Financial Statements of

UNIVERSITY OF THE FRASER VALLEY

For the year ended March 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the University of the Fraser Valley, and
To the Minister of Advanced Education, Province of British Columbia

We have audited the accompanying financial statements of the University of the Fraser Valley, which comprise the statement of financial position as at March 31, 2015, the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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 our 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, we consider internal control relevant to the entity's preparation 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 of the University of the Fraser Valley as at March 31, 2015 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(a) to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

June 19, 2015

Abbotsford, British Columbia

University of the Fraser Valley

Statement of Financial Position

As at March 31, 2015, with comparative information for 2014

	2015	2014
Financial assets		
Cash and cash equivalents	$ 8,248,806	$ 14,127,905
Accounts receivable	4,029,523	2,610,501
Inventories held for resale	1,632,854	1,736,410
Investments (Note 4)	27,844,625	17,676,749
Investment in government business enterprise (Note 5)	42,758	181,786
	41,798,566	36,333,351
Liabilities		
Accounts payable and accrued liabilities (Note 6)	12,779,383	10,645,265
Deferred revenue (Note 7)	22,829,272	12,577,673
Deferred capital contributions (Note 8)	99,869,488	99,183,658
Long-term debt (Note 9)	11,409,370	11,802,277
Obligations under capital lease (Note 10)	440,041	23,371
	147,327,554	134,232,244
Net debt	(105,528,988)	(97,898,893)
Non-financial assets		
Tangible capital assets (Note 13)	172,020,980	162,486,617
Prepaid expenses	494,782	396,409
Investments - endowments (Note 16)	8,652,724	8,186,905
	181,168,486	171,069,931
Accumulated surplus(Note 15)	$ 75,639,498	$ 73,171,038
Contractual obligations (Note 17)		
Contingent liabilities (Note 18)		

Approved by:

Chairman of the Board

Chief Financial Officer

See accompanying notes to the financial statements.

University of the Fraser Valley

Statement of Operations and Accumulated Surplus

For the year ended March 31, 2015, with comparative information for 2014

	2015 Budget (Note 2.j)	2015	2014
Revenue			
Province of British Columbia	$ 55,244,218	$ 56,445,177	$ 57,529,912
Tuition and student fees	43,508,579	42,990,980	40,453,861
Sales of goods and services	6,903,447	6,625,127	6,717,014
Amortization of deferred capital contributions (Note 8)	5,300,000	6,488,470	5,826,746
Other revenue	1,616,553	1,900,775	2,004,546
Donations, non-government grants and contracts	1,082,000	1,629,154	1,559,270
Government of Canada	605,100	756,406	612,061
Investment income	495,000	642,434	557,891
Income (loss) from government business enterprise (Note 5)	-	(139,028)	26,645
	114,754,897	117,339,495	115,287,946
Expenses (Note 20)			
Instruction and Support	109,128,784	109,662,808	107,850,848
Ancillary	5,626,113	5,682,283	5,777,812
	114,754,897	115,345,091	113,628,660
Annual surplus from operations	-	1,994,404	1,659,286
Other income (expenses)			
Endowment contributions (Note 16)	-	465,818	307,606
Gain on sale of tangible capital assets	-	8,238	536,764
Contribution to the Province of British Columbia	-	-	(597,813)
	-	474,056	246,557
Annual surplus	-	2,468,460	1,905,843
Accumulated surplus, beginning of year	-	73,171,038	71,265,195
Accumulated surplus, end of year	$ -	$ 75,639,498	$ 73,171,038

See accompanying notes to the financial statements.

University of the Fraser Valley

Statement of Changes in Net Debt

For the year ended March 31, 2015, with comparative information for 2014

	2015 Budget (Note 2.j)	2015	2014
Annual surplus	$ -	$ 2,468,460	$ 1,905,843
Acquisition of tangible capital assets	-	(17,781,119)	(10,072,397)
Contributed tangible capital asset(Note 13.a)	-	(312,361)	(772,061)
Gain on sale of tangible capital assets	-	(8,238)	(536,764)
Proceeds on sale of tangible capital assets	-	29,525	597,813
Amortization of tangible capital assets	8,112,000	8,537,829	7,953,928
	8,112,000	(9,534,364)	(2,829,481)
Acquisition of prepaid expenses	-	(494,782)	(396,409)
Use of prepaid expenses	-	396,409	287,279
	-	(98,373)	(109,130)
	8,112,000	(7,164,277)	(1,032,768)
Endowment contributions	-	(465,818)	(307,606)
Decrease (increase) in net debt	8,112,000	(7,630,095)	(1,340,374)
Net debt, beginning of year	(97,898,893)	(97,898,893)	(96,558,519)
Net debt, end of year	$ (89,786,893)	$ (105,528,988)	$ (97,898,893)

See accompanying notes to the financial statements.

