

Non-consolidated Financial Statements of

CAPE BRETON UNIVERSITY

Year ended March 31, 2019

Management's Responsibility for the Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements of Cape Breton University (the "University") are the responsibility of the University's management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These standards are included in the CPA Canada Handbook - Part III, and accounting standards for private enterprises included Part II is used for items are not addressed in Part III. A summary of the significant accounting policies are described in Note 1 to the non-consolidated financial statements. The preparation of non-consolidated financial statements necessarily involves the use of estimates based on management's judgment. Estimates and judgements have been determined on a reasonable and consistent basis to ensure that the non-consolidated financial statements are presented fairly, in all material respects.

The University's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and reliable financial information is available on a timely basis for preparation of non-consolidated financial statements. These systems are regularly monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the non-consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the non-consolidated financial statements.

The non-consolidated financial statements have been audited by MGM & Associates, Chartered Professional Accountants, independent external auditors appointed by the University. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the University's non-consolidated financial statements.



Gordon MacInnis, FCPA, FCA
Vice-President, Finance and Administration

CAPE BRETON UNIVERSITY

Non-consolidated Financial Statements

Year ended March 31, 2019

	Page
Independent Auditors' Report.....	1
Non-consolidated Statement of Financial Position.....	3
Non-consolidated Statement of Operations	4
Non-consolidated Statement of Changes in Fund Balances	5
Non-consolidated Statement of Cash Flows.....	6
Notes to Non-consolidated Financial Statements	7



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of
Cape Breton University

Opinion

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, 2019 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.

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, 2019 and the results of its financial performance 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the University in accordance with ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Those Charged with Governance 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing non-consolidated financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these non-consolidated 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 non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

MGM & Associates

Chartered Professional Accountants
Licensed Public Accountants

Sydney, Canada
June 25, 2019


CAPE BRETON UNIVERSITY

Non-consolidated Statement of Financial Position

March 31, 2019, with comparative figures for 2018

					2019	2018
	Operating Fund	Special Purpose and Research Fund	Capital Fund	Endowment Fund	Total	Total
ASSETS						
Current assets						
Cash	\$ 54,735,300	\$ -	\$ -	\$ -	\$ 54,735,300	\$ 23,290,370
Accounts receivable (note 2)	4,934,700	-	-	-	4,934,700	3,725,356
Inventories	23,096	-	-	-	23,096	19,162
Prepaid expenses	418,230	-	-	-	418,230	293,667
	60,111,326	-	-	-	60,111,326	27,328,555
Investments						
Investments held for scholarship and special purposes (note 3)	-	10,718,020	-	27,921,847	38,639,867	36,872,011
Investment in CBU Developments Inc. (note 4)	-	100	-	-	100	100
Interfund balances						
	(22,277,059)	25,128,871	(3,514,603)	662,791	-	-
Capital assets (note 5)						
	-	-	57,886,308	-	57,886,308	60,100,887
Work in progress (note 6)						
	-	-	2,099,842	-	2,099,842	54,699
Due from LearnCorp International Inc. and CBU Foundation (note 7)						
	104,206	-	-	-	104,206	43,325
	\$ 37,938,473	\$ 35,846,991	\$ 56,471,547	\$ 28,584,638	\$ 158,841,649	\$ 124,399,577
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 32,061,591	\$ -	\$ -	\$ -	\$ 32,061,591	\$ 11,758,860
Current portion of accrued employee benefits (note 8)	2,261,471	-	-	-	2,261,471	4,359,265
Deferred revenue	5,843,471	-	-	-	5,843,471	3,309,943
Deferred special purpose and research funds (note 9)	-	7,449,545	-	-	7,449,545	8,538,419
Current portion of long-term debt (note 10)	-	-	781,000	-	781,000	746,000
Current portion of obligations under capital lease (note 12)	-	-	-	-	-	66,991
	40,166,533	7,449,545	781,000	-	48,397,078	28,779,278
Long-term liabilities						
Accrued employee benefits (note 8)	1,206,337	-	-	-	1,206,337	1,947,564
Long-term debt (note 10)	-	-	9,212,000	-	9,212,000	9,993,000
Obligations under capital lease (note 12)	-	-	-	-	-	-
Deferred capital contributions (note 13)	-	-	26,571,364	-	26,571,364	28,228,109
	1,206,337	-	35,763,364	-	36,969,701	40,168,673
	41,372,870	7,449,545	36,564,364	-	85,386,779	68,947,951
FUND BALANCES						
Fund balances	(3,434,397)	28,397,446	19,807,183	28,584,638	73,454,870	55,451,626
Commitments and contingencies (note 19)						
	\$ 37,938,473	\$ 35,846,991	\$ 56,471,547	\$ 28,584,638	\$ 158,841,649	\$ 124,399,577

