Financial Statements

April 30, 2016

UNIVERSITY OF
WATERLOO

UNIVERSITY OF WATERLOO

FINANCIAL STATEMENTS

APRIL 30, 2016

I N D E X

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management of the University of Waterloo is responsible for the preparation of the financial statements, the notes thereto and all other financial information contained in this annual report.

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations developed by the Chartered Professional Accountants of Canada. Management believes the financial statements present fairly the University's financial position as at April 30, 2016 and the results of its operations and its cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that university assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit & Risk Committee.

The Audit & Risk Committee is appointed by the Board and its members are not officers or employees of the University. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance. The Committee also considers, for approval by the Board, the engagement or reappointment of the external auditors.

Financial statements for the year ended April 30, 2016 have been audited by Ernst & Young LLP. The independent auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Independent auditors' report

To the Board of Governors of the **University of Waterloo**

We have audited the accompanying financial statements of the **University of Waterloo**, which comprise the balance sheet as at April 30, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **University of Waterloo** as at April 30, 2016 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Kitchener, Canada
August 5, 2016

UNIVERSITY OF WATERLOO

STATEMENT 1

BALANCE SHEET

as at April 30, 2016

(with comparative figures as at April 30, 2015)

(thousands of dollars)

	2016	2015
ASSETS		
Current		
Cash and cash equivalents	$ 240,698	$ 246,848
Short-term investments (note 3)	186,705	150,121
Accounts receivable	26,962	26,895
Inventories	3,499	3,430
Prepaid expenses	8,161	7,688
Total current assets	466,025	434,982
Long-term investments (note 3)	511,032	545,195
Capital assets, net (note 4)	843,635	814,964
	1,820,692	1,795,141
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (note 5)	70,441	74,159
Unearned revenue	83,590	73,967
Current portion of long-term debt (note 6)	11,797	1,510
Deferred contributions (note 7)	216,041	226,724
Total current liabilities	381,869	376,360
Employee future benefits (note 8)	278,796	227,045
Long-term debt (note 6)	27,686	39,483
Deferred capital contributions (note 9)	430,380	426,936
Total liabilities	1,118,731	1,069,824
NET ASSETS		
Unrestricted surplus (note 10)	13,921	17,272
Internally restricted (note 11)	354,661	372,314
Endowments (note 12)	333,379	335,731
	701,961	725,317
	$ 1,820,692	$ 1,795,141

Commitments and contingencies (note 13)

(See accompanying notes to the financial statements)

On behalf of the Board of Governors:

William Watson
Chair

Feridun Hamdullahpur
President

UNIVERSITY OF WATERLOO

STATEMENT 2

STATEMENT OF OPERATIONS

for the year ended April 30, 2016

(with comparative figures for the year ended April 30, 2015)

(thousands of dollars)

	2016	2015
REVENUE		
Academic fees	$ 389,216	$ 357,889
Donations	10,830	9,860
Grants and contracts	388,235	392,357
Sales, services and other revenue	121,263	114,120
Income from investments (note 3)	14,062	34,063
Amortization of deferred capital contributions (note 9)	28,742	27,951
	952,348	936,240
EXPENSES		
Salaries	462,440	439,973
Employee benefits	94,425	99,893
Cost of goods sold	17,764	17,064
Supplies and other (note 6)	104,723	111,605
Travel	22,001	21,288
Minor repairs and renovations	20,849	18,784
Equipment, maintenance and rentals	20,048	18,926
Scholarships and bursaries	104,977	109,975
Municipal taxes and utilities	23,951	23,566
Amortization of capital assets	46,528	45,656
	917,706	906,730
Excess revenue over expenses for the year	$ 34,642	$ 29,510

(See accompanying notes to the financial statements)

UNIVERSITY OF WATERLOO

STATEMENT 3

STATEMENT OF CHANGES IN NET ASSETS
for the year ended April 30, 2016
(with comparative figures for the year ended April 30, 2015)
(thousands of dollars)

