

Financial statements of

**NSCAD University**

March 31, 2016

# **NSCAD University**

March 31, 2016

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## **Independent Auditor's Report**

To the Board of Governors of  
NSCAD University

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

### **Management's Responsibility for the 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.

### **Auditor's 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 auditor's 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 auditor considers 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 in our audit 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 NSCAD University as at March 31, 2016, and the results of its operations and its cash flows for the year then ended.

*Deloitte LLP*

Chartered Accountants  
June 23, 2016  
Halifax, Nova Scotia

# NSCAD University

Statement of financial position  
as at March 31, 2016

	Unrestricted						Restricted			Total 2015 (Restated)	
	Operating fund		Endowment fund		Capital fund		Research and Special Purpose Fund		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	2016		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Assets</b>											
Cash and cash equivalents	-	539,521	-	295,743	-	-	-	-	-	-	835,264
Investments (Note 4)	-	4,333,861	7,176,631	6,772,864	2,742,982	3,036,194	-	-	9,919,613	14,142,919	
Accounts receivable (Note 5)	344,557	734,409	-	-	-	-	-	-	344,557	734,409	
Prepaid expenses (Note 10)	2,145,373	2,219,850	-	-	-	-	-	-	2,145,373	2,219,850	
Inventory	162,086	186,177	-	-	-	-	-	-	162,086	186,177	
Due from operating fund	-	-	102,949	119,370	-	-	1,864,645	965,303	1,967,594	1,084,673	
Due from capital fund	12,444,492	6,144,750	-	-	-	-	-	-	12,444,492	6,144,750	
	<b>15,096,508</b>	<b>14,158,568</b>	<b>7,279,580</b>	<b>7,187,977</b>	<b>2,742,982</b>	<b>3,036,194</b>	<b>1,864,645</b>	<b>965,303</b>	<b>26,983,715</b>	<b>25,348,042</b>	
Property and equipment (Note 6)											
Land	-	-	-	-	4,402,490	4,402,490	-	-	4,402,490	4,402,490	
Building	-	-	-	-	18,277,256	17,988,016	-	-	18,277,256	17,988,016	
Equipment	-	-	-	-	5,050,121	5,123,212	-	-	5,050,121	5,123,212	
Computer hardware	-	-	-	-	1,301,237	1,268,079	-	-	1,301,237	1,268,079	
Computer software	-	-	-	-	765,073	724,667	-	-	765,073	724,667	
Leasehold improvements	-	-	-	-	12,895,272	12,856,325	-	-	12,895,272	12,856,325	
	-	-	-	-	42,691,449	42,362,789	-	-	42,691,449	42,362,789	
Less: Accumulated amortization (Note 6)	-	-	-	-	13,911,968	12,807,123	-	-	13,911,968	12,807,123	
	-	-	-	-	28,779,481	29,555,666	-	-	28,779,481	29,555,666	
	<b>15,096,508</b>	<b>14,158,568</b>	<b>7,279,580</b>	<b>7,187,977</b>	<b>31,522,463</b>	<b>32,591,860</b>	<b>1,864,645</b>	<b>965,303</b>	<b>55,763,196</b>	<b>54,903,708</b>	
<b>Liabilities and fund balances</b>											
Bank indebtedness (Note 7)	449,777	-	-	-	1,640,000	7,124,977	-	-	2,089,777	7,124,977	
Accounts payable and accrued liabilities	1,158,434	1,845,212	-	-	-	-	-	-	1,158,434	1,845,212	
Deferred revenue	685,675	700,668	182,660	174,227	3,048,347	3,358,583	768,645	965,303	4,685,327	5,198,781	
Deferred capital contribution (Note 8)	-	-	-	-	8,301,931	8,598,871	-	-	8,301,931	8,598,871	
Due to operating fund	-	-	-	-	12,444,492	6,144,750	-	-	12,444,492	6,144,750	
Due to endowment fund	102,949	119,370	-	-	-	-	-	-	102,949	119,370	
Due to Research and Special Purpose Fund	1,864,645	965,303	-	-	-	-	-	-	1,864,645	965,303	
Current portion of long-term debt (Note 7)	-	-	-	-	777,319	742,506	-	-	777,319	742,506	
	4,261,480	3,630,553	182,660	174,227	26,212,089	25,969,687	768,645	965,303	31,424,874	30,739,770	
Long-term debt (Note 7)	-	-	-	-	4,675,468	5,452,786	-	-	4,675,468	5,452,786	
	4,261,480	3,630,553	182,660	174,227	30,887,557	31,422,473	768,645	965,303	36,100,342	36,192,556	
Fund balances	10,835,028	10,528,015	7,096,920	7,013,750	634,906	1,169,387	1,096,000	-	19,662,854	18,711,152	
	<b>15,096,508</b>	<b>14,158,568</b>	<b>7,279,580</b>	<b>7,187,977</b>	<b>31,522,463</b>	<b>32,591,860</b>	<b>1,864,645</b>	<b>965,303</b>	<b>55,763,196</b>	<b>54,903,708</b>	