See accompanying notes to non-consolidated financial statements.

On behalf of the Board of Governors


 John J. H. [unclear]

CAPE BRETON UNIVERSITY

Non-consolidated Statement of Operations

Year ended March 31, 2019, with comparative figures for 2018

					2019	2018
	Operating Fund	Special Purpose and Research Fund	Capital Fund	Endowment Fund	Total	Total
REVENUES						
Government grants and contracts	\$ 24,420,599	\$ -	\$ -	\$ -	\$ 24,420,599	\$ 23,440,929
Tuition and related fees	47,332,889	-	-	-	47,332,889	29,101,887
Scholarship revenue	-	-	-	-	-	720,000
Investment income	1,338,321	671,315	-	-	2,009,636	652,650
Other income	3,038,320	-	-	-	3,038,320	1,899,311
Ancillary enterprises	2,809,074	200,462	-	-	3,009,536	2,995,121
Special purpose and research revenue (note 9)	-	6,905,767	-	-	6,905,767	7,090,846
Amortization of deferred capital contributions (note 13)	-	-	2,319,669	-	2,319,669	3,234,590
	78,939,203	7,777,544	2,319,669	-	89,036,416	69,135,134
EXPENSES						
Instruction and non-sponsored research	30,184,203	-	-	-	30,184,203	28,004,100
Library	1,883,579	-	-	-	1,883,579	1,826,699
Student services	5,973,444	-	-	-	5,973,444	4,877,184
Administration and general	4,292,138	-	-	-	4,292,138	3,554,924
Development and recruiting	9,287,199	-	-	-	9,287,199	4,321,258
Facilities management	6,019,108	-	-	-	6,019,108	5,621,777
Computing	1,711,811	-	-	-	1,711,811	1,892,693
Ancillary enterprises	2,260,578	6,358	-	-	2,266,936	2,162,695
Special purpose and research expenses (note 9)	-	6,905,767	-	-	6,905,767	7,090,846
Amortization of capital assets	-	-	4,920,709	-	4,920,709	5,689,055
Retirement incentive, vacation and service award costs	98,978	-	-	-	98,978	273,090
	61,709,038	6,912,125	4,920,709	-	73,541,872	65,314,301
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES						
	\$ 17,230,165	\$ 865,419	\$ (2,601,040)	\$ -	\$ 15,494,544	\$ 3,620,833

See accompanying notes to non-consolidated financial statements.