	Unrestricted Surplus	Internally Restricted	Endowments	2016 Total	2015 Total
Net assets, beginning of year	$17,272	$372,314	$335,731	$725,317	$571,133
Excess revenue over expenses for the year	34,642			34,642	29,510
Change in net assets internally restricted (note 11)	17,653	(17,653)			
Change in unrealized gain on investments held for donor endowments (note 12)			(11,737)	(11,737)	6,865
Employee future benefit remeasurement costs (note 8)	(50,357)			(50,357)	112,204
Internally endowed amounts (note 12)	(5,289)		5,289		
Endowment contributions (note 12)			4,096	4,096	5,605
Net assets, end of year	$13,921	$354,661	$333,379	$701,961	$725,317

(See accompanying notes to the financial statements)

UNIVERSITY OF WATERLOO STATEMENT 4

STATEMENT OF CASH FLOWS

for the year ended April 30, 2016
(with comparative figures for the year ended April 30, 2015)
(thousands of dollars)

	2016	2015
OPERATING ACTIVITIES		
Excess revenue over expenses for the year	$ 34,642	$ 29,510
Add (deduct) non-cash items:		
Change in unrealized gain on internally endowed investments	3,945	(2,923)
Change in unrealized gain on unrestricted investments	3,247	(861)
Amortization of capital assets	46,528	45,656
Amortization of deferred capital contributions	(28,742)	(27,951)
Net change in employee future benefits	1,394	11,074
Net change in non-cash balances (note 15)	(12,851)	23,556
Cash provided by operating activities	48,163	78,061
FINANCING ACTIVITIES		
Repayment of long-term debt	(1,510)	(4,414)
Contributions for capital assets	32,186	22,844
Endowment contributions	4,096	5,605
Cash provided by financing activities	34,772	24,035
INVESTING ACTIVITIES		
Purchases of capital assets	(65,660)	(60,314)
Net purchases of investments	(23,425)	(40,615)
Cash used in investing activities	(89,085)	(100,929)
Net change in cash and cash equivalents during the year	(6,150)	1,167
Cash and cash equivalents, beginning of year	246,848	245,681
Cash and cash equivalents, end of year	$ 240,698	$ 246,848

(See accompanying notes to the financial statements)

1. Description

The University of Waterloo (the "University") was incorporated in 1959 under the terms and provisions of the University of Waterloo Act. A new University of Waterloo Act was passed in 1972 which provided that the University continue as the corporation which was established in 1959.

The objectives of the University are the pursuit of learning through scholarship, teaching and research. The University is a degree granting and research organization offering undergraduate and graduate programs. The University is also a registered charity under Section 149 of the Income Tax Act and is, therefore, exempt from income taxes.

These financial statements reflect the assets, liabilities, net assets, income and expenses of all the operations of the University. Included are the academic, administrative and other operating expenses funded by academic fees, grants and other general revenue; restricted purpose funds including endowment funds; and the ancillary enterprises, including Housing & Residences, Food Services, Parking and Retail Services.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and include the following significant accounting policies:

(a) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and investments in highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments. These instruments are carried at cost plus accrued interest.

(b) Investments and investment income

All investments are recorded at fair value. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Publicly traded securities are valued based on the latest closing prices and pooled funds are valued based on reported unit values. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred. Investment income (loss), which consists of interest, dividends and realized and unrealized gains (losses), is recorded as income (loss) from investments in the statement of operations, except for investment income (loss) deferred or recorded directly in endowment net assets.

(c) Derivative financial instruments

The University uses forward contracts to economically hedge the impacts of foreign currency changes for investments denominated in foreign currencies and interest rate swaps to mitigate the effect of changes in interest rates on variable-rate debt. Forward contracts used to hedge investment transactions are recorded at fair value and included in investments on the balance sheet. The change in fair value of the derivatives is reflected in investment income.

The fair value of derivative financial instruments reflects the daily quoted market amount of those instruments. Investment dealer quotes or quotes from a bank are available for the University's derivative financial instruments.

