

Cape Breton University
Non-consolidated Financial Statements

March 31, 2021

Independent Auditor's Report

To the Board of Governors of Cape Breton University:

Opinion

We have audited the non-consolidated financial statements of Cape Breton University (the "University"), which comprise the statement of financial position as at March 31, 2021, and the non-consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2021, and the results of its operations 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 the ethical requirements that are relevant to our audit of the 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.

Responsibilities of Management and Those Charged with Governance for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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.

Auditor's Responsibilities 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 decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

ACCOUNTING > CONSULTING > TAX

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 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 29, 2021

MNP LLP
Chartered Professional Accountants

Cape Breton University
Non-consolidated Financial Statements
For the year ended March 31, 2021

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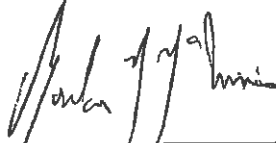
Management's Responsibility for the Non-Consolidated Financial Statements

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.



Gordon M. MacInnis, FCPA, FCA
Vice-President Finance & Operations

Cape Breton University
Non-consolidated Statement of Financial Position
As at March 31, 2021

					2021	2020
	Operating Fund	Special Purpose and Research Fund	Capital Fund	Endowment Fund	Total	Total
ASSETS						
Current assets						
Cash	\$ 80,935,534	\$ -	\$ -	\$ -	\$ 80,935,534	\$ 62,920,249
Accounts receivable (note 2)	8,726,000	-	-	-	8,726,000	6,142,612
Inventories	1,600	-	-	-	1,600	2,300
Prepaid expenses	1,014,072	-	-	-	1,014,072	1,001,574
	<u>90,677,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,677,206</u>	<u>70,066,735</u>
Investments						
Investments held for scholarship and special purposes (note 3)	-	12,968,054	-	34,951,193	47,919,247	38,886,335
Investment in CBU Developments Inc. (note 4)	-	100	-	-	100	100
	<u>-</u>	<u>12,968,154</u>	<u>-</u>	<u>34,951,193</u>	<u>47,919,347</u>	<u>38,886,435</u>
Interfund balances	(44,149,863)	47,112,118	(2,714,603)	(247,652)	-	-
Capital assets (note 5)	-	-	67,996,569	-	67,996,569	62,148,393
Work in progress (note 6)	-	-	2,869,433	-	2,869,433	4,626,240
Due from LeamCorp International Inc. and CBU Foundation (note 7)	5,793	-	-	-	5,793	49,953
	<u>\$ 46,533,136</u>	<u>\$ 60,080,272</u>	<u>\$ 68,151,399</u>	<u>\$ 34,703,541</u>	<u>\$ 209,468,348</u>	<u>\$ 175,777,756</u>

LIABILITIES

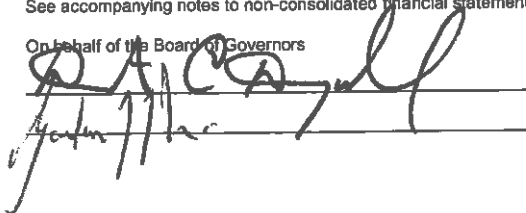
Current liabilities						
Accounts payable and accrued liabilities	\$ 33,536,166	\$ -	\$ -	\$ -	\$ 33,536,166	\$ 26,783,866
Current portion of accrued employee benefits (note 8)	1,569,292	-	-	-	1,569,292	2,499,886
Deferred revenue	12,062,416	-	-	-	12,062,416	9,363,201
Deferred special purpose and research funds (note 9)	-	6,855,292	-	-	6,855,292	5,536,681
Current portion of long-term debt (note 10)	-	-	700,000	-	700,000	815,000
	<u>47,167,874</u>	<u>6,855,292</u>	<u>700,000</u>	<u>-</u>	<u>54,723,166</u>	<u>44,998,434</u>
Long-term liabilities						
Accrued employee benefits (note 8)	504,001	-	-	-	504,001	421,183
Long-term debt (note 10)	-	-	7,697,000	-	7,697,000	8,397,000
Deferred capital contributions (note 12)	-	-	24,576,384	-	24,576,384	25,785,618
	<u>504,001</u>	<u>-</u>	<u>32,273,384</u>	<u>-</u>	<u>32,777,385</u>	<u>34,603,801</u>
	<u>47,671,875</u>	<u>6,855,292</u>	<u>32,973,384</u>	<u>-</u>	<u>87,500,551</u>	<u>79,602,235</u>