CAPE BRETON UNIVERSITY

Non-consolidated Statement of Changes in Fund Balances

Year ended March 31, 2019, with comparative figures for 2018

					2019	2018
	Operating Fund	Special Purpose and Research Fund	Capital Fund	Endowment Fund	Total	Total
BALANCE, BEGINNING OF YEAR	\$ (3,064,535)	\$ 15,261,658	\$ 17,114,273	\$ 26,140,230	\$ 55,451,626	\$ 48,838,182
Transactions during the year						
Excess (deficiency) of revenues over expenses	17,230,165	865,419	(2,601,040)	—	15,494,544	3,820,833
Service awards remeasurement (note 14)	—	—	—	—	—	120,270
Contributions	—	54,767	—	662,792	717,559	1,914,024
Investment income on scholarship endowments in excess of scholarships awarded	—	—	—	1,887,918	1,887,918	1,106,591
Change in fair value of investments	—	9,525	—	(106,302)	(96,777)	(805,439)
Net change in investment in capital assets (note 15)	(4,901,340)	—	4,901,340	—	—	—
Capital assets funded from future operations						
Verschuren Centre	(400,000)	—	400,000	—	—	—
Capital assets temporarily financed by operations	(92,610)	—	92,610	—	—	—
Transfer to deferred research fund	—	—	—	—	—	457,165
Interfund transfers (note 16)	(12,208,077)	12,206,077	—	—	—	—
	(369,862)	13,135,788	2,792,910	2,444,408	18,003,244	6,613,444
BALANCE, END OF YEAR	\$ (3,434,397)	\$ 28,397,446	\$ 19,907,183	\$ 28,584,638	\$ 73,454,870	\$ 55,451,626
Fund balances are comprised of						
Investment in capital assets (note 15)	\$ —	\$ —	\$ 19,907,183	\$ —	\$ 19,907,183	\$ 17,114,273
Internally restricted funds (note 17)	—	17,624,559	—	—	17,624,559	5,224,378
Endowment funds	—	10,772,787	—	28,584,638	39,357,425	36,177,410
Equity in CBU Developments Inc.	—	100	—	—	100	100
Unrestricted	(3,434,397)	—	—	—	(3,434,397)	(3,084,535)
	\$ (3,434,397)	\$ 28,397,446	\$ 19,907,183	\$ 28,584,638	\$ 73,454,870	\$ 55,451,626

See accompanying notes to non-consolidated financial statements.

CAPE BRETON UNIVERSITY

Non-consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
CASH FLOWS FROM OPERATIONS		
Excess (deficiency) of revenues over expenses	\$ 15,494,544	\$ 3,820,833
Items not involving cash		
Amortization of capital assets	4,920,709	5,689,055
Amortization of deferred capital contributions	(2,319,669)	(3,234,590)
Decrease in accrued employee benefits costs	(2,839,021)	(2,405,776)
Change in non-cash working capital (note 18)	20,409,744	4,140,003
	<u>35,666,307</u>	<u>8,009,525</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments	(1,864,633)	(3,621,997)
Acquisition of capital assets and work in progress	(4,751,273)	(2,360,858)
Endowment contributions	662,792	464,024
Special purpose contributions, net of drawdowns	54,767	1,450,000
Investment income on scholarship endowments in excess of scholarships awarded	1,887,918	1,106,591
	<u>(4,010,429)</u>	<u>(2,962,240)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due from LearnCorp International Inc. and CBU Foundation	(60,881)	(2,658)
Contributions received for capital assets	662,924	1,049,946
Repayment of long-term debt	(746,000)	(715,000)
Repayment of capital lease obligations	(66,991)	(63,402)
	<u>(210,948)</u>	<u>268,886</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>31,444,930</u>	<u>5,316,171</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>23,290,370</u>	<u>17,974,199</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 54,735,300</u>	<u>\$ 23,290,370</u>

See accompanying notes to non-consolidated financial statements.

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements

Year ended March 31, 2019

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, 2019

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, 2019

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, 2019

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, 2019, the estimated fair market value of the artwork and collections was \$6,892,727. The fair market value is not reflected in the financial statements.

j) Service awards

The University pays a service award to certain 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, 2019

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, 2019

2. ACCOUNTS RECEIVABLE

	2019	2018
Student accounts	\$ 4,288,192	\$ 3,047,625
Less allowance for doubtful student accounts	(1,564,065)	(1,140,319)
	2,724,127	1,907,306
Government allotments and grants	1,335,999	968,982
Other	874,574	849,068
	\$ 4,934,700	\$ 3,725,356

