term of the lease.

Capital assets acquired through external funding are not capitalized until project completion.

Work in progress is reported in the statement of financial position at cost.

### f) Deferred revenue and deferred special purpose and research funds

Deferrals within these categories relate to funds received for goods or services to be provided subsequent to the statement of financial position date and unspent grants and contributions for which there is a specified use.

### g) Interfund transfers

The University follows a policy of appropriating funds on a discretionary basis for special items including debt repayment and capital asset replacement. Interfund transfers are recorded to maintain the fund balances at their designated levels.

### h) Contributed services

Various organizations and individuals make voluntary contributions of goods and services to Cape Breton University in carrying out its service delivery activities. Because of the difficulty of determining their value, contributed goods and services are not recognized in the financial statements.

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

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## 1. ACCOUNTING POLICIES (CONTINUED)

### i) Artwork and collections

Cape Breton University has been entrusted with the care and preservation of certain collections of art, rare books and manuscripts and historical artifacts. The University's stewardship policies include proper security measures, insurance coverage and qualified caretakers. Certain acquisitions may require a cash outlay by Cape Breton University.

As at March 31, 2016, the fair market value of the artwork and collections was \$6,864,777. The fair market value is not reflected in the financial statements.

### j) Service awards

The University pays a service award to permanent full-time employees who accumulate a minimum of ten years service with the University and is employed by the University immediately prior to retirement. The amount of the award is based on years of service up to a maximum payment equal to four months salary.

The projected benefit method prorated on services is used to determine the accrued benefit obligation and current service cost.

Actuarial gains and losses are immediately recognized in the statement of changes in fund balances.

### k) Derivative financial instruments

Derivative financial instruments are utilized to reduce interest rate risk on the University's debt. The University enters into interest rate swaps to reduce the impact of fluctuating interest rates on its long-term debt. The University designates its interest rate swap agreement as a hedge of the underlying debt. The University does not enter into financial instruments for trading or speculative purposes.

The University formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various interest rate hedge transactions. This process includes linking the derivative to specific assets and liabilities on the statement of financial position or to specific firm commitments or anticipated transactions. The University also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 1. ACCOUNTING POLICIES (CONTINUED)

### l) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting periods. Significant items subject to such estimates and assumptions include valuation of accounts receivable, inventory, accrued service awards with related net period benefit cost, carrying amount of capital assets and assessments of legal liabilities. Actual results could differ from those estimates.

### m) Financial instruments

#### Measurement of financial instruments

The University initially measures its financial assets and financial liabilities at fair value and subsequently measures its financial assets and financial liabilities as follows:

Financial instrument	Measurement basis
Cash	Fair value
Accounts receivable	Amortized cost
Investments	Fair value
Accounts payable	Amortized cost
Accrued liabilities	Amortized cost
Long-term debt	Amortized cost

Transaction costs related to financial assets are expensed as incurred. Financing fees related to financial liabilities are deferred and amortized over the period of the related liability.

#### Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in income. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 2. ACCOUNTS RECEIVABLE

	2016	2015
Student accounts	\$ 2,145,183	\$ 2,292,191
Less allowance for doubtful accounts	(898,043)	(974,487)
	1,247,140	1,317,704
Government allotments and grants	613,171	827,026
Other	1,613,562	845,807
	<u>\$ 3,473,873</u>	<u>\$ 2,990,537</u>

## 3. INVENTORIES

	2016	2015
CBU Press	\$ 55,050	\$ 65,034
Other	7,635	20,145
	<u>\$ 62,685</u>	<u>\$ 85,179</u>

## 4. INVESTMENTS HELD FOR SCHOLARSHIP AND SPECIAL PURPOSES

	2016		2015	
	Cost	Market value	Cost	Market value
Fund				
Special purpose and research	\$ 1,976,679	\$ 2,118,181	\$ 2,182,129	\$ 2,622,564
Victor Harriss Endowment	5,919,353	6,343,092	5,336,229	6,413,281
	7,896,032	8,461,273	7,518,358	9,035,845
Endowment	21,290,137	23,856,568	19,074,971	24,295,545
	<u>\$ 29,186,169</u>	<u>\$ 32,317,841</u>	<u>\$ 26,593,329</u>	<u>\$ 33,331,390</u>

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

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## 5. INVESTMENT IN CBU DEVELOPMENTS INC.