The University follows hedge accounting for its interest rate swap which results in the interest expense related to certain long-term debt being recorded in the financial statements at the hedged rate rather than at the original contractual interest rate. In order for a derivative to qualify for hedge accounting, the hedge relationship must be identified, designated and formally documented at its inception. Changes in the cash flows on the interest rate swap must be highly effective in offsetting changes in the amount of cash flows on the hedged long-term debt. Interest rate swaps in qualifying hedging relationships are not recognized until their maturity.

(d) Other financial instruments

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and continue to be carried at this value, which represents cost, net of any provisions for impairment.

(e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventory is the weighted-average purchase cost and net realizable value is the estimated selling price in the ordinary course of business. Items that are written down to net realizable value are adjusted back up to cost if there is a subsequent increase in the net realizable value. There have been no write-downs of inventory or reversals of previous write-downs during the year.

(f) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value on the date of contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Parking lots/roadways	15 years
Furniture and equipment	3-10 years
Library acquisitions	5 years

Contributions received for capital assets are deferred and amortized over the same term on the same basis as the related capital assets.

Works of art are recorded at cost and not amortized.

(g) Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Endowment contributions and restricted contributions used to purchase land are recognized as direct increases in net assets in the period in which the contributions are received or when the land is purchased.

Tuition and other academic fees are recorded as revenue on the accrual basis of accounting. All fees that relate to an academic term occurring within the fiscal year are included as revenue. Fees billed and collected that relate to academic terms commencing after the end of the fiscal year are included in "Unearned revenue".

Sales, services and other revenue are recognized at point of sale or when these services have been provided.

(h) Long-term debt

Long-term debt is initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.

(i) Employee future benefits

The University has a defined benefit pension plan for its employees and provides other retirement and post-employment benefits such as extended health care and life insurance coverage. The University accounts for these plans using the immediate recognition approach. Under this approach, the University recognizes the accrued benefit obligation, net of the fair value of plan assets on the balance sheet. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net assets. The University has elected to use an actuarial valuation prepared for funding purposes to measure the defined benefit obligation in respect of its pension plan. The accrued benefit obligation for funded employee future benefits is determined using a roll-forward technique to estimate the accrued obligation using funding assumptions from the most recent actuarial valuation which is prepared at least every three years. The accrued obligation for unfunded plans is prepared on a basis consistent with funded plans. Employee future benefit plans' assets are measured at fair value at the date of the balance sheet.

(j) Accounting estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These amounts are based on management's knowledge of current events and actions that the University may undertake in the future. Significant areas requiring the use of management estimates relate to the assumptions used in the valuation of pension and other post-employment retirement benefit obligations, and the recording of contingencies. Actual results could differ from those estimates.

(k) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at year end. Revenues and expenses are translated at exchange rates in effect on the date of the transaction. Gains or losses arising from these foreign currency transactions are included in revenue except to the extent that they relate to investments, in which case they are recognized in the same manner as investment income.

3. Investments

The University is subject to various risks with respect to its investment portfolio. To manage these risks, the University has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

(a) Total investments at fair value consist of the following components:

	2016	2015
Short-term bonds and guaranteed investment certificates	$186,705	$150,121
Long-term investments:		
Deposits and bankers' acceptances	19,189	27,238
Bonds		
Government	27,310	47,278
Corporate	82,305	103,314
Pooled	185,468	199,000
	295,083	349,592
Equity investments		
Canadian	102,804	95,950
US	5,217	5,127
Other international including currency derivatives	88,739	67,288
	196,760	168,365
Total long-term investments	511,032	545,195
Total investments	$697,737	$695,316

(b) Investment income recorded in the statement of operations is calculated as follows:

	2016	2015
Interest, dividend income and realized gains (losses) earned from:		
Unrestricted resources	$ 10,113	$ 11,925
Special purpose resources	-	14
Change in unrealized gains from unrestricted resources	(3,247)	861
Investment income (loss) from endowments (note 12):		
Donor endowed	7,859	14,021
Internally endowed	(663)	7,242
Total investment income recognized in the year	$ 14,062	$ 34,063

(c) Included in long-term investments are foreign currency derivatives as follows:

	2016		
	Maturity	Notional Amount	Fair Value
Assets			
United States dollar forward contract	13-Jul-16	$17,694	$ 833
United States dollar forward contract	13-Jul-16	16,310	768
United States dollar forward contract	13-Jul-16	485	5
United States dollar forward contract	13-Jul-16	485	5
Great Britain pound forward contract	13-Jul-16	3,595	33
Japanese yen forward contract	13-Jul-16	3,976	83
Japanese yen forward contract	13-Jul-16	335	4
Euro forward contract	13-Jul-16	9,481	390
Euro forward contract	13-Jul-16	275	1
		$52,636	$2,122
Liabilities			
Great Britain pound forward contract	13-Jul-16	$ 40	$ (1)

As at April 30, 2016, the fair value of the forward contracts was determined with reference to a quotation from a derivatives dealer which the university accepts as the fair value of this instrument.

4. Capital Assets

Capital assets consist of the following:

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 16,745	$ -	$ 16,745	$ -
Buildings	974,629	267,978	922,815	246,430
Parking lots/roadways	6,358	4,005	6,358	3,696
Furniture and equipment	345,411	235,231	326,330	215,266
Library acquisitions	50,710	46,561	49,617	44,962
Works of art	3,557	-	3,453	-
	1,397,410	$553,775	1,325,318	$510,354
Less accumulated amortization	(553,775)		(510,354)	
Net book value	$ 843,635		$ 814,964	

Included in the cost of buildings is $118,712 (2015 - $70,167) of construction in progress that is currently not being amortized.

5. Government Remittances Payable

Included in accounts payable and accrued liabilities at April 30, 2016 are government remittances payable of $15,224 (2015 - $14,022).

6. Long-Term Debt

(a) Long-term debt obligations are summarized as follows:

	2016	2015
1892160 Ontario Limited: Mortgage payable with 0% interest; $10,250 to be repaid February 14, 2017 and $10,250 to be repaid February 14, 2019	$20,500	$ 20,500
Ontario Housing Corporation: Lease agreements payable with an interest rate of 6.875% to 7.125% and maturing on December 1, 2020	1,129	1,313
Canada Mortgage and Housing Corporation: Mortgages payable with interest rates ranging from 5.375% to 6.25% and maturities between July 1, 2016 and February 1, 2019	403	707
Canadian Imperial Bank of Commerce: Term instalment loan, non-revolving and maturing on October 1, 2017 with a floating interest rate which is fixed at 6.045% through an interest rate swap	17,451	18,473
	39,483	40,993
Less current portion	(11,797)	(1,510)
Long-term debt	$ 27,686	$ 39,483

The term instalment loan matures on October 1, 2017 and all amounts due are repayable at that time. CIBC may at its sole discretion, upon written request by the University given to CIBC not more than 10 months prior to the maturity date of this loan, extend the maturity date for additional one year periods. Accordingly, scheduled repayments presented below reflect the maturity date of October 1, 2017. An extension of the maturity date will be requested by the University.

The University has entered into an interest rate swap contract to manage the cash flow risk associated with a long-term debt obligation. The contract has the effect of converting the floating rate of interest to a fixed rate of 6.045% (2015 - 6.045%) on $17,451 (2015 - $18,473) of the debt obligation. The notional amount of the derivative financial instrument does not represent amounts exchanged between parties and is not a measure of the University's exposure resulting from the use of a financial instrument contract. The amounts exchanged are based on the applicable rates applied to the notional amount. The fair value of the interest rate swap at April 30, 2016 was $(4,933) (2015 – ($5,139)). As the University has applied hedge accounting, the fair value is not included in the financial statements.

Future scheduled annual debt principal repayments are as follows:

2017	$11,797
2018	16,694
2019	10,495
2020	240
2021	257
	$39,483

The total interest expense on long-term debt recognized in “Supplies and other” for the year ended April 30, 2016 was $1,234 (2015 - $1,366).