Commitments (Note 10)

Approved by the Board

\_\_\_\_\_ Governor

\_\_\_\_\_ Governor

The accompanying notes to the financial statement are an integral part of this financial statement.

# NSCAD University

Statement of operations  
year ended March 31, 2016

	Unrestricted			Restricted		Total 2015 (Restated)
	Operating	Endowment	Capital	Research and Special Purpose Fund	Total	
	2016	2016	2016	2016	2016	
	\$	\$	\$	\$	\$	\$
<b>Revenues</b>						
Government grants						
Unrestricted	8,697,066	-	-	-	8,697,066	8,505,793
Restricted	1,919,000	133,726	324,404	-	2,377,130	2,241,986
Student academic fees	5,768,544	-	-	-	5,768,544	6,103,816
Other government grants	89,248	-	-	130,288	219,536	920,240
Contributions received	33,600	180,207	345,961	192,068	751,836	790,581
Ancillary enterprises	680,180	-	-	-	680,180	749,233
Rent	546,755	-	-	-	546,755	525,602
Research grants	-	-	-	385,335	385,335	345,821
Unrealized (loss) gain on investments	-	(67,341)	-	-	(67,341)	232,448
Investment income	32,567	169,339	-	-	201,906	201,858
Miscellaneous	119,598	-	-	18,445	138,043	188,121
	<b>17,886,558</b>	<b>415,931</b>	<b>670,365</b>	<b>726,136</b>	<b>19,698,990</b>	<b>20,805,499</b>
<b>Expenses</b>						
Academic						
Salaries	8,324,254	-	-	-	8,324,254	8,773,586
Operating	452,384	-	-	67,091	519,475	500,121
Facilities operation	2,480,824	-	-	1,563	2,482,387	2,519,441
Administration	2,337,928	-	-	146,359	2,484,287	2,464,199
Service departments	1,536,013	-	-	125,788	1,661,801	1,604,197
Amortization of property and equipment	-	-	1,204,846	-	1,204,846	1,171,446
Ancillary enterprises	724,959	-	-	-	724,959	843,862
Interest	473,395	-	-	-	473,395	594,915
Research expenditures	-	-	-	385,335	385,335	345,821
Scholarships	-	332,761	-	-	332,761	315,079
Rent	153,788	-	-	-	153,788	69,734
	<b>16,483,545</b>	<b>332,761</b>	<b>1,204,846</b>	<b>726,136</b>	<b>18,747,288</b>	<b>19,202,401</b>
Excess (deficiency) of revenue over expenses	<b>1,403,013</b>	<b>83,170</b>	<b>(534,481)</b>	<b>-</b>	<b>951,702</b>	<b>1,603,098</b>

The accompanying notes to the financial statement are an integral part of this financial statement.