The University is the sole shareholder of CBU Developments Inc. ("Developments"), a company that acts as the corporate trustee of CBU 2015 Business Trust (the "Trust"). In its role as corporate trustee, Developments is responsible for the execution of the trust indenture. It is expected there will be few transactions within Developments and no significant equity accumulated, with exception of the initial share capital issued.

The Trust was created to invest in Gardiner Mines Wind Farm Limited Partnership whose principal business activity is the construction and operation of three wind turbines in Sydney, Nova Scotia. The Trust owns 89% of the partnership units of the Limited Partnership and has incurred the debt financing for the construction of the wind turbines. This debt has been guaranteed by the University.

It is expected the partnership income earned by the Trust will be distributed, in accordance with the trust indenture, to the named beneficiaries, Cape Breton University and Cape Breton University Foundation and no significant equity will be accumulated by the Trust.

The summary of the audited financial statements of CBU 2015 Business Trust for the period ending December 31, 2015 is as follows:

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### BALANCE SHEET

Assets	\$19,690,532
Liabilities	20,170,259
Capital	(479,727)

### STATEMENT OF OPERATIONS

Revenues	\$ Nil
Expenses	479,827
Loss for the period	(479,827)

### STATEMENT OF CASH FLOWS

Operations	\$ 6,719,099
Financing	12,952,978
Investing	(18,100,000)

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# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 5. INVESTMENT IN CBU DEVELOPMENTS INC. (CONTINUED)

The summary of the audited financial statements of Gardiner Mines Wind Farm Limited Partnership for the period ending March 31, 2016 follows:

### BALANCE SHEET

Assets	\$20,138,349
Liabilities	1,939,153
Partners' Capital	18,199,196

### STATEMENT OF EARNINGS

Revenues	\$ 276,525
Expenses	177,331
Net earnings	99,194

### STATEMENT OF CASH FLOWS

Operating	\$ 715,426
Financing	16,348,004
Investing	(17,000,448)

## 6. CAPITAL ASSETS

	2016		
	Cost	Accumulated amortization	Net book value
Land	\$ 251,570	\$ -	\$ 251,570
Buildings	89,689,247	40,105,591	49,583,656
Capital improvements	25,252,991	13,327,031	11,925,960
Computer and information systems	1,080,051	1,080,050	1
Equipment	7,721,193	4,706,654	3,014,539
Library collection	2,359,345	2,225,681	133,664
Vehicles	328,260	252,814	75,446
Equipment under capital lease	2,535,608	2,198,243	337,365
	\$ 129,218,265	\$ 63,896,064	\$ 65,322,201

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 6. CAPITAL ASSETS (CONTINUED)

			2015
	Cost	Accumulated amortization	Net book value
Land	\$ 251,570	\$ —	\$ 251,570
Buildings	89,689,247	37,863,361	51,825,886
Capital improvements	24,914,211	11,856,660	13,057,551
Computer and information systems	1,080,051	1,080,048	3
Equipment	6,620,829	3,629,155	2,991,674
Library collection	2,359,345	2,196,671	162,674
Vehicles	249,821	203,514	46,307
Equipment under capital lease	2,535,608	1,917,473	618,135
	\$ 127,700,682	\$ 58,746,882	\$ 68,953,800

## 7. WORK IN PROGRESS

	2016	2015
Fire alarm notification system	\$ 471,833	\$ —
Campus Centre cooling towers	12,259	—
	\$ 484,092	\$ —

## 8. DUE FROM CBU FOUNDATION AND ITS SUBSIDIARIES

During the year, the University provided administrative and processing support to the CBU Foundation and certain of its subsidiaries. In 2016, CBU Foundation declared and paid a dividend in the amount of \$250,000 to the University.