7. Deferred Contributions

Deferred contributions represent unspent externally restricted grants, donations and investment income for research and other specific purposes. Changes in the deferred contributions balance are as follows:

	2016	2015
Balance, beginning of year	$226,724	$213,169
Contributions received during the year	178,491	203,480
Contributions transferred for capital purchases	(28,784)	(19,097)
Contributions recognized as revenue during the year	(160,390)	(170,828)
Balance, end of year	$216,041	$226,724

8. Employee Future Benefits

The University has a defined benefit pension plan that provides pension benefits to eligible employees. This registered pension plan is based on years of credited service, highest average earnings in 60 consecutive months in the 10 years immediately preceding retirement, and the CPP average. Pension benefits will increase annually by the ratio between the average of each of the two previous years' indices of the Consumer Price Index, normally to a maximum of 5%. Effective May 1, 2014, guaranteed indexation changed as follows: pension earned as of December 31, 2013 is indexed at 100% of CPI to a maximum of 5%, and pension benefit earned as of date of retirement less the pension benefit earned as of December 31, 2013 will be indexed at 75% of CPI to a maximum of 5%.

The latest actuarial valuation for the registered pension plan was performed as at January 1, 2016. The next required actuarial valuation for the registered pension plan is as of January 1, 2017. The University measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at April 30 of each year.

The University also has a benefit plan that provides other retirement benefits, including extended health care and life insurance and one that provides for long-term disability income benefits after employment, but before retirement.

The pension expense for the year is $31,031 (2015 - $33,613) and other benefit plans expense is $22,691 (2015 - $26,975). Remeasurements, which are recorded in the statement of changes in net assets are as follows:

	2016		2015	
	Pension Benefit Plan	Other Benefit Plans	Pension Benefit Plan	Other Benefit Plans
Difference between actual and expected return on plan assets	$(84,244)	$ -	$ 76,104	$ -
Actuarial gains (losses)	206	33,681	(7,248)	43,348
	$(84,038)	$ 33,681	$ 68,856	$ 43,348

Information about the University's benefit plans is as follows:

	2016		2015	
	Pension Benefit Plan	Other Benefit Plans	Pension Benefit Plan	Other Benefit Plans
Fair value of plan assets	$1,408,154	$ -	$1,395,720	$ -
Accrued benefit obligation	1,491,957	194,993	1,410,510	212,255
Plan deficit	$ (83,803)	$(194,993)	$ (14,790)	$(212,255)

9. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of grants, donations and investment income received and used for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. Changes in the deferred capital contributions balance are as follows:

	2016	2015
Balance, beginning of year	$426,936	$432,043
Additions for capital purchases	32,186	22,844
Amortization of deferred capital contributions	(28,742)	(27,951)
Balance, end of year	$430,380	$426,936

10. Unrestricted Surplus

	2016	2015
Operational surplus	$ 16,970	$ 16,516
Unrealized gain on unrestricted investments	9,259	12,506
Land purchased with restricted funds	726	726
Provision for vacation pay	(13,034)	(12,476)
	$ 13,921	$ 17,272

11. Internally Restricted Net Assets

	2016	2015
Academic and academic support department carryforwards and operational commitments	$299,561	$277,510
Employee future benefits (note 8)	(278,796)	(227,045)
Ancillary enterprises	24,493	16,753
Unspent realized income on internally endowed investments	2,357	3,045
Unrealized gain on internally endowed investments (note 12)	2,738	6,683
Bridge financing for housing and other construction projects	(75,102)	(57,678)
Net assets invested in capital assets	379,410	353,046
	$354,661	$372,314

The University appropriates funds at year end to cover outstanding operational commitments.

12. Endowments

Contributions restricted for endowment consist of restricted donations received by the University and donations internally designated by the Board of Governors. The investment income generated from external and internal endowments must be used for the purposes designated by the donors or Board of Governors. The University ensures that all funds received for restricted purposes are expended for those purposes for which they were provided.

Investment income on endowments is recorded in the statement of operations if it is available for spending at the discretion of the University or if the conditions of any restrictions have been met. Fundamental to the University's philosophy on endowments is the general principle of maintaining the purchasing power of all endowment funds by limiting the amount made available for spending and reinvesting any income not made available for spending in a particular year.

