

CAPE BRETON UNIVERSITY
Non-consolidated Financial Statements

March 31, 2020

CAPE BRETON UNIVERSITY

Non-consolidated Financial Statements

Year ended March 31, 2020

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June 29, 2020

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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 judgments 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 MNP LLP, 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.

Sincerely,

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

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, 2020 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, 2020 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 Non-Consolidated 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.

Other Matter

The non-consolidated financial statements of Cape Breton University for the year ended March 31, 2019 were audited by MGM & Associates, Chartered Professional Accountants of Sydney, Nova Scotia, Canada, prior to its merger with MNP LLP. MGM & Associates, Chartered Professional Accountants expressed an unmodified opinion on those statements on June 25, 2019.

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.

Sydney, Nova Scotia
June 26, 2020

MNP LLP

Chartered Professional Accountants

CAPE BRETON UNIVERSITY

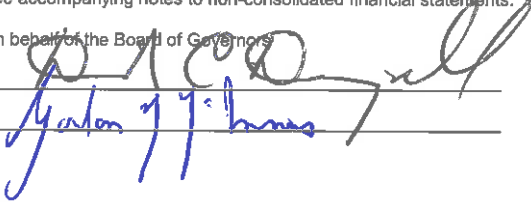
Non-consolidated Statement of Financial Position

March 31, 2020, with comparative figures for 2019

					2020	2019
	Operating Fund	Special Purpose and Research Fund	Capital Fund	Endowment Fund	Total	Total
ASSETS						
Current assets						
Cash	\$ 62,920,249	\$ —	\$ —	\$ —	\$ 62,920,249	\$ 54,735,300
Accounts receivable (note 2)	6,142,612	—	—	—	6,142,612	4,934,700
Inventories	2,300	—	—	—	2,300	23,096
Prepaid expenses	1,001,574	—	—	—	1,001,574	418,230
	70,066,735	—	—	—	70,066,735	60,111,326
Investments						
Investments held for scholarship and special purposes (note 3)	—	10,439,510	—	28,446,825	38,886,335	38,639,867
Investment in CBU Developments Inc. (note 4)	—	100	—	—	100	100
	—	10,439,610	—	28,446,825	38,886,435	38,639,967
Interfund balances	(34,146,828)	37,887,411	(3,114,603)	(625,980)	—	—
Capital assets (note 5)	—	—	62,148,393	—	62,148,393	57,886,308
Work in progress (note 6)	—	—	4,626,240	—	4,626,240	2,099,842
Due from LearnCorp International Inc. and CBU Foundation (note 7)	49,953	—	—	—	49,953	104,206
	\$ 35,969,860	\$ 48,327,021	\$ 63,660,030	\$ 27,820,845	\$ 175,777,756	\$ 158,841,649
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 26,783,666	\$ —	\$ —	\$ —	\$ 26,783,666	\$ 32,061,591
Current portion of accrued employee benefits (note 8)	2,499,886	—	—	—	2,499,886	2,261,471
Deferred revenue	9,363,201	—	—	—	9,363,201	5,843,471
Deferred special purpose and research funds (note 9)	—	5,536,681	—	—	5,536,681	7,449,545
Current portion of long-term debt (note 10)	—	—	815,000	—	815,000	781,000
	38,646,753	5,536,681	815,000	—	44,998,434	48,397,078
Long-term liabilities						
Accrued employee benefits (note 8)	421,183	—	—	—	421,183	1,206,337
Long-term debt (note 10)	—	—	8,397,000	—	8,397,000	9,212,000
Deferred capital contributions (note 12)	—	—	25,785,618	—	25,785,618	26,571,364
	421,183	—	34,182,618	—	34,603,801	36,989,701
	39,067,936	5,536,681	34,997,618	—	79,602,235	85,386,779
FUND BALANCES						
Fund balances	(3,098,076)	42,790,340	28,662,412	27,820,845	96,175,521	73,454,870
Commitments and contingencies (note 17)	—	—	—	—	—	—
	\$ 35,969,860	\$ 48,327,021	\$ 63,660,030	\$ 27,820,845	\$ 175,777,756	\$ 158,841,649

See accompanying notes to non-consolidated financial statements.