3. INVESTMENTS HELD FOR SCHOLARSHIP AND SPECIAL PURPOSES

	2019		2018	
	Cost	Fair Market Value	Cost	Fair Market Value
Special Purpose and Research Fund				
Special purpose	\$ 3,807,099	\$ 3,993,098	\$ 3,555,029	\$ 3,737,379
Victor Harriss				
Endowment	6,411,673	6,724,922	5,992,428	6,299,801
	10,218,772	10,718,020	9,547,457	10,037,180
Endowment Fund	25,690,132	27,921,847	24,496,815	26,834,831
	\$ 35,908,904	\$ 38,639,867	\$ 34,044,272	\$ 36,872,011

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

4. 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 year ending December 31, 2018 is as follows:

BALANCE SHEET

Assets	\$16,447,093
Liabilities	17,292,141
Capital	(845,048)

STATEMENT OF OPERATIONS

Revenues	\$ 1,093,770
Expenses	933,407
Net earnings	160,363

STATEMENT OF CASH FLOWS

Operations	\$ 361,020
Financing	(657,000)
Investing	655,370

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

4. INVESTMENT IN CBU DEVELOPMENTS INC. (CONTINUED)

The summary of the audited financial statements of Gardiner Mines Wind Farm Limited Partnership for the year ending March 31, 2019 follows:

BALANCE SHEET

Assets	\$ 15,678,505
Liabilities	893,672
Partners' Capital	14,784,833

STATEMENT OF EARNINGS

Revenues	2,432,824
Expenses	1,298,459
Net earnings	1,134,365

STATEMENT OF CASH FLOWS

Operating	(2,215,484)
Financing	(2,168,119)
Investing	-

5. CAPITAL ASSETS

	2019		
	Cost	Accumulated amortization	Net book value
Land	\$ 251,570	\$ -	\$ 251,570
Buildings	89,689,247	46,386,929	43,302,318
Capital improvements	29,019,531	17,864,014	11,155,517
Computer and information systems	2,364,273	1,824,859	539,414
Equipment	11,155,703	8,593,178	2,562,525
Library collection	2,359,345	2,302,969	56,376
Vehicles	384,024	365,436	18,588
Equipment acquired under capital lease	2,048,150	2,048,150	-
	\$ 137,271,843	\$ 79,385,535	\$ 57,886,308

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

5. CAPITAL ASSETS (CONTINUED)

	2018		
	Cost	Accumulated amortization	Net book value
Land	\$ 251,570	\$ -	\$ 251,570
Buildings	89,689,247	44,590,000	45,099,247
Capital improvements	27,608,298	16,436,375	11,171,923
Computer and information systems	2,019,668	1,473,055	546,613
Equipment	10,205,411	7,350,293	2,855,118
Library collection	2,359,345	2,283,700	75,645
Vehicles	384,024	346,848	37,176
Equipment acquired under capital lease	2,048,150	1,984,555	63,595
	\$ 134,565,713	\$ 74,464,826	\$ 60,100,887

6. WORK IN PROGRESS

	2019	2018
Tim Horton's Coffee Shop	\$ -	\$ 54,699
Campus WiFi upgrade	494,707	-
Digital signage project	91,359	-
ERP – Colleague	1,256,961	-
Boiler room upgrade	40,011	-
Student Welcome Centre	183,707	-
Marvin Harvey Building renovation	33,097	-
	\$ 2,099,842	\$ 54,699

7. 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.

At March 31, 2019, LearnCorp International Inc., a subsidiary of the CBU Foundation owed the University \$87,887 (2018 - \$29,577) for amounts paid on its behalf.

At March 31, 2019, the CBU Foundation owed the University \$16,319 (2018 - \$13,748) for amounts paid on its behalf.