FUND BALANCES

Fund balances	(1,138,739)	53,224,980	35,178,015	34,703,541	121,967,797	96,175,521
Commitments and contingencies (note 17)						
	<u>\$ 46,533,136</u>	<u>\$ 60,080,272</u>	<u>\$ 68,151,399</u>	<u>\$ 34,703,541</u>	<u>\$ 209,468,348</u>	<u>\$ 175,777,756</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Board of Governors



Cape Breton University
Non-consolidated Statement of Operations
For the year ended March 31, 2021

					2021	2020
	Operating Fund	Special Purpose and Research Fund	Capital Fund	Endowment Fund	Total	Total
REVENUES						
Government grants and contracts	\$ 28,876,274	\$ -	\$ -	\$ -	\$ 28,876,274	\$ 24,853,128
Tuition and related fees	56,471,829	-	-	-	56,471,829	69,249,968
Scholarship revenue	720,000	-	-	-	720,000	720,000
Investment income	1,112,670	728,347	-	-	1,841,017	2,781,074
Other income	2,741,000	-	-	-	2,741,000	2,921,767
Ancillary enterprises	681,596	40,138	-	-	721,734	3,124,141
Special purpose and research revenue	-	3,192,833	-	-	3,192,833	7,160,639
Contributions to internally restricted investments	-	260,376	-	-	260,376	245,088
Amortization of deferred capital contributions (note 12)	-	-	2,144,600	-	2,144,600	2,226,027
Change in fair value of investments	-	1,892,784	-	-	1,892,784	-
	90,603,369	6,114,478	2,144,600	-	98,862,447	113,281,832
EXPENSES						
Instruction and non-sponsored research	35,063,693	-	-	-	35,063,693	35,387,011
Library	1,976,126	-	-	-	1,976,126	1,986,106
Student services	7,186,293	-	-	-	7,186,293	7,323,357
Administration and general	5,444,223	-	-	-	5,444,223	5,064,829
Development and recruiting	9,447,451	-	-	-	9,447,451	13,441,922
Facilities management	5,424,788	-	-	-	5,424,788	6,225,520
Computing	2,755,643	-	-	-	2,755,643	2,936,082
Ancillary enterprises	1,393,890	1,711	-	-	1,395,401	2,473,853
Special purpose and research expenses (note 9)	-	4,295,483	-	-	4,295,483	7,771,682
Amortization of capital assets	-	-	7,038,716	-	7,038,716	5,588,874
Change in fair value of investments	-	-	-	-	-	1,265,671
Retirement incentive, vacation and service award costs (note 8)	(74,950)	-	-	-	(74,950)	352,481
	68,616,957	4,297,194	7,038,716	-	79,952,867	89,797,388
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 21,986,412	\$ 1,817,284	\$ (4,894,116)	\$ -	\$ 18,909,580	\$ 23,484,444

See accompanying notes to non-consolidated financial statements.

Cape Breton University
Non-consolidated Statement of Changes in Fund Balances
For the year ended March 31, 2021