On behalf of the Board of Governors



 Gordon J. Thomas

CAPE BRETON UNIVERSITY

Non-consolidated Statement of Operations

Year ended March 31, 2020, with comparative figures for 2019

					2020	2019
	Operating Fund	Special Purpose and Research Fund	Capital Fund	Endowment Fund	Total	Total
REVENUES						
Government grants and contracts	\$ 24,853,128	\$ —	\$ —	\$ —	\$ 24,853,128	\$ 24,420,599
Tuition and related fees	69,249,968	—	—	—	69,249,968	47,332,889
Scholarship revenue	720,000	—	—	—	720,000	—
Investment income	1,949,356	831,718	—	—	2,781,074	2,009,636
Other income	2,921,767	—	—	—	2,921,767	3,038,320
Ancillary enterprises	2,943,360	180,781	—	—	3,124,141	3,009,536
Special purpose and research revenue	—	7,160,639	—	—	7,160,639	6,905,767
Contributions	—	245,088	—	—	245,088	—
Amortization of deferred capital contributions (note 12)	—	—	2,226,027	—	2,226,027	2,319,669
	102,637,579	8,418,226	2,226,027	—	113,281,832	89,036,416
EXPENSES						
Instruction and non-sponsored research	35,387,011	—	—	—	35,387,011	30,184,203
Library	1,986,106	—	—	—	1,986,106	1,883,579
Student services	7,323,357	—	—	—	7,323,357	5,973,444
Administration and general	5,064,829	—	—	—	5,064,829	4,292,138
Development and recruiting	13,441,922	—	—	—	13,441,922	9,287,199
Facilities management	6,225,520	—	—	—	6,225,520	6,019,108
Computing	2,936,082	—	—	—	2,936,082	1,711,811
Ancillary enterprises	2,466,356	7,497	—	—	2,473,853	2,266,936
Special purpose and research expenses (note 9)	—	7,771,682	—	—	7,771,682	6,905,767
Amortization of capital assets	—	—	5,568,874	—	5,568,874	4,920,709
Change in fair value of investments	—	1,265,671	—	—	1,265,671	—
Retirement incentive, vacation and service award costs	352,481	—	—	—	352,481	96,978
	75,183,664	9,044,850	5,568,874	—	89,797,388	73,541,872
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES						
	\$ 27,453,915	\$ (626,624)	\$ (3,342,847)	\$ —	\$ 23,484,444	\$ 15,494,544

See accompanying notes to non-consolidated financial statements.

CAPE BRETON UNIVERSITY

Non-consolidated Statement of Changes in Fund Balances

Year ended March 31, 2020, with comparative figures for 2019

					2020	2019
	Operating Fund	Special Purpose and Research Fund	Capital Fund	Endowment Fund	Total	Total
BALANCE, BEGINNING OF YEAR	\$ (3,434,397)	\$ 28,397,446	\$ 19,907,183	\$ 28,584,638	\$ 73,454,870	\$ 55,451,626
Transactions during the year						
Excess (deficiency) of revenues over expenses	27,453,915	(626,624)	(3,342,847)	—	23,484,444	15,494,544
Contributions	—	—	—	1,183,009	1,183,009	717,559
Investment income on scholarship endowments in excess of scholarships awarded	—	—	—	1,572,513	1,572,513	1,887,918
Change in fair value of investments	—	—	—	(3,519,315)	(3,519,315)	(96,777)
Net change in investment in capital assets (note 13)	(11,698,076)	—	11,698,076	—	—	—
Capital assets funded from future operations						
Verschuren Centre	(400,000)	—	400,000	—	—	—
Interfund transfers (note 14)	(15,019,518)	15,019,518	—	—	—	—
	336,321	14,392,894	8,755,229	(763,793)	22,720,651	18,003,244
BALANCE, END OF YEAR	\$ (3,098,076)	\$ 42,790,340	\$ 28,662,412	\$ 27,820,845	\$ 96,175,521	\$ 73,454,870
Fund balances are comprised of						
Investment in capital assets (note 13)	\$ —	\$ —	\$ 28,662,412	\$ —	\$ 28,662,412	\$ 19,907,183
Internally restricted funds (note 15)	—	32,443,318	—	—	32,443,318	17,624,559
Endowment funds	—	10,346,922	—	27,820,845	38,167,767	39,357,425
Equity in CBU Developments Inc.	—	100	—	—	100	100
Unrestricted	(3,098,076)	—	—	—	(3,098,076)	(3,434,397)
	\$ (3,098,076)	\$ 42,790,340	\$ 28,662,412	\$ 27,820,845	\$ 96,175,521	\$ 73,454,870

See accompanying notes to non-consolidated financial statements.