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

8. ACCRUED EMPLOYEE BENEFITS

	2019	2018
Retirement incentive liabilities	\$ 1,833,432	\$ 2,798,310
Vacation entitlements	1,414,018	1,343,707
Service awards, accrued benefit liability (note 14)	220,358	2,164,812
	<u>3,467,808</u>	<u>6,306,829</u>
Current portion		
Retirement incentive liabilities	800,269	986,928
Vacation entitlements	1,414,018	1,343,707
Service awards, accrued benefit liability	47,184	2,028,630
	<u>2,261,471</u>	<u>4,359,265</u>
	<u>\$ 1,206,337</u>	<u>\$ 1,947,564</u>
Expensed in the year		
Retirement incentive liabilities	\$ 42,020	\$ 89,592
Vacation entitlements	70,312	7,529
Service awards, accrued benefit liability (note 14)	(15,354)	175,969
	<u>\$ 96,978</u>	<u>\$ 273,090</u>

Effective April 1, 2018 four employee groups of the University elected to participate in the Public Service Superannuation Plan ("PSSP"), a contributory pension plan administered by the Pension Services Superannuation Plan Trustee Incorporated. Participation in this plan was contingent on employees agreeing to termination of the University service award benefit. Accrued service award benefits for these employees were paid out during the 2017/18 and 2018/19 fiscal years, with the exception of four employees who opted to defer payment of their frozen service award benefit until retirement. The remaining accrued service award benefit at March 31, 2019 is for employees in the NSGEU maintenance group, who have opted not to join the PSSP plan.

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

9. 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:

	2019	2018
Balance, beginning of year	\$ 8,538,419	\$ 8,816,074
Add external contributions		
Atlantic Canada Opportunities Agency	415,976	2,033,677
CFI and Province of Nova Scotia	637,103	355,166
Federal Tri-Agency	1,246,493	704,234
Industrial research funding	807,081	805,971
Other federal government agencies	383,808	819,454
Other grants and revenue	1,328,839	646,549
Province of Nova Scotia	1,231,430	829,400
Public Works and Government Services Canada	121,327	196,808
Purdy Crawford Chair Funding		
Indigenous Services Canada	-	813,256
External fundraising	239,208	592,988
Less		
Transfers to capital fund	(594,372)	(984,312)
Amount recognized as revenue for the year	(6,905,767)	(7,090,846)
Balance, end of year	\$ 7,449,545	\$ 8,538,419

10. LONG-TERM DEBT

	2019	2018
Royal Bank of Canada, 4.8% due August 1, 2035, repayable in fluctuating blended instalments averaging \$42,000 per month	\$ 5,737,000	\$ 5,976,000
Royal Bank of Canada, 5.28% due December 20, 2029, repayable in fluctuating blended instalments averaging \$36,000 per month	3,536,000	3,775,000
Royal Bank of Canada, 4.48% due September 1, 2021, repayable in fluctuating blended instalments averaging \$20,833 per month	720,000	988,000
	9,993,000	10,739,000
Current portion of long-term debt	781,000	746,000
	\$ 9,212,000	\$ 9,993,000

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

10. LONG-TERM DEBT (CONTINUED)

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

2020	\$	781,000
2021		815,000
2022		700,000
2023		577,000
2024		604,000

Interest of \$517,163 (2018 - \$554,522) relating to long-term debt is reported as a component of ancillary enterprises expenses in the operating fund.

11. 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, 2019 was \$9,993,000 (2018 - \$10,739,000). 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, 2019, it would have been obligated to pay the bank \$1,596,109 (2018 - \$1,485,270), which is the fair value of the swaps as calculated by the bank.

12. OBLIGATIONS UNDER CAPITAL LEASE

	2019	2018
MacQuarrie Equipment Finance Ltd., repaid during the year	\$ —	\$ 51,018
MacQuarrie Equipment Finance Ltd., repaid during the year	—	19,757
	\$ —	\$ 70,775

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

12. OBLIGATIONS UNDER CAPITAL LEASE (CONTINUED)

	2019	2018
Year ending March 31		
2018	\$ -	\$ -
2019	-	70,775
Total minimum lease payments	-	70,775
Less amount representing interest	-	3,784
Present value of net minimum capital lease payments	-	66,991
Current portion of obligations under capital lease	-	66,991
	\$ -	\$ Nil

Interest of \$1,253 (2018 - \$5,300) relating to obligations under capital lease is reported as a component of the computing expense in the operating fund.