At March 31, 2016, LearnCorp International Inc., a subsidiary of the CBU Foundation owed the University \$135,803 for amounts paid on its behalf (2015 - \$458,608 was owed for amounts collected on its behalf).

At March 31, 2016, the CBU Foundation owed the University \$8,710 for amounts paid on its behalf.



# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 9. ACCRUED SERVICE AWARDS AND VACATION ENTITLEMENTS

	2016	2015
Service awards, accrued benefit liability (note 16)	\$ 3,669,016	\$ 3,557,069
Vacation entitlements	1,454,792	1,315,536
	5,123,808	4,872,605
Current portion		
Service awards benefits	256,920	61,036
Vacation entitlements	1,454,792	1,315,536
	1,711,712	1,376,572
	\$ 3,412,096	\$ 3,496,033

## 10. ACCRUED RETIREMENT INCENTIVE COSTS

	2016	2015
Accrued transition costs – 2008	\$ 145,201	\$ 226,395
Accrued faculty renewal costs – 2009	463,232	666,751
Accrued voluntary retirement incentive – 2016	1,813,257	–
	2,421,690	893,146
Current portion		
Accrued transition costs – 2008	63,548	91,276
Accrued faculty renewal costs – 2009	207,810	230,729
Accrued voluntary retirement incentive – 2016	284,251	–
	555,609	322,005
	\$ 1,866,081	\$ 571,141

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 11. DEFERRED SPECIAL PURPOSE AND RESEARCH FUNDS

The deferrals are comprised of net revenues received in advance for projects of an ongoing nature. The changes in deferred funding are as follows:

	2016	2015
Balance, beginning of year	\$ 5,815,024	\$ 3,754,117
Add external contributions		
Indigenous and Northern Affairs Canada	716,410	850,064
CFI and NSRIT	405,011	697,540
ECBC/ACOA	544,975	1,035,686
Federal Tri Council	786,730	821,348
Public Works and Government Services Canada	325,822	322,147
Other grants and revenue	4,360,677	4,014,632
Province of Nova Scotia	548,348	2,111,236
Less		
Amount recognized as revenue for the year	(8,560,775)	(7,791,746)
Balance, end of year	\$ 4,942,222	\$ 5,815,024

## 12. LONG-TERM DEBT

	2016	2015
Royal Bank of Canada, 4.8% due August 1, 2035, repayable in fluctuating blended instalments averaging \$42,000 per month	\$ 6,426,000	\$ 6,637,000
Royal Bank of Canada, 5.28% due December 20, 2029, repayable in fluctuating blended instalments averaging \$36,000 per month	4,217,000	4,421,000
Royal Bank of Canada, 4.48% due September 1, 2021, repayable in fluctuating blended instalments averaging \$20,833 per month	1,495,000	1,734,000
	12,138,000	12,792,000
Current portion of long-term debt	684,000	654,000
	\$ 11,454,000	\$ 12,138,000

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 12. LONG-TERM DEBT (CONTINUED)

Estimated principal repayments over the next five years are as follows:

2017	\$ 684,000
2018	715,000
2019	746,000
2020	781,000
2021	815,000

Interest of \$614,817 (2015 - \$642,521) relating to long-term debt is reported as a component of ancillary enterprises expenses in the operating fund.

## 13. INTEREST RATE SWAP AGREEMENTS

The University has entered into interest rate swap agreements with the Royal Bank of Canada to manage interest rate exposure associated with certain long-term debt obligations. The notional underlying principal value of the interest rate swaps related to debt outstanding at March 31, 2016 was \$12,138,000 (2015 - \$12,792,000). The University has no plans to sell or terminate the interest rate swap agreements prior to maturity. If the University had terminated these swaps on March 31, 2016, it would have been obligated to pay the bank \$2,904,940 (2015 - \$2,804,607), which is the fair value of the swaps as calculated by the bank.