CAPE BRETON UNIVERSITY

Non-consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
CASH FLOWS FROM OPERATIONS		
Excess (deficiency) of revenues over expenses	\$ 23,484,444	\$ 15,494,544
Items not involving cash		
Amortization of capital assets	5,568,874	4,920,709
Amortization of deferred capital contributions	(2,226,027)	(2,319,669)
Decrease in accrued employee benefits costs	(546,739)	(2,839,021)
Change in non-cash working capital (note 16)	(5,441,518)	20,409,744
	<u>20,839,034</u>	<u>35,666,307</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments	(3,765,784)	(1,864,633)
Acquisition of capital assets and work in progress	(12,357,357)	(4,751,273)
Endowment contributions	1,183,009	662,792
Special purpose contributions, net of drawdowns	—	54,767
Investment income on scholarship endowments in excess of scholarships awarded	1,572,513	1,887,918
	<u>(13,367,619)</u>	<u>(4,010,429)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due from LearnCorp International Inc. and CBU Foundation	54,253	(60,881)
Contributions received for capital assets	1,440,281	662,924
Repayment of long-term debt	(781,000)	(746,000)
Repayment of capital lease obligations	—	(66,991)
	<u>713,534</u>	<u>(210,948)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>8,184,949</u>	<u>31,444,930</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>54,735,300</u>	<u>23,290,370</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 62,920,249</u>	<u>\$ 54,735,300</u>

See accompanying notes to non-consolidated financial statements.

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements

Year ended March 31, 2020

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, 2020

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, 2020

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, 2020

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, 2020, 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, 2020

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, 2020

2. ACCOUNTS RECEIVABLE

	2020	2019
Student accounts	\$ 6,015,800	\$ 4,288,192
Less allowance for doubtful student accounts	(2,064,400)	(1,564,065)
	3,951,400	2,724,127
Government allotments and grants	1,540,707	1,335,999
Other	650,505	874,574
	\$ 6,142,612	\$ 4,934,700

3. INVESTMENTS HELD FOR SCHOLARSHIP AND SPECIAL PURPOSES

	2020		2019	
	Cost	Fair Market Value	Cost	Fair Market Value
Special Purpose and Research Fund				
Special purpose	\$ 4,492,391	\$ 4,185,136	\$ 3,807,099	\$ 3,993,098
Victor Harriss Endowment	6,713,542	6,254,374	6,411,673	6,724,922
	11,205,933	10,439,510	10,218,772	10,718,020
Endowment Fund	29,734,425	28,446,825	25,690,132	27,921,847
	\$ 40,940,358	\$ 38,886,335	\$ 35,908,904	\$ 38,639,867

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2020

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, 2019 is as follows:

BALANCE SHEET

Assets	\$ 15,666,789
Liabilities	16,364,914
Capital	(698,125)

STATEMENT OF OPERATIONS

Revenues	1,038,168
Expenses	891,246
Net earnings	146,922

STATEMENT OF CASH FLOWS

Operations	(73,503)
Financing	(708,000)
Investing	975,127

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2020

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, 2020 follows:

BALANCE SHEET

Assets	\$ 15,152,445
Liabilities	985,224
Partners' Capital	14,167,221

STATEMENT OF EARNINGS

Revenues	2,312,758
Expenses	1,314,414
Net earnings	998,344

STATEMENT OF CASH FLOWS

Operating	1,940,046
Financing	(1,660,955)
Investing	49,186

5. CAPITAL ASSETS

			2020
	Cost	Accumulated amortization	Net book value
Land	\$ 251,570	\$ —	\$ 251,570
Buildings	89,689,247	48,183,858	41,505,389
Capital improvements	34,973,164	19,681,815	15,291,349
Computer and information systems	2,547,651	2,168,288	379,363
Equipment	14,673,758	10,110,356	4,563,402
Library collection	2,359,345	2,319,288	40,057
Vehicles	559,918	442,655	117,263
Equipment acquired under capital lease	2,048,150	2,048,150	—
	\$ 147,102,803	\$ 84,954,410	\$ 62,148,393

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2020

5. CAPITAL ASSETS (CONTINUED)

	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	—
	<u>\$ 137,271,843</u>	<u>\$ 79,385,535</u>	<u>\$ 57,886,308</u>

6. WORK IN PROGRESS

	2020	2019
ERP – Colleague	\$ 2,002,408	\$ 1,256,961
Boiler room upgrade	1,765,540	40,011
Student lounge renovation	289,557	—
Science and Technology lab equipment	204,705	—
Linkway replacement	165,519	—
Campus extension-faculty offices	149,451	—
Canada Games Complex refit	49,060	—
Campus WIFI upgrade	—	494,707
Student Welcome Centre	—	183,707
Digital signage project	—	91,359
Marvin Harvey Building renovation	—	33,097
	<u>\$ 4,626,240</u>	<u>\$ 2,099,842</u>

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, 2020, LearnCorp International Inc., a subsidiary of the CBU Foundation owed the University \$49,953 (2019 - \$87,887) for amounts paid on its behalf.