13. DEFERRED CAPITAL CONTRIBUTIONS

	2019	2018
Balance, beginning of year	\$ 28,228,109	\$ 30,412,753
Additions		
ACOA	-	731,948
CFI and NSRIT	594,372	198,194
Other	68,552	119,804
	662,924	1,049,946
Amortized to revenue	2,319,669	3,234,590
Balance, end of year	\$ 26,571,364	\$ 28,228,109

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

14. SERVICE AWARDS, ACCRUED BENEFIT LIABILITY

	2019	2018
Components of Net Periodic Benefit Cost		
Current service cost	\$ (15,354)	\$ 113,693
Interest cost	—	62,276
Net periodic benefit cost recognized	\$ (15,354)	\$ 175,969
Remeasurements and other items		
Actuarial gain on obligation recognized in the statement of changes in fund balances	\$ —	\$ (120,270)
<u>Weighted-Average Assumptions for Expense</u>		
Discount rate	3.30%	3.30%
Rate of compensation increase	1.00% - 2.00%	1.00% - 2.00%
<u>Weighted-Average Assumptions for Disclosure</u>		
Discount rate	2.90%	2.90%
Rate of compensation increase	1.00% - 2.00%	1.00% - 2.00%
<u>Change in Accrued Benefit Obligation</u>		
Accrued benefit obligation at end of prior year	\$ 2,164,812	\$ 3,893,015
Current service cost	(15,354)	113,693
Interest cost	—	62,276
Benefits paid	(1,929,100)	(1,783,902)
Actuarial gain	—	(120,270)
Accrued benefit obligation at end of year	\$ 220,358	\$ 2,164,812

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

15. INVESTMENT IN CAPITAL ASSETS

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

	2019	2018
Capital assets	\$ 57,886,308	\$ 60,100,887
Work in progress	2,099,842	54,699
Less		
Deferred capital contributions	(26,571,364)	(28,228,109)
Long-term debt	(9,993,000)	(10,739,000)
Obligation under capital lease	-	(66,991)
Capital assets to be funded from future operations		
Verschuren Centre	(3,514,603)	(3,914,603)
Capital assets temporarily funded from future operations	-	(92,610)
	<u>\$ 19,907,183</u>	<u>\$ 17,114,273</u>

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

Deficiency of revenues over expenses		
Amortization of deferred contributions	\$ 2,319,669	\$ 3,234,590
Amortization of capital assets	(4,920,709)	(5,689,055)
	<u>\$ (2,601,040)</u>	<u>\$ (2,454,465)</u>
Net change in investment in capital assets		
Acquisition of capital assets	\$ 2,706,130	\$ 2,306,158
Less prior year work in progress	(54,699)	-
	2,651,431	2,306,158
Work in progress	2,099,842	54,699
Amount funded by deferred capital contributions	(662,924)	(1,049,946)
Repayment of long-term debt	746,000	715,000
Repayment of obligations under capital lease	66,991	63,402
	<u>\$ 4,901,340</u>	<u>\$ 2,089,313</u>

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

16. INTERFUND TRANSFERS

	Operating Fund	Special Purpose
General capital reserve	\$ (3,343,733)	\$ 3,343,733
Enrollment diversification reserve	698,183	(698,183)
General operating reserve	(2,200,000)	2,200,000
Strategic priorities reserve	(2,661,843)	2,661,843
IT/ERP reserve	(4,698,684)	4,698,684
	<u>\$(12,206,077)</u>	<u>\$ 12,206,077</u>

17. 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:

	2019	2018
General capital reserve	\$ 6,540,747	\$ 3,002,910
Enrollment diversification reserve	256,352	954,535
General operating reserve	3,338,000	1,138,000
Strategic priorities reserve	2,661,843	-
IT/ERP reserve	4,827,617	128,933
	<u>\$ 17,624,559</u>	<u>\$ 5,224,378</u>