	2021				2020	
	Operating Fund	Special Purpose and Research Fund	Capital Fund	Endowment Fund	Total	Total
BALANCE, BEGINNING OF YEAR	\$ (3,098,076)	\$ 42,790,340	\$ 28,662,412	\$ 27,820,845	\$ 96,175,521	\$ 73,454,870
Transactions during the year						
Excess (deficiency) of revenues over expenses	21,986,412	1,817,284	(4,894,116)	-	18,909,580	23,484,444
Contributions	-	-	-	477,348	477,348	1,183,009
Investment income on scholarship endowments in excess of scholarships awarded	-	-	-	1,368,550	1,368,550	1,572,513
Change in fair value of investments	-	-	-	5,036,798	5,036,798	(3,519,315)
Net change in investment in capital assets (note 13)	(11,009,719)	-	11,009,719	-	-	-
Capital assets funded from future operations						
Verschuren Centre	(400,000)	-	400,000	-	-	-
Interfund transfers (note 14)	(8,617,356)	8,617,356	-	-	-	-
	1,959,337	10,434,640	6,515,603	6,882,696	25,792,276	22,720,651
BALANCE, END OF YEAR	\$ (1,138,739)	\$ 53,224,980	\$ 35,178,015	\$ 34,703,541	\$ 121,967,797	\$ 96,175,521
Fund balances are comprised of						
Investment in capital assets (note 13)	\$ -	\$ -	\$ 35,178,015	\$ -	\$ 35,178,015	\$ 28,662,412
Internally restricted funds (note 15)	-	40,335,327	-	-	40,335,327	32,443,318
Endowment funds	-	12,889,553	-	34,703,541	47,593,094	38,167,767
Equity in CBU Developments Inc.	-	100	-	-	100	100
Unrestricted	(1,138,739)	-	-	-	(1,138,739)	(3,098,076)
	\$ (1,138,739)	\$ 53,224,980	\$ 35,178,015	\$ 34,703,541	\$ 121,967,797	\$ 96,175,521

See accompanying notes to non-consolidated financial statements.

Cape Breton University
Non-consolidated Statement of Cash Flows
For the year ended March 31, 2021

	2021	2020
CASH FLOWS FROM OPERATIONS		
Excess of revenues over expenses	\$ 18,909,580	\$ 23,484,444
Items not involving cash		
Amortization of capital assets	7,038,716	5,568,874
Amortization of deferred capital contributions	(2,144,600)	(2,226,027)
Change in fair value of investments, operating fund	(1,892,784)	1,265,671
Decrease in accrued employee benefits costs	(847,776)	(546,739)
Change in non-cash working capital (note 16)	8,175,140	(5,441,518)
	29,238,276	22,104,705
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments	(2,103,330)	(5,031,455)
Acquisition of capital assets and work in progress	(11,130,085)	(12,357,357)
Endowment contributions	477,348	1,183,009
Investment income on scholarship endowments in excess of scholarships awarded	1,368,550	1,572,513
	(11,387,517)	(14,633,290)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due from LearnCorp International Inc. and CBU Foundation	44,160	54,253
Contributions received for capital assets	935,366	1,440,281
Repayment of long-term debt	(815,000)	(781,000)
	164,526	713,534
INCREASE IN CASH AND CASH EQUIVALENTS	18,015,285	8,184,949
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	62,920,249	54,735,300
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 80,935,534	\$ 62,920,249

See accompanying notes to non-consolidated financial statements.

Cape Breton University
Notes to Non-consolidated Financial Statements
For the year ended March 31, 2021

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 ("ASNPO") in Part III of the CPA Handbook:

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.

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
For the year ended March 31, 2021

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.

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, 2021, the estimated fair market value of the artwork and collections was \$8,500,000. 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) Pensions

The University has established a defined benefit Supplementary Pension Plan for Designated Employees. The defined benefit obligation and current service cost has been determined from an actuarial valuation using the projected benefit method prorated on services. Actuarial gains and losses are immediately recognized in the statement of changes in fund balances.

l) 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.

1. ACCOUNTING POLICIES (CONTINUED)

m) 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.

n) 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
For the year ended March 31, 2021

2. ACCOUNTS RECEIVABLE

	2021	2020
Student accounts	\$ 9,940,601	\$ 6,015,800
Less allowance for doubtful student accounts	(3,325,552)	(2,064,400)
	6,615,049	3,951,400
Government allotments and grants	1,023,199	1,540,707
Other	1,087,752	650,505
	\$ 8,726,000	\$ 6,142,612

3. INVESTMENTS HELD FOR SCHOLARSHIP AND SPECIAL PURPOSES

	2021		2020	
	Cost	Fair Market Value	Cost	Fair Market Value
Special Purpose and Research Fund				
Special purpose	\$ 4,898,122	\$ 5,364,022	\$ 4,492,391	\$ 4,185,136
Victor Harriss Endowment	6,943,571	7,604,032	6,713,542	6,254,374
	11,841,693	12,968,054	11,205,933	10,439,510
Endowment Fund	31,201,995	34,951,193	29,734,425	28,446,825
	\$ 43,043,688	\$ 47,919,247	\$ 40,940,358	\$ 38,886,335

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.