At March 31, 2020, the CBU Foundation owed the University \$Nil (2019 - \$16,319) for amounts paid on its behalf.

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2020

7. DUE FROM CBU FOUNDATION AND ITS SUBSIDIARIES

During the year, the University received a \$231,057 (2019 - \$Nil) dividend from the CBU Foundation.

8. ACCRUED EMPLOYEE BENEFITS

	2020	2019
Retirement incentive liabilities	\$ 1,032,228	\$ 1,833,432
Vacation entitlements	1,706,423	1,414,018
Service awards, accrued benefit liability	182,418	220,358
	<u>2,921,069</u>	<u>3,467,808</u>
Current portion		
Retirement incentive liabilities	743,532	800,269
Vacation entitlements	1,706,423	1,414,018
Service awards, accrued benefit liability	49,931	47,184
	<u>2,499,886</u>	<u>2,261,471</u>
	<u>\$ 421,183</u>	<u>\$ 1,206,337</u>
Expensed in the year		
Retirement incentive liabilities	\$ 34,665	\$ 42,020
Vacation entitlements	292,405	70,312
Service awards, accrued benefit liability	25,411	(15,354)
	<u>\$ 352,481</u>	<u>\$ 96,978</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, 2020 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, 2020

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:

	2020	2019
Balance, beginning of year	\$ 7,449,545	\$ 8,538,419
Add external contributions		
Atlantic Canada Opportunities Agency	746,738	415,976
CFI and Province of Nova Scotia	245,552	637,103
Federal Tri-Agency	1,486,779	1,246,493
Industrial research funding	658,681	807,081
Other federal government agencies	512,805	383,808
Other grants and revenue	814,627	1,328,839
Province of Nova Scotia	1,077,855	1,231,430
Public Works and Government Services Canada	151,434	121,327
Purdy Crawford Chair Funding		
External fundraising	168,585	239,208
Add:		
Transfers from special purpose reserves	586,043	-
Less		
Transfers to capital fund	(590,281)	(594,372)
Expenditures recognized for the year	(7,771,682)	(6,905,767)
Balance, end of year	\$ 5,536,681	\$ 7,449,545

10. LONG-TERM DEBT

	2020	2019
Royal Bank of Canada, 4.8% due August 1, 2035, repayable in fluctuating blended instalments averaging \$42,000 per month	\$ 5,488,000	\$ 5,737,000
Royal Bank of Canada, 5.28% due December 20, 2029, repayable in fluctuating blended instalments averaging \$36,000 per month	3,284,000	3,536,000
Royal Bank of Canada, 4.48% due September 1, 2021, repayable in fluctuating blended instalments averaging \$20,833 per month	440,000	720,000
	9,212,000	9,993,000
Current portion of long-term debt	815,000	781,000
	\$ 8,397,000	\$ 9,212,000

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2020

10. LONG-TERM DEBT (CONTINUED)

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

2021	\$ 815,000
2022	700,000
2023	577,000
2024	604,000
2025	633,000

Interest of \$474,156 (2019 - \$517,163) 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, 2020 was \$9,212,000 (2019 - \$9,993,000). 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, 2020, it would have been obligated to pay the bank \$2,127,248 (2019 - \$1,596,109), which is the fair value of the swaps as calculated by the bank.

12. DEFERRED CAPITAL CONTRIBUTIONS

	2020	2019
Balance, beginning of year	\$ 26,571,364	\$ 28,228,109
Additions		
ACOA	318,750	—
CFI and NSRIT	167,326	594,372
Province of Nova Scotia	300,000	—
Other	654,205	68,552
	1,440,281	662,924
Amortized to revenue	2,226,027	2,319,669
Balance, end of year	\$ 25,785,618	\$ 26,571,364

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2020

13. INVESTMENT IN CAPITAL ASSETS

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

	2020	2019
Capital assets	\$ 62,148,393	\$ 57,886,308
Work in progress	4,626,240	2,099,842
Less		
Deferred capital contributions	(25,785,618)	(26,571,364)
Long-term debt	(9,212,000)	(9,993,000)
Capital assets to be funded from future operations Verschuren Centre	(3,114,603)	(3,514,603)
	\$ 28,662,412	\$ 19,907,183