## 14. OBLIGATIONS UNDER CAPITAL LEASE

	2016	2015
MacQuarrie Equipment Finance Ltd., 4.91% due April 2, 2016, repayable in blended annual instalments of \$97,621	\$ 97,621	\$ 195,198
MacQuarrie Equipment Finance Ltd., 5.51% due August 1, 2018, repayable in blended annual instalments of \$51,007	153,033	204,040
MacQuarrie Equipment Finance Ltd., 6.01% due August 1, 2018, repayable in blended annual instalments of \$19,760	59,277	79,037
Subtotal	309,931	478,275

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 14. OBLIGATIONS UNDER CAPITAL LEASE (CONTINUED)

	2016	2015
Carry forward	\$ 309,931	\$ 478,275
MacQuarrie Equipment Finance Ltd., 3.52% due October 1, 2016, repayable in blended quarterly instalments of \$18,512	55,524	129,574
MacQuarrie Equipment Finance Ltd., 2.94% due January 1, 2017, repayable in blended quarterly instalments of \$15,010	60,038	120,076
	<u>\$ 425,493</u>	<u>\$ 727,925</u>
Year ending March 31		
2016	\$ —	\$ 302,476
2017	283,950	283,907
2018	70,768	70,767
2019	70,775	70,775
Total minimum lease payments	425,493	727,925
Less amount representing interest	28,566	57,676
Present value of net minimum capital lease payments	396,927	670,249
Current portion of obligations under capital lease	266,535	273,322
	<u>\$ 130,392</u>	<u>\$ 396,927</u>

Interest of \$21,662 (2015 - \$30,062) relating to obligations under capital lease is reported as a component of the computing expense in the operating fund.

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 15. DEFERRED CAPITAL CONTRIBUTIONS

	2016	2015
Balance, beginning of year	\$ 32,061,193	\$ 32,410,206
Additions		
ECBC/ACOA	805,679	707,962
CFI and NSRIT	240,607	440,223
Province of Nova Scotia	200,000	64,415
Other	800,253	1,103,884
	2,046,539	2,316,484
Amortized to revenue	2,870,946	2,665,497
Balance, end of year	\$ 31,236,786	\$ 32,061,193

## 16. SERVICE AWARDS, ACCRUED BENEFIT LIABILITY

	2016	2015
Components of Net Periodic Benefit Cost		
Current service cost	\$ 203,866	\$ 191,299
Interest cost	106,712	122,822
Net periodic benefit cost recognized	\$ 310,578	\$ 314,121
Remeasurements and other items		
Actuarial loss (gain) on obligation recognized in the statement of changes in fund balances	\$ (67,318)	\$ 350,092
<b><u>Weighted-Average Assumptions for Expense</u></b>		
Discount rate	3.00%	4.00%
Rate of compensation increase	1.5% - 2.5%	1.5% - 2.00%
<b><u>Weighted-Average Assumptions for Disclosure</u></b>		
Discount rate	3.30%	3.00%
Rate of compensation increase	1.00% - 2.00%	1.00% - 2.00%

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 16. SERVICE AWARDS, ACCRUED BENEFIT LIABILITY (CONTINUED)

	2016	2015
<b><u>Change in Accrued Benefit Obligation</u></b>		
Accrued benefit obligation at end of prior year	\$ 3,557,070	\$ 3,070,540
Current service cost	203,866	191,299
Interest cost	106,712	122,822
Benefits paid	(131,314)	(177,684)
Actuarial loss (gain)	(67,318)	350,092
Accrued benefit obligation at end of year	\$ 3,669,016	\$ 3,557,069

## 17. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets and work in progress are calculated as follows:

	2016	2015
Capital assets	\$ 65,322,201	\$ 68,953,800
Work in progress	484,092	—
Less		
Deferred capital contributions	(31,236,786)	(32,061,193)
Long-term debt	(12,138,000)	(12,792,000)
Obligation under capital lease	(396,927)	(670,249)
Capital assets to be funded from future operations		
Residences	(1,500,000)	(1,800,000)
Roads and parking	(677,816)	(873,469)
Verschuren Centre	(4,314,603)	(4,959,603)
Capital assets temporarily funded from future operations	(745,693)	(1,491,867)
	\$ 14,796,468	\$ 14,305,419