Net assets restricted for endowment consist of the following:

	2016	2015
Donor endowed (cost)	$239,106	$235,010
Internally endowed (cost)	86,724	81,435
Unrealized gain on investments held for donor endowments	7,549	19,286
	$333,379	$335,731

Endowment net investment income includes the following:

	2016		2015	
	Donor Endowed	Internally Endowed	Donor Endowed	Internally Endowed
Realized income earned	$ 9,482	$ 3,282	$ 14,442	$ 4,319
Unrealized gains (losses) recognized as income	-	(3,945)	-	2,923
Income deferred	(1,623)	-	(421)	
Income (loss) recognized in statement of operations (note 3(b))	7,859	(663)	14,021	7,242
Increase in net assets:				
Unrealized gains	11,737	-	6,865	-
Preservation of capital	2,825	949	7,973	2,385
	$ 14,562	$ 949	$14,838	$ 2,385

13. Commitments and Contingencies

(a) The University is a member of a self-insurance co-operative, named CURIE, in association with other Canadian universities. Under this arrangement, a contractual agreement exists to share the property and liability insurance risks of member universities. The projected cost of claims is funded through members' premiums based on actuarial projections. As at December 31, 2015, CURIE had an accumulated surplus of $69,679 (2014 - $74,231), of which the University's pro rata share is approximately 4.1% (2014 - 4.2%) on an ongoing basis. The University does not have access to their pro rata share of the accumulated surplus and accordingly, no amount is recorded in these financial statements.

(b) The University has entered into a long-term land lease and operating agreement with Ivest Properties Limited and London Property Corp. for the construction and rental of student housing. The University has a commitment to rent units in the townhouse complex with an option to terminate. The University is committed until at least September 1, 2018. Based on the number of units available for rent as at April 30, 2016 the following are the annual lease payments committed:

2017 - $2,731 2018 - $2,782 2019 - $933

(c) The nature of the University's activities is such that there are usually claims or potential claims in prospect at any one time. At April 30, 2016, the University believes it has valid defenses and appropriate insurance coverage in place on certain claims which are not expected to have a material impact on the University's financial position. There also exist other claims or potential claims where the ultimate outcome cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

14. Financial Instruments

The University is exposed to various financial risks through transactions in financial instruments.

(a) Currency risk

The University is exposed to foreign currency risk with respect to its investments denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. To manage foreign currency risk, the University hedges a percentage of currency exposures for investments in the US and some other international markets (hedges for the US dollar, pound, yen and euro).

(b) Credit risk

The University is exposed to credit risk in connection with its accounts receivable and its short term and fixed income investments because of the risk of one party to the financial instrument may cause a financial loss for the other party by failing to settle an obligation. The credit risk related to bonds is considered to be negligible because the University invests in bonds with investment grade ratings by recognized credit rating services. The University is also exposed to counterparty credit risk inherent in its interest rate swap agreement and foreign currency derivatives. In all contracts, the counterparty is a Canadian chartered bank and the University has assessed these risks as minimal.

(c) Interest rate risk

The University is subject to interest rate cash flow risk with respect to its floating rate debt. The University has addressed this risk by entering into an interest rate swap agreement that fixes the interest rate over the term of the debt. The University is also exposed to interest rate risk with respect to its investments in fixed income securities because the fair value will fluctuate with changes in market interest rates.

(d) Liquidity risk

The University is exposed to liquidity risk to the extent it will encounter difficulty in meeting obligations associated with its financial liabilities.

(e) Other price risk

The University is exposed to other price risk through changes in market prices (other than changes from interest or currency rates) in connection with its equity and pooled fund investments.

15. Net Change in Non-Cash Balances

	2016	2015
Accounts receivable	$ (67)	$ (3,415)
Inventories	(69)	493
Prepaid expenses	(473)	(819)
Accounts payable and accrued liabilities	(13,256)	1,784
Unearned revenue	9,623	6,286
Deferred cash contributions	(8,609)	19,227
	$(12,851)	$23,556