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

Deficiency of revenues over expenses		
Amortization of deferred contributions	\$ 2,226,027	\$ 2,319,669
Amortization of capital assets	(5,568,874)	(4,920,709)
	\$ (3,342,847)	\$ (2,601,040)
Net change in investment in capital assets		
Acquisition of capital assets	\$ 9,830,959	\$ 2,706,130
Less prior year work in progress	(2,099,842)	(54,699)
	7,731,117	2,651,431
Work in progress	4,626,240	2,099,842
Amount funded by deferred capital contributions	(1,440,281)	(662,924)
Repayment of long-term debt	781,000	746,000
Repayment of obligations under capital lease	—	66,991
	\$ 11,698,076	\$ 4,901,340

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2020

14. INTERFUND TRANSFERS

	Operating Fund	Special Purpose	Deferred Special Purpose
General capital reserve	\$ 1,329,607	\$ (1,363,731)	\$ 34,124
Deferred maintenance reserve	(10,000,000)	10,000,000	—
Enrollment diversification reserve	—	(99,094)	99,094
General operating reserve	(2,700,000)	2,700,000	—
Strategic priorities reserve	(438,157)	(14,668)	452,825
Covid19 reserve	(2,000,000)	2,000,000	—
IT/ERP reserve	(1,422,968)	1,422,968	—
Transfer from Harriss Endowment	212,000	(212,000)	—
	\$ (15,019,518)	\$ 14,433,475	\$ 586,043

15. 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:

	2020	2019
General capital reserve	\$ 5,350,300	\$ 6,540,747
Deferred maintenance reserve	10,000,000	—
Enrollment diversification reserve	157,258	256,352
General operating reserve	6,038,000	3,338,000
Strategic priorities reserve	2,647,175	2,661,843
Covid 19 reserve	2,000,000	—
IT/ERP reserve	6,250,585	4,827,617
	\$ 32,443,318	\$ 17,624,559

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2020

16. CHANGE IN NON-CASH WORKING CAPITAL

	2020	2019
Accounts receivable	\$ (1,207,912)	\$ (1,209,344)
Inventories	20,796	(3,934)
Prepaid expenses	(583,344)	(124,563)
Accounts payable and accrued liabilities	(5,277,924)	20,302,931
Deferred revenue	3,519,730	2,533,528
Deferred special purpose and research funds	(1,912,864)	(1,088,874)
	<u>\$ (5,441,518)</u>	<u>\$ 20,409,744</u>

17. 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, 2020, management has not estimated its liability for its participation in this program. The amount of \$217,973 (\$228,265 - 2019) 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.

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2020

17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

During 2019 and 2018 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 – 2018) above CURIE's \$5,000,000 limit.

During 2019 CURIE wrote General Liability policies with a limit of \$5,000,000 per occurrence (\$5,000,000 – 2018).

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 2019 (\$5,000,000 – 2018). In 2019 and 2018, 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.

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, 2020, the outstanding loan balance is \$640,670 (2019 - \$747,304).

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, 2020, the outstanding loan balance is \$14,945,000 (2019 - \$15,858,000).

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2020

17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

f) Capital projects

Cape Breton University is committed to the following capital projects at March 31, 2020:

	Estimated Cost	Progress Billings Including Accrued Holdbacks
ERP – Colleague	\$ 5,700,000	\$ 2,002,408
Boiler room upgrade	2,102,000	1,765,540
Science and technology lab equipment	438,000	204,705
Student lounge renovation	1,350,000	289,557
Marvin Harvey Building linkway replacement	2,991,000	165,519
Campus extension – faculty offices	150,000	149,451
Board of Governors retrofit	200,000	–
Fieldhouse interior upgrades	750,000	49,060
Washrooms	154,000	–
Campus paving	400,000	–
Cabot residence	1,150,000	–
CFI labs and equipment	225,000	–
	<u>\$ 15,610,000</u>	<u>\$ 4,626,240</u>

18. 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 \$233,530 (2019 - \$137,866) for the year ended March 31, 2020.

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 \$2,967,373 (2019 - \$2,863,154) for the year ended March 31, 2020.

CAPE BRETON UNIVERSITY

Notes to Non-consolidated Financial Statements (continued)

Year ended March 31, 2020

19. 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 2020 fiscal year, the University received a \$400,000 (2019 - \$400,000) 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.

20. FINANCIAL INSTRUMENTS

The University is exposed to various risks through its financial instruments and includes the following significant risks at March 31, 2020.

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, 2020

21. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus, including the announcement of a state of emergency in the Province of Nova Scotia on March 22, 2020. As of the date of issuing the financial statements, the ongoing duration and impact of COVID-19 is unknown and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the University in future fiscal years.