Cape Breton University
Notes to Non-consolidated Financial Statements

For the year ended March 31, 2021

4. INVESTMENT IN CBU DEVELOPMENTS INC. (CONTINUED)

The summary of the audited financial statements of CBU 2015 Business Trust for the year ending December 31, 2020 is as follows:

BALANCE SHEET

Assets	\$ 15,090,673
Liabilities	15,734,111
Partners' Capital	643,438

STATEMENT OF EARNINGS

Revenues	913,580
Expenses	858,892
Net earnings	54,688

STATEMENT OF CASH FLOWS

Operating	153,737
Financing	(729,000)
Investing	651,013

The summary of the audited financial statements of Gardiner Mines Wind Farm Limited Partnership for the year ending March 31, 2021 follows:

BALANCE SHEET

Assets	\$ 14,426,785
Liabilities	996,508
Partners' Capital	13,430,277

STATEMENT OF EARNINGS

Revenues	2,440,012
Expenses	1,304,956
Net earnings	1,135,056

STATEMENT OF CASH FLOWS

Operating	1,980,235
Financing	(1,917,000)
Investing	(118)

Cape Breton University
Notes to Non-consolidated Financial Statements
For the year ended March 31, 2021

5. CAPITAL ASSETS

2021			
	Cost	Accumulated amortization	Net book value
Land	\$ 355,061	\$ —	\$ 355,061
Buildings	89,689,247	49,980,786	39,708,461
Capital improvements	41,312,474	21,920,193	19,392,281
Computer and information systems	6,654,363	3,395,182	3,259,181
Equipment	15,076,508	9,877,294	5,199,214
Library collection	2,359,346	2,335,606	23,740
Vehicles	559,918	501,287	58,631
Equipment acquired under capital lease	2,048,151	2,048,151	—
	\$ 158,055,068	\$ 90,058,499	\$ 67,996,569

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
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6. WORK IN PROGRESS

	2021	2020
Linkway accessibility	\$ 1,951,403	\$ 165,519
Fieldhouse interior renovations	465,530	-
Canada Games Complex refit	178,972	49,060
Boardroom/meeting room renovations	171,970	-
Centre for Discovery/Innovation	101,558	-
ERP – Colleague	-	2,002,408
Boiler room upgrade	-	1,765,540
Student lounge renovation	-	289,557
Science and Technology lab equipment	-	204,705
Campus extension-faculty offices	-	149,451
	\$ 2,869,433	\$ 4,626,240

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, 2021, LearnCorp International Inc., a subsidiary of the CBU Foundation owed the University \$5,793 (2020 - \$49,953) for amounts paid on its behalf.

At March 31, 2021, the CBU Foundation owed the University \$Nil (2020 - \$Nil) for amounts paid on its behalf.

During the year, the University received a \$25,000 (2020 - \$231,057) dividend from the CBU Foundation.

8. ACCRUED EMPLOYEE BENEFITS

	2021	2020
Retirement incentive liabilities	\$ 365,332	\$ 1,032,228
Vacation entitlements	1,240,780	1,706,423
Service awards, accrued benefit liability	138,403	182,418
Supplementary pension plan (note 18)	328,778	-
	2,073,293	2,921,069
Current portion		
Retirement incentive liabilities	328,512	743,532
Vacation entitlements	1,240,780	1,706,423
Service awards, accrued benefit liability	-	49,931
	1,569,292	2,499,886
	\$ 504,001	\$ 421,183

Cape Breton University
Notes to Non-consolidated Financial Statements
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8. ACCRUED EMPLOYEE BENEFITS (CONTINUED)

	2021	2020
Expensed in the year		
Retirement incentive liabilities	\$ 15,625	\$ 34,665
Vacation entitlements	(401,573)	292,405
Service awards, accrued benefit liability	5,916	25,411
Supplementary pension plan	305,082	-
	\$ (74,950)	\$ 352,481

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:

	2021	2020
Balance, beginning of year	\$ 5,536,681	\$ 7,449,545
Add external contributions		
Atlantic Canada Opportunities Agency	957,354	746,738
CFI and Province of Nova Scotia	291,809	245,552
Federal Tri-Agency	1,890,782	1,486,779
Industrial research funding	-	658,681
Other federal government agencies	266,930	512,805
Other grants and revenue	1,455,529	814,627
Province of Nova Scotia	671,261	1,077,855
Public Works and Government Services Canada	-	151,434
Purdy Crawford Chair Funding		
External fundraising	275,818	168,585
Add:		
Transfers from special purpose reserves	975,774	586,043
Transfers from special purpose investments	126,876	-
Less		
Transfers to capital fund	(1,298,039)	(590,281)
Expenditures recognized for the year	(4,295,483)	(7,771,682)
Balance, end of year	\$ 6,855,292	\$ 5,536,681

Cape Breton University
Notes to Non-consolidated Financial Statements
For the year ended March 31, 2021

10. LONG-TERM DEBT

	2021	2020
Royal Bank of Canada, 4.8% due August 1, 2035, repayable in fluctuating blended instalments averaging \$42,000 per month	\$ 5,228,000	\$ 5,488,000
Royal Bank of Canada, 5.28% due December 20, 2029, repayable in fluctuating blended instalments averaging \$36,000 per month	3,019,000	3,284,000
Royal Bank of Canada, 4.48% due September 1, 2021, repayable in fluctuating blended instalments averaging \$20,833 per month	150,000	440,000
	8,397,000	9,212,000
Current portion of long-term debt	700,000	815,000
	\$ 7,697,000	\$ 8,397,000

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

2022	\$ 700,000
2023	577,000
2024	604,000
2025	633,000
2026	644,000

Interest of \$427,911 (2020 - \$474,156) 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, 2021 was \$8,397,000 (2020 - \$9,212,000). 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, 2021, it would have been obligated to pay the bank \$1,371,331 (2020 - \$2,127,248), which is the fair value of the swaps as calculated by the bank.

Cape Breton University
Notes to Non-consolidated Financial Statements
For the year ended March 31, 2021

12. DEFERRED CAPITAL CONTRIBUTIONS

	2021	2020
Balance, beginning of year	\$ 25,785,618	\$ 26,571,364
Additions		
ACOA	900,000	318,750
CFI and NSRIT	284,291	167,326
Province of Nova Scotia	—	300,000
Other	190,244	654,205
	1,374,535	1,440,281
Dispositions	439,169	—
Amortized to revenue	2,144,600	2,226,027
Balance, end of year	\$ 24,576,384	\$ 25,785,618

13. INVESTMENT IN CAPITAL ASSETS

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

	2021	2020
Capital assets	\$ 67,996,569	\$ 62,148,393
Work in progress	2,869,433	4,626,240
Less		
Deferred capital contributions	(24,576,384)	(25,785,618)
Long-term debt	(8,397,000)	(9,212,000)
Capital assets to be funded from future operations		
Verschuren Centre	(2,714,603)	(3,114,603)
	\$ 35,178,015	\$ 28,662,412

Cape Breton University
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13. INVESTMENT IN CAPITAL ASSETS (CONTINUED)

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

	2021	2020
Deficiency of revenues over expenses		
Amortization of deferred contributions	\$ 2,144,600	\$ 2,226,027
Amortization of capital assets	(7,038,716)	(5,568,874)
	<u>\$ (4,894,116)</u>	<u>\$ (3,342,847)</u>
Net change in investment in capital assets		
Acquisition of capital assets	\$ 12,886,892	\$ 9,830,959
Less prior year work in progress	(4,626,240)	(2,099,842)
	8,260,652	7,731,117
Work in progress	2,869,433	4,626,240
Amount funded by deferred capital contributions	(935,366)	(1,440,281)
Repayment of long-term debt	815,000	781,000
	<u>\$ 11,009,719</u>	<u>\$ 11,698,076</u>