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 17. INVESTMENT IN CAPITAL ASSETS (CONTINUED)

b) Change in net assets invested in capital assets is calculated as follows:

	2016	2015
Deficiency of revenues over expenses		
Amortization of deferred capital contributions	\$ 2,870,946	\$ 2,665,497
Amortization of capital assets	(5,149,185)	(5,048,267)
	<u>\$ (2,278,239)</u>	<u>\$ (2,382,770)</u>
Net change in investment in capital assets		
Acquisition of capital assets	\$ 1,517,585	\$ 5,431,674
Less prior year work in progress	–	(1,362,992)
	<u>1,517,585</u>	<u>4,068,682</u>
Work in progress	484,092	–
Amount funded by deferred capital contributions	(2,046,539)	(2,316,484)
Repayment of long-term debt	654,000	625,000
Amount funded by obligations under capital lease	–	(491,035)
Repayment of obligations under capital lease	273,322	388,440
	<u>\$ 882,460</u>	<u>\$ 2,274,603</u>

## 18. DONATION PLEDGES

During the year ended March 31, 2013, the University completed construction of the \$7.1 million Shannon School of Business, which was recorded as a capital asset at March 31, 2013. The University launched a capital fundraising campaign when the decision was made to proceed with construction. That campaign is nearing its targeted fundraising goal as of March 31, 2016 and the University has received contributions of \$6,355,898. The balance of \$745,693 has been temporarily funded from operations until donation pledges have been received as cash. These pledges are expected to be honored during the subsequent two year period and will be recorded as deferred capital contributions when received.

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

## 19. INTERFUND TRANSFERS

	Operating Fund	Special Purpose and Research Fund
Special projects-general reserve	\$ (1,182,189)	\$ 1,182,189
International tuition reserve	1,806,186	(1,806,186)
IT/ERP reserve	(500,000)	500,000
Transfer from Harriss endowment	910,000	(910,000)
	\$ 1,033,997	\$ (1,033,997)

## 20. INTERNALLY RESTRICTED FUNDS

From time to time, the University internally restricts fund balances including, in certain cases, the interest earned thereon for designated purposes. Internally restricted funds are reflected in the statement of financial position as a component of the special purpose and research fund balance.

A summary of internally restricted funds follows:

	2016	2015
Special projects-general reserve	\$ 2,201,913	\$ 1,019,724
Special projects-enrollment diversification	256,352	256,352
International tuition reserve	2,568,814	4,375,000
IT/ERP reserve	500,000	-
	\$ 5,527,079	\$ 5,651,076

## 21. CHANGE IN NON-CASH WORKING CAPITAL

	2016	2015
Accounts receivable	\$ (483,336)	\$ 238,256
Inventories	22,494	527,676
Prepaid expenses	(3,017)	84,510
Accounts payable and accrued liabilities	(956,296)	(172,237)
Deferred revenue	(535,078)	876,505
Deferred special purpose and research funds	(872,802)	2,060,907
	\$ (2,828,035)	\$ 3,615,617



# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

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## 22. COMMITMENTS AND CONTINGENCIES

### a) Province of Nova Scotia

The University has leased from the Province of Nova Scotia the property known as the Cape Breton University for ninety-nine years, to expire in 2075, at an annual rental of \$1.

### b) Early Retirement Program

The University has participated in several early retirement programs offered by the Province of Nova Scotia to employees previously employed at the Nova Scotia Institute of Technology, prior to its amalgamation.

As at March 31, 2016, management has not estimated its liability for its participation in this program. The amount of \$256,573 (\$259,355 - 2015) recorded as an early retirement expense, represents the actual cash payments to the Province of Nova Scotia for the current year.

### c) Reciprocal exchange of insurance risks

The University is a member of The Canadian Universities Reciprocal Insurance Exchange (CURIE) with 60 other Canadian Universities. This self-insurance cooperative involves a contractual agreement to share the insurance property and liability risks of member universities for a term of not less than five years.