University of the Fraser Valley

Statement of Cash Flows

For the year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities		
Annual surplus	$ 2,468,460	$ 1,905,843
Items not involving cash		
Amortization of tangible capital assets	8,537,829	7,953,928
Amortization of deferred capital contributions	(6,488,470)	(5,826,746)
Loss (income) from government business enterprise	139,028	(26,645)
Contributed tangible capital asset	(312,361)	(772,061)
Gain on sale of tangible capital assets	(8,238)	(536,764)
Change in non-cash operating working capital (Note 11)	10,971,878	1,667,671
Net change from operating activities	15,308,126	4,365,226
Investing activities		
Increase in investments - non endowment	(10,167,876)	(975,779)
Increase in investments - endowment	(465,818)	(307,606)
Net change from investing activities	(10,633,694)	(1,283,385)
Capital activities		
Acquisition of tangible capital assets	(17,275,709)	(10,072,397)
Proceeds on sale of tangible capital assets	29,525	597,813
Net change from capital activities	(17,246,184)	(9,474,584)
Financing activities		
Repayment of long-term debt	(392,907)	(373,307)
Deferred contributions received	7,174,300	6,204,401
Repayment of obligations under capital lease	(88,740)	(109,870)
Net change from financing activities	6,692,653	5,721,224
Net change in cash and cash equivalents	(5,879,099)	(671,519)
Cash and cash equivalents, beginning of year	14,127,905	14,799,424
Cash and cash equivalents, end of year	$ 8,248,806	$ 14,127,905

Supplemental cash flow information (Note 11)

See accompanying notes to the financial statements.

1. Authority and purpose

The University of the Fraser Valley (the "University") is a special purpose teaching university, partially funded by the Province of British Columbia, which operates under the authority of the University Act of British Columbia. The University is governed by a Board of Governors, the majority of which are appointed by the Province of British Columbia. The University is also a registered charity and is exempt from income taxes under section 149 of the *Income Tax Act*.

2. Significant accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections effective their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded in deferred contributions and recognized as revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under 198/2011 are significantly different from the requirements of Canadian public sector standards which requires that government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector standard PS3410.

2. Significant accounting policies (continued)

(a) Basis of accounting (continued)

As a result, revenue recognized in the Statement of Operations and Accumulated Surplus and certain deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(b) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) Financial instruments

Financial instruments are classified into two categories: fair value or cost.

(i) Fair value category: Includes portfolio investments that are quoted in an active market and derivative instruments reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets would be recognized in the Statement of Re-measurement Gains and Losses until such time that the financial asset is de-recognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus. Unrealized gains and losses on endowment investments where earnings are restricted as to use are recorded as deferred revenue and recognized in revenue when disposed and when the related expenses are incurred.

(ii) Cost category: Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

(d) Investments

Investments, non-endowment, are comprised of money market securities and other investments with terms that are capable of liquidation. Investments are recorded at cost plus any accrued interest to date. All interest income and realized gains and losses are recognized in the period in which they arise.

(e) Inventories held for resale

Inventories held for resale are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated proceeds from sale less any costs incurred to sell. Inventories are written down to net realizable value when the cost of inventories is estimated not to be recoverable. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of write down previously recorded is reversed.

2. Significant accounting policies (continued)

(f) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is not capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value.

Asset	Basis	Rate
Buildings	Straight-line	20-60 years
Furniture and equipment	Straight-line	2-5 years
Library books	Straight-line	10 years
Site improvements	Straight-line	10 years
Computer hardware and software	Straight-line	2-4 years
Leasehold improvements	Straight-line	Life of the lease

Assets under construction are not amortized until the asset is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to the University's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations. Contributed tangible capital assets are recorded into revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

(ii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as obligations under capital lease. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iii) Endowment Investments

Endowment investments quoted in an active market are reported at fair value. Investment income and unrealized gains and losses relating to the investments are reported as deferred revenue on the Statement of Financial Position.