# NSCAD University

## Statement of changes in fund balances year ended March 31, 2016

	Unrestricted		Restricted		Total
	Operating	Endowment	Capital	Research and Special Purpose Fund	
	\$	\$	\$	\$	\$
Fund balances, March 31, 2014 (Restated)	8,735,257	6,593,826	1,667,824	-	16,996,907
Excess (deficiency) of revenue over expenses (Restated)	1,792,758	308,777	(498,437)	-	1,603,098
Capital contributions to endowment fund	-	111,147	-	-	111,147
Change in fund balances	1,792,758	419,924	(498,437)	-	1,714,245
Fund balances, March 31, 2015 (Restated)	10,528,015	7,013,750	1,169,387	-	18,711,152
Excess (deficiency) of revenue over expenses	1,403,013	83,170	(534,481)	-	951,702
Change in fund balances	1,403,013	83,170	(534,481)	-	951,702
Appropriations	(1,096,000)	-	-	1,096,000	-
Fund balances, March 31, 2016	10,835,028	7,096,920	634,906	1,096,000	19,662,854

The accompanying notes to the financial statement are an integral part of this financial statement.

# NSCAD University

## Statement of cash flows

year ended March 31, 2016

	2016	2015
	\$	(Restated) \$
<b>Operating activities</b>		
Excess of revenue over expenses	951,702	1,603,098
Items not affecting cash		
Amortization of property and equipment	1,204,846	1,171,446
Amortization of deferred capital grants and deferred capital contributions	(670,365)	(673,009)
Unrealized gain on endowment investments	67,341	(232,448)
Changes in non-cash working capital items (Note 13)	(401,576)	(677,827)
	<b>1,151,948</b>	<b>1,191,260</b>
<b>Investing activities</b>		
Purchase of property and equipment	(428,661)	(546,167)
Capital contributions – endowment fund	-	111,147
Appropriations - Research and Special Purpose Fund	-	1,096,000
Net change in endowment investments	(471,108)	(77,249)
Capital grants and deferred capital contributions received	63,189	3,309,301
Net change in restricted capital investments	293,212	(3,036,194)
	<b>(543,368)</b>	<b>856,838</b>
<b>Financing activity</b>		
Mortgage and lease principal payments and change in capital fund bank indebtedness	(6,227,482)	(2,731,583)
	<b>(6,227,482)</b>	<b>(2,731,583)</b>
Net decrease in cash and operational investments	(5,618,902)	(683,485)
Cash and operating fund investments, beginning of year	5,169,125	5,852,610
<b>Cash and operating fund investments, end of year</b>	<b>(449,777)</b>	<b>5,169,125</b>
Cash and operating fund investments are comprised of:		
Cash and cash equivalents	-	835,264
Operating fund bank indebtedness (Note 7)	(449,777)	-
Operating fund investments	-	4,333,861
	<b>(449,777)</b>	<b>5,169,125</b>

The accompanying notes to the financial statement are an integral part of this financial statement.



# NSCAD University

## Notes to the financial statements

### March 31, 2016

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#### 1. The University

Nova Scotia College of Art and Design, operating as NSCAD University (the "University"), is located in Halifax and offers degrees in fine arts and design both at undergraduate and graduate levels. The University receives its principal funding from the Province of Nova Scotia through recommendations of the Nova Scotia Council on Higher Education. The University is a registered charity and, as such, is exempt from payment of income taxes.

#### 2. Prior period adjustment

During the year ended March 31, 2016, the University determined that it had incorrectly over-accrued rental expense. The University has recorded an adjustment to correct this prior period estimate and has restated the fiscal 2015 financial statements by increasing the opening fund balance of the Unrestricted Fund as at March 31, 2014 by \$951,668, decreasing rental expense and increasing the excess of revenue over expenses for the period ended March 31, 2015 by \$145,000 and decreasing accrued liabilities for the period by \$1,096,668. The resulting increase in the ending fund balance of the Unrestricted Fund as at March 31, 2016 has been set aside as a special purpose appropriation in the Research and Special Purpose Fund.