The cost of claims is funded through members' premiums based on actuarial projections. In the event that premiums are not sufficient to cover claims, the member universities would be subject to an assessment in proportion to their participation.

During 2015 and 2014 CURIE wrote Property policies with a limit of \$5,000,000 per occurrence and placed on behalf of subscribers an excess policy for \$995,000,000 above CURIE's \$5,000,000 limit.

During 2015 CURIE wrote General Liability policies with a limit of \$5,000,000 per occurrence (\$5,000,000 - 2014) and placed on behalf of subscribers excess policies for \$25,000,000 (\$25,000,000 - 2014).

In respect of Errors and Omissions Liability policies, CURIE's limit of liability per occurrence for the claim made coverage was \$5,000,000 in 2015 (\$5,000,000 - 2014). CURIE purchased excess policies on behalf of subscribers through a combined excess program with general liability in the amount of \$25,000,000 in 2015 (\$25,000,000 - 2014).

### d) Legal matters

The University has been named a defendant in several grievances. The outcome of the matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

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## 22. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### e) Loan guarantee

Cape Breton University has guaranteed a loan to the Cape Breton Health Recreation Complex Society. The guarantee is limited to \$1,500,000 plus interest thereon at a rate of 3% plus prime and represents financing for the Cape Breton Health Recreation Complex. As at March 31, 2016, the outstanding loan balance is \$1,044,454 (2015 - \$1,132,164).

Cape Breton University has guaranteed a loan to CBU Development Inc. in the amount of \$17,620,000. As at March 31, 2016, the outstanding loan balance is \$16,348,659.

### f) Capital projects

Cape Breton University is committed to the following capital projects at March 31, 2016:

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	Estimated Cost	Progress Billings Including Accrued Holdbacks
Fire alarm/notification system	\$ 1,000,000	\$ 472,000
Boardmore Cooling Tower replacement	400,000	12,000
CFI/NSRIT funded lab equipment	889,000	186,000

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These capital projects will be funded through external contributions, operations and internally restricted reserves.

## 23. PENSIONS

The University contributes to a defined contribution pension plan for its employees. The defined contribution plan requires a partial matching of contributions by the University, the cost of which is allocated to appropriate department expenses. Contributions made by the University to the defined contribution plan were \$2,390,281 (2015 - \$2,185,491) for the year ended March 31, 2016.

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

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## 24. RELATED PARTY TRANSACTIONS

The University is related to the following entities:

CBU Developments Inc., a wholly-owned subsidiary,

CBU 2015 Business Trust, as a trust for which CBU Developments Inc. is corporate trustee,  
and

Gardiner Mines Wind Farm Limited Partnership, an 89% partnership holding by CBU 2015  
Business Trust

During the year, the University received \$77,873 in interest on bridge financing from CBU 2015 Business Trust. The interest received is included in investment income on the statement of operations.

This transaction is in the normal course of operations and is measured at the exchange amount which approximates fair market value.

## 25. FINANCIAL INSTRUMENTS

The University is exposed to various risks through its financial instruments and includes the following significant risks at March 31, 2016.

### **Credit risk**

The University provides credit to its students in the normal course of operations. The University has established policies to limit registration only to students who have no outstanding balances. Further, the University may hold graduation certificates to students with an outstanding balance.

The University is also exposed to credit risk through its amounts owing from government agencies and other organizations. The amounts owing are based on funding agreements.

### **Interest rate risk**

The University has entered into interest rate swap agreements on its Royal Bank debt to raise long-term borrowings at a floating rate and effectively swap to a fixed rate that was lower than those available if fixed rate borrowings were made directly.

### **Market risk**

The University's investments are affected by market conditions. The University has an established investment committee and investment manager to mitigate its market risk.

# CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2016

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## 26. COMPARATIVE FIGURES

Certain 2015 comparative figures have been reclassified to conform to the financial statement presentation adopted per the current year.