2. Significant accounting policies (continued)

(g) Revenue recognition

Tuition and student fees and sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured. Unrestricted donations and grants are recorded as revenue when received or receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the University or the transfer of property is completed.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

(ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred revenue and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.

(iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as endowment donations on the Statement of Operations for the portion to be held in perpetuity and as deferred revenue for any restricted investment income earned thereon.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary. Investment income excludes income from endowed investments.

(h) Use of estimates

Preparation of financial statements in accordance with the basis of accounting described in note 2(a) requires management to make estimates and assumptions that impact reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the potential impairment of assets, estimated useful lives of tangible capital assets and estimated employee future benefits. Actual results could differ from those estimates.

2. Significant accounting policies (continued)

(i) Foreign currency translation

The University's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the balance sheet date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet date would be recognized in the Statement of Re-measurement Gains and Losses. In the period of settlement, the related cumulative re-measurement gain/loss would be reversed in the Statement of Re-measurement Gains and Losses and the exchange gain or loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the Statement of Operations.

(j) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2014/2015 Budget approved by the Board of Governors of the University on April 16, 2014. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

(k) Expense functions

Expense functions have been identified based upon the functional lines of service provided by the University. The University's services are provided by departments and their activities are reported by functional area in the Statement of Operations and Accumulated Surplus. The functional lines, along with the services they provide, are as follows:

i) Instruction and support: This function includes activities related to delivering education. This includes instruction, education administration, student support, general administration, and the cost of space, safety, and equipment.

ii) Ancillary: This function includes the activities of the ancillary operations. An ancillary operation is one that is generally outside of the normal functions of instruction and research, provides goods and services to students, staff or others, and that charges a fee directly related to the cost of providing the goods or services. Ancillary operations include parking, food services, and bookstores. Costs associated with this function include function-related contracts and general and financial administration and support costs.

2. Significant accounting policies (continued)

(l) Investment in government business enterprises

Government business enterprises are accounted for by the modified equity method. Under this method, the University's investment in the business enterprise and its net income (loss) and other changes in equity are recorded. No adjustment is made to conform the accounting policies of the government business enterprise to those of the University other than, if other comprehensive income exists, it is accounted for as an adjustment to accumulated surplus of the University. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions between entities of assets that remain within the entities controlled by the University.

The following organization is a controlled government business enterprise and is accounted for by the modified equity method:

i) Indo Canadian Education Society, Chandigarh, India, a separate legal entity, administers and delivers business education to students in India using the University's Bachelor of Business curriculum.

(m) Contaminated sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

i) An environmental standard exists;

ii) Contamination exceeds the environmental standard;

iii) The University is directly responsible or accepts responsibility;

iv) It is expected that future economic benefits will be given up; and

v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

3. Adoption of new accounting policy

On April 1, 2014 the University adpoted PS 3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis to April 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the University.

4. Investments

(a) Investments recorded at fair value

	2015	2014
Philips Hager North - UFV Endowment Fund	$ 7,419,011	$ 6,697,536
Philips Hager North - CCIBED* Endowment Fund	3,058,265	2,781,511
	10,477,276	9,479,047
Investments recorded at cost or amortized cost	26,020,073	16,384,607
	36,497,349	25,863,654
Principal portion of endowments	(8,652,724)	(8,186,905)
	$ 27,844,625	$ 17,676,749

Investments held with Philps Hager North are recorded at fair value and are comprised of equity instruments quoted in an active market.

Investments recorded at cost or amortized cost are comprised of cashable securities with terms ranging from one to five years.

*CCIBED - Chair Canada India Business & Economic Development

(b) Public Sector Accounting Standards define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The University uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Statement of Financial Position under the following captions:

(i) Cash and cash equivalents, accounts receivable, investments - non endowment and accounts payables and accrued liabilities - the carrying amounts approximate fair value because of the short maturity of these instruments.

The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

(ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The University's instruments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in financial instruments valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there were no significant transfers of securities between the different levels.

5. Investment in government business enterprise

The University has controlling interest in the operations of the Indo Canadian Education Society located in Chandigarh, India. The financial information relating to the ongoing operations is detailed below.