#### 3. Significant accounting policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles using Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

##### *Fund accounting*

The University maintains its accounts in accordance with the fund accounting method in order to ensure observance of restrictions, if any, placed on the resources made available to it.

The unrestricted Operating Fund accounts for those resources over which the University's Board of Governors has sole authority and which are expendable for any purpose in the fulfillment of the University's objectives.

The restricted funds, consisting of the Endowment Fund, the Capital Fund and the Research and Special Purpose Fund, account for those resources made available to the University by outside organizations and individuals, by way of grants, service contracts or gifts. These resources, although expendable in the course of normal operations, are restricted as to use by the outside party. These restricted funds also include expendable amounts restricted as to use by action of the University's Board of Governors.

The financial statements of the University are prepared using the deferral method with the multi-column format. The deferral method, which introduces the concept of deferring restricted revenues to future accounting periods, is a process of matching the restricted revenues with the related expenses regardless of when the revenues are received. Restricted revenues are recognized as revenue in the same accounting period as related expenses. Those restricted revenues for which the related expenses have not been incurred are reported as deferred income on the University's statement of financial position.

##### *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value and subsequently measured at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, accounts receivable and due from capital/operating/research and special purpose funds.

# NSCAD University

## Notes to the financial statements

### March 31, 2016

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#### 3. Significant accounting policies (continued)

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, long-term debt and due to operating/endowment/research and special purpose funds.

##### *Interest rate swap and hedge accounting*

Certain derivative financial instruments held by the University are eligible for hedge accounting. To be eligible for hedge accounting, an instrument must meet certain criteria with respect to identification, designation and documentation. In addition, the critical terms of the derivative financial instrument must match the specific terms and conditions of the hedged item. The fair value of derivative instruments eligible and qualifying for hedge accounting is generally not recognized on the consolidated balance sheet. Gains and losses on such instruments are recognized in earnings in the same period as those of the hedged item.

The University has entered into an interest rate swap agreement with a chartered bank to reduce interest rate exposure associated with its long-term debt (the mortgage). The agreement has the effect of converting the floating rate of interest to a fixed rate. The University does not use derivative financial instruments for trading or speculative purposes.

The University designated the interest rate swap as a cash flow hedge as at March 31, 2015 of a specifically identified debt instrument (the mortgage). The swap agreement is an effective hedge, both at maturity and over the term of the agreement since the term to maturity, the notional principal amount and the interest rate of the swap agreement all match the terms of the mortgage being hedged. The payments associated with the interest rate swap are recorded as interest expense.

In the event that the interest rate swap agreement is terminated or ceases to be effective in part or in whole prior to maturity any associated realized or unrealized gain or loss is recognized in income. In the event that the designated mortgage is extinguished or matures prior to the termination of the related interest rate swap agreement any realized or unrealized gain or loss is recognized in income.

##### *Cash*

Cash is comprised of cash and deposits and overdraft positions with financial institutions.

##### *Investments*

Investments include marketable securities, all of which are recorded at fair value, determined using closing price quotations in an active market. Settlement date accounting is used.

##### *Inventory*

Inventory consists of merchandise and supplies held for resale and are valued at the lower of cost and net realizable value. Cost is determined on a first in first out basis. Administrative and program supplies and library periodicals are not inventoried.

# NSCAD University

## Notes to the financial statements

### March 31, 2016

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#### 3. Significant accounting policies (continued)

##### *Property and equipment*

Property and equipment are stated at cost in the Capital Fund.

Library book additions are not capitalized to the capital asset accounts.

Amortization is computed by the straight-line method over the estimated useful asset lives at the following rates:

Building	2%
Equipment	10%
Computer hardware	25%
Computer software	20%
Leasehold improvements	Term of lease

##### *Impairment of long-lived assets*

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

##### *Collection*

The University's permanent collections of Historic Art (a portion of it is now on indefinite loan to the Art Gallery of Nova Scotia) and library books were not formed for commercial purposes and are not considered realizable assets. The value of these assets are not reflected in these financial statements.