18. CHANGE IN NON-CASH WORKING CAPITAL

	2019	2018
Accounts receivable	\$ (1,209,344)	\$ (445,862)
Inventories	(3,934)	31,442
Prepaid expenses	(124,563)	(107,313)
Accounts payable and accrued liabilities	20,302,931	4,503,472
Deferred revenue	2,533,528	(21,246)
Deferred special purpose and research funds	(1,088,874)	179,510
	<u>\$ 20,409,744</u>	<u>\$ 4,140,003</u>

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

19. 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, 2019, management has not estimated its liability for its participation in this program. The amount of \$228,265 (\$245,715 - 2018) 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 64 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 2018 and 2017 CURIE wrote Property policies with a limit of \$5,000,000 per occurrence, 10,000,000 annual aggregate and placed on behalf of subscribers an excess policy for \$1,245,000,000 (\$1,245,000,000 - 2017) above CURIE's \$5,000,000 limit.

During 2018 CURIE wrote General Liability policies with a limit of \$5,000,000 per occurrence (\$5,000,000 - 2017).

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 2018 (\$5,000,000 - 2017). In 2018 and 2017, CURIE purchased combined reinsurance policies for General Liability and Errors and Omissions Liability above the \$5,000,000 limit on behalf of subscribers in the amount of \$45,000,000.

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, 2019

19. 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, 2019, the outstanding loan balance is \$747,304 (2018 - \$859,963).

Cape Breton University has guaranteed a loan to CBU 2015 Business Trust, as executed by CBU Development Inc. in their capacity of corporate trustee, in the amount of \$17,620,000. As at March 31, 2019, the outstanding loan balance is \$15,858,000 (2018 - \$16,350,000).

f) Capital projects

Cape Breton University is committed to the following capital projects at March 31, 2019:

	Estimated Cost	Progress Billings Including Accrued Holdbacks
Campus WIFI upgrade	\$ 600,000	\$ 494,700
Digital signage project	100,000	91,300
ERP – colleague	5,700,000	1,257,000
Boiler room upgrade	2,000,000	40,000
Student Welcome Centre	475,000	183,700
Marvin Harvey Building renovation	1,133,000	33,000
Human resources renovation	135,000	—
Equipment – School of Science and Technology	806,000	—
Furniture and equipment – library, residence, CGC	1,432,000	—
Canada Games Complex – solar project	375,000	—
Canada Games Complex – roof replacement	1,055,000	—
Cafeteria/Pit Lounge renovation	1,500,000	—
	\$ 15,311,000	\$ 2,099,700

20. 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 \$137,866 (2018 - \$1,340,731) for the year ended March 31, 2019.

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

20. PENSIONS (CONTINUED)

As of April 1, 2018, four employee groups of the University (non-union, management, CUPE, CBUFA) enrolled to participate in the Nova Scotia Public Service Superannuation Plan ("PSSP"), a defined benefit pension plan administered by the Public Service Superannuation Plan Trustee Incorporated, which provides pension benefits based on length of service and earnings. The University is not obligated for any unfunded liability, nor is the University entitled to any surplus that may arise in the PSSP. The PSSP is accounted for as a defined contribution plan as the obligation to pay retirement obligations does not reside with the University. The PSSP 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 PSSP were \$2,863,154 (2018 - \$1,189,084) for the year ended March 31, 2019.

21. 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 2019 fiscal year, the University received a \$400,000 (2018 - \$Nil) distribution of income from the CBU 2015 Business Trust. This was recorded in investment income on the statement of operations.

These transactions are in the normal course of operations and are measured at the exchange amount which approximates fair market value.

22. FINANCIAL INSTRUMENTS

The University is exposed to various risks through its financial instruments and includes the following significant risks at March 31, 2019.

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.

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2019

22. FINANCIAL INSTRUMENTS (CONTINUED)

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.

23. COMPARATIVE FIGURES

Certain 2018 comparative figures have been reclassified to conform to the financial statement presentation adopted per the current year.