14. INTERFUND TRANSFERS

	Operating Fund	Special Purpose	Deferred Special Purpose
General capital reserve	\$ (6,474,207)	\$ 6,421,832	\$ 52,375
Enrollment diversification reserve	-	(12,651)	12,651
General operating reserve	(1,900,000)	1,900,000	-
Strategic priorities reserve	(1,050,000)	139,252	910,748
Covid19 reserve	(2,857,000)	2,857,000	-
IT/ERP reserve	3,451,851	(3,451,851)	-
Transfer from Harriss Endowment	212,000	(212,000)	-
	<u>\$ (8,617,356)</u>	<u>\$ 7,641,582</u>	<u>\$ 975,774</u>

Cape Breton University
Notes to Non-consolidated Financial Statements
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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:

	2021	2020
General capital reserve	\$ 11,810,559	\$ 5,350,300
Deferred maintenance reserve	10,000,000	10,000,000
Enrollment diversification reserve	144,607	157,258
General operating reserve	7,938,000	6,038,000
Strategic priorities reserve	2,786,427	2,647,175
Covid 19 reserve	4,857,000	2,000,000
IT/ERP reserve	2,798,734	6,250,585
	\$ 40,335,327	\$ 32,443,318

16. CHANGE IN NON-CASH WORKING CAPITAL

	2021	2020
Accounts receivable	\$ (2,583,388)	\$ (1,207,912)
Inventories	700	20,796
Prepaid expenses	(12,498)	(583,344)
Accounts payable and accrued liabilities	6,752,500	(5,277,924)
Deferred revenue	2,699,215	3,519,730
Deferred special purpose and research funds	1,318,611	(1,912,864)
	\$ 8,175,140	\$ (5,441,518)

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.

17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

As at March 31, 2021, management has not estimated its liability for its participation in this program. The amount of \$215,483 (\$217,973 - 2020) 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 2020 and 2019 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 – 2019) above CURIE's \$5,000,000 limit.

During 2020 CURIE wrote General Liability policies with a limit of \$5,000,000 per occurrence (\$5,000,000 – 2019).

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 2020 (\$5,000,000 – 2019). In 2020 and 2019, 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, 2021, the outstanding loan balance is \$519,924 (2020 - \$640,670).

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, 2021, the outstanding loan balance is \$14,272,000 (2020 - \$14,945,000).

Cape Breton University
Notes to Non-consolidated Financial Statements
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17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

f) Capital projects

Cape Breton University is committed to the following capital projects at March 31, 2021:

	Estimated Cost	Progress Billings Including Accrued Holdbacks
Linkway accessibility	\$ 2,716,000	\$ 1,951,403
Fieldhouse interior renovations	755,000	465,530
Canada Games Complex refit	257,000	178,972
Boardroom/meeting room renovations	505,831	171,970
Centre for Discovery/Innovation	101,558	101,558
ERP – Colleague	2,798,000	—
Student lounge renovations	147,850	—
Cabot Residence plumbing upgrades	675,000	—
Classroom audiovisual upgrades	322,450	—
CFI labs and equipment	287,700	—
	\$ 8,566,389	\$ 2,869,433

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 \$155,104 (2020 - \$233,530) for the year ended March 31, 2021.

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 \$3,097,581 (2020 - \$2,967,373) for the year ended March 31, 2021.

18. PENSIONS (CONTINUED)

During the year ended March 31, 2021, the University established a defined benefit Supplementary Pension Plan for Designated Employees of Cape Breton University. Benefits payable from the plan are equal to the pension that would have been payable from the Public Service Superannuation Plan (PSSP) in excess of limits imposed by the Income Tax Act, less the actual benefits payable from the PSSP. Benefits begin to accrue on the date that the employee was appointed to the office of Vice President or President. The plan obligation at March 31, 2021 is \$328,778.

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 2021 fiscal year, the University received a \$400,000 (2020 - \$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, 2021.

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.

20. FINANCIAL INSTRUMENTS (CONTINUED)

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.

21. IMPACT OF COVID 19 ON OPERATIONS

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The operations were impacted by COVID-19 due to the requirement to move to an online learning model, and travel and visa restrictions imposed on international students. This had a negative impact on tuition related revenues and other ancillary services. The University was able to reduce spending in certain areas however the overall impact was a significant decline in net revenues over expenses for the year.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the University as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of effect on the University is unknown, the delivery of services and its impacts on revenues could continue to be affected in the coming year.