##### *Revenue recognition*

The University follows the deferral method of accounting for revenue. Student academic fees and ancillary revenue are recognized when the services are provided or the goods are sold and collectability is reasonably assured. Rent revenue is recognized over the term of the lease as it becomes due and investment income is recognized when the University's right to receive payment has been established. Funding for expenditures is deferred and recognized as revenue in the year in which the related expenditure is incurred. Funding received for property and equipment is deferred and recognized as revenue on the same basis as the acquired property and equipment are amortized.

##### *Use of accounting estimates*

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenue and expenses for the period then ended. Actual results could differ from those estimates. Significant accounts most subject to judgement and estimation include the amortization periods for property and equipment, allowance for doubtful accounts, deferred revenue, deferred capital contributions and accounts payable and accrued liabilities.

# NSCAD University

## Notes to the financial statements

### March 31, 2016

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#### 4. Investments

The market value of all investments in the Endowment Fund at March 31, 2016 was \$7,176,631 (2015 - \$6,772,864). The cost of all investments in the Endowment Fund at March 31, 2016 was \$6,401,143 (2015 - \$6,070,501). The investments in the Endowment Fund are comprised of \$3,523,941 in fixed income investments and \$3,652,690 in equity investments (2015 - \$3,277,803 and \$3,495,061 respectively).

#### 5. Accounts receivable

	2016	2015
	\$	\$
Student tuition and fees	98,274	155,730
Student accounts deemed uncollectible	222,205	218,296
Trade and other receivables	332,926	571,910
HST	35,092	92,213
	<b>688,497</b>	1,038,149
Less: allowance for doubtful accounts	<b>(343,940)</b>	(303,740)
	<b>344,557</b>	734,409

The allowance for doubtful accounts is made up of \$48,395 for student tuition and fees, \$222,205 for student accounts deemed uncollectible and \$73,340 for trade and other receivables (2015 - \$64,775, \$218,296 and \$20,669 respectively).

#### 6. Property and equipment

	2016		2015	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Land	4,402,490	-	4,402,490	-
Buildings	18,277,256	4,696,270	17,988,016	4,349,650
Equipment	5,050,121	4,186,446	5,123,212	4,080,709
Computer hardware	1,301,237	1,151,764	1,268,079	1,015,465
Computer software	765,073	747,456	724,667	658,582
Leasehold improvements	12,895,272	3,130,032	12,856,325	2,702,717
	<b>42,691,449</b>	<b>13,911,968</b>	42,362,789	12,807,123
Less: accumulated amortization	<b>13,911,968</b>	-	12,807,123	-
Net book value	<b>28,779,481</b>	-	29,555,666	-

Insurance on a replacement cost basis is carried on the building and contents of the University in the amount of \$87,752,565 (2015 - \$85,909,147).

# NSCAD University

## Notes to the financial statements

### March 31, 2016

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#### 7. Bank indebtedness and long-term debt

##### *Bank indebtedness*

On April 6, 2015, the University renegotiated the terms of its \$10 million non-revolving demand loan payable (2015 - \$7,124,977) and converted it to a reducing revolving term credit facility with an opening authorized amount of \$7,875,000. The authorized amount was reduced by \$125,000 on June 30, 2015 and \$250,000 semi-annually thereafter.

	<b>Available</b>	<b>Outstanding</b>
	\$	\$
Credit facility balance, April 16, 2015	<b>7,875,000</b>	<b>7,124,977</b>
Reduction in credit facility during the year	<b>(375,000)</b>	
Repayments during the year	-	<b>(7,124,977)</b>
Drawdowns during the year	-	<b>1,640,000</b>
<b>Balance, end of year</b>	<b>7,500,000</b>	<b>1,640,000</b>

##### *Long-term debt*

The University has entered into an interest rate swap for an amount equal to the principal value of the loan with the Bank of Nova Scotia for a fixed rate of 6.69% with a termination date of February 28, 2022. The bank has the right to terminate the swap transaction in whole, on February 27, 2017. If the swap had been terminated as at March 31, 2016 the cost to NSCAD would have been \$841,688 (2015 - \$1,092,488).