The change in equity is as follows:

	2015	2014
Equity, beginning of year	$ 181,786	$ 155,141
Net earnings (loss)	(139,028)	26,645
Equity, end of year	$ 42,758	$ 181,786

Condensed financial information of the Indo Canadian Education Society is as follows:

	2015	2014
Statement of Financial Position		
Assets	$ 152,357	$ 183,942
Liabilities	(109,599)	(2,156)
Accumulated surplus	$ 42,758	$ 181,786

	2015	2014
Statement of Operations		
Revenue	$ 1,018,304	$ 704,001
Expenses	1,157,332	677,356
Annual surplus (deficit)	(139,028)	26,645
Accumulated surplus, beginning of year	181,786	155,141
Accumulated surplus, end of year	$ 42,758	$ 181,786

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2015	2014
Trades payable	$ 6,454,326	$ 4,407,957
Wages payable	264,556	125,747
Accrued vacation and overtime payable	6,060,501	6,111,561
	$ 12,779,383	$ 10,645,265

7. Deferred revenue

Deferred revenue is comprised of the following:

	2014	Amounts Received	Revenue Recognized	2015
Student tuition fees	$ 6,914,912	$ 7,774,723	$ 6,899,664	$ 7,789,971
Student award funding	2,307,513	1,435,768	624,442	3,118,839
Special purpose and research funding	3,355,248	4,570,415	3,920,000	4,005,663
Prepaid lease revenue	-	7,914,799	-	7,914,799
Total	$ 12,577,673	$ 21,695,705	$ 11,444,106	$ 22,829,272

8. Deferred capital contributions

Changes in the deferred capital contributions balance are as follows:

	2015	2014
Balance, beginning of year	$ 99,183,658	$ 98,806,003
Contributions from the Province of British Columbia	4,208,330	4,480,369
Contributions from the Government of Canada	1,596,720	467,287
Contributed tangible capital asset (Note 13.a)	312,361	772,061
Contribution from other restricted resources	1,056,889	484,684
Amortization of deferred capital contributions	(6,488,470)	(5,826,746)
Balance, end of year	$ 99,869,488	$ 99,183,658

9. Long-term debt

Long-term debt, recorded at amortized cost, is held with BC Immigrant Investment Fund Ltd. (BCIIF), secured by a general security agreement, payable in quarterly installments of $284,304 including interest at 5.15%, and is due August 1, 2017. Interest on long-term debt in the amount of $596,956 (2014 - $616,724) is included in the Statement of Operations and Accumulated Surplus.

Anticipated annual principal repayments over the next three years are as follows:

2016	$ 413,535
2017	435,247
2018	10,560,588
Total	$ 11,409,370

10. Obligations under capital lease

Repayments of obligations under capital leases are due as follows:

	2015	2014
2015	$ -	$ 23,804
2016	120,110	-
2017	120,110	-
2018	120,110	-
2019	120,110	-
Thereafter	30,027	-
Total minimum lease payments	510,467	23,804
Less amounts representing interest at 6.8%	(70,426)	(433)
Present value of net minimum capital lease payments	$ 440,041	$ 23,371

Total interest on leases for the year was $25,146 (2014 - $4,263).

11. Supplemental cash flow information

(i) Non-cash working capital

The change in non-cash operating working capital is comprised of the following:

	2015	2014
Accounts receivable	$ (1,419,022)	$ (172,982)
Prepaid expenses	(98,373)	(109,130)
Inventories held for resale	103,556	(135,212)
Accounts payable and accrued liabilities	2,134,118	346,529
Deferred revenue	10,251,599	1,738,466
	$ 10,971,878	$ 1,667,671

(ii) During the year, $505,410 (2014-$nil) of tangible capital assets were acquired and financed by capital leases.

12. Related party transactions

The University is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

University of the Fraser Valley

Notes to the Financial Statements

For the year ended March 31, 2015, with comparative information for 2014

13. Tangible capital assets

	Land	Buildings	Furniture and equipment	Computer hardware and software	Leasehold improvements	Site improvements	Library books	Assets under construction	2015 Total
2015 Cost									
Balance, beginning of year	$ 9,756,083	$ 184,321,133	$ 33,497,722	$ 12,731,741	$ 1,619,974	$ 8,705,072	$ 9,638,607	$ 9,036,788	$ 269,307,120
Additions	-	4,317,055	6,254,775	880,405	-	-	297,884	6,343,361	18,093,480
Disposals	(21,288)	-	-	-	-	-	-	-	(21,288)
Balance, end of year	9,734,795	188,638,188	39,752,497	13,612,146	1,619,974	8,705,072	9,936,491	15,380,149	287,379,312
2015 Accumulated amortization									
Balance, beginning of year	-	54,110,111	28,500,568	11,462,628	611,246	3,958,595	8,177,355	-	106,820,503
Amortization	-	4