	<b>2016</b>	2015
	\$	\$
Bank of Nova Scotia, prime less 0.25% demand notes maturing February 2017, payments monthly for principal and interest	<b>5,452,787</b>	6,179,953
Halifax Port Authority, 0% loan repaid during the year	-	15,339
	<b>5,452,787</b>	6,195,292
Less: current portion of long-term debt	<b>777,319</b>	742,506
	<b>4,675,468</b>	5,452,786

# NSCAD University

## Notes to the financial statements

### March 31, 2016

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#### 7. Bank indebtedness and long-term debt (continued)

##### *Long-term debt (continued)*

The minimum principal repayments due over the next five years are:

2017	777,000
2018	831,000
2019	888,000
2020	950,000
2021	1,014,994
	<b>\$ 4,460,994</b>

#### 8. Deferred capital contribution

Deferred capital contribution represents the unamortized amount of externally funded property and equipment, which will be recognized as income in the capital fund as those items of property and equipment are amortized.

	2016	2015
	\$	\$
Balance, beginning of year	<b>8,598,871</b>	5,796,415
Add: donations and grants	<b>49,021</b>	3,152,479
	<b>8,647,892</b>	8,948,894
Less: amortization	<b>345,961</b>	350,023
	<b>8,301,931</b>	8,598,871

#### 9. Pension

The University contributes on behalf of substantially all of its employees to a defined contribution pension plan (the "Plan"). The University charges income with the required contribution to the Plan on an annual basis. The employer's and employees' contributions for the year were \$765,142 (2015 - \$711,164) and \$634,136 (2015 - \$586,731), respectively.

#### 10. Commitments

The University has leased 70,000 square feet of space at the Halifax Seaport from Halifax Port Authority, for a 40 year period ending August 31, 2045. The total base rent for 40 years is \$2.5 million. This amount has been recorded as prepaid rent for the purposes of financial reporting. Amortization of the prepaid rent commenced in September 2007 upon opening of the Port Campus. The unamortized balance is \$2,024,080 (2015 - \$2,092,887).

# NSCAD University

## Notes to the financial statements

### March 31, 2016

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#### 11. Financial instruments

Financial risk refers to the impact on the University's cash flows due to fluctuations in interest rates and the credit quality of student receivables. The University manages its financial risks as follows:

##### *Interest rate risk*

Interest rate risk is minimized as the University uses interest rate swaps, as described in Note 7, to fix interest rates on its long-term debt.

##### *Credit risk*

The University performs a continuous evaluation of its accounts receivable and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2016.

##### *Fair value*

The fair value of cash, bank indebtedness, accounts receivable, accounts payable and accrued liabilities and due to/from operating/capital/endowment/research and special purpose funds are approximately equal to their carrying values due to their short-term maturity. The fair value of long-term debt is described in Note 7. Investments are recorded at fair value.

##### *Liquidity risk*

The University's objective is to have sufficient liquidity to meet its liabilities when due. The University monitors its cash balances and cash flows generated from operations to meet its requirements.

##### *Market risk*

The University is subject to market risk with respect to its investments. The University manages this risk by maintaining a diversified portfolio.

#### 12. Contingent liability

All contingent liabilities have been appropriately accrued in the financial statements.

#### 13. Change in non-cash working capital items

	2016	2015
	\$	\$
Accounts receivable	389,852	172,804
Prepaid expenses	74,477	61,334
Inventory	24,091	(7,600)
Due from operating fund	16,421	(48,741)
Due from capital fund	(6,299,742)	(3,004,643)
Accounts payable	(686,778)	(561,324)
Deferred revenue	(203,218)	(343,041)
Due to operating fund	6,299,742	3,004,643
Due to endowment fund	(16,421)	48,741
	<b>(401,576)</b>	<b>(677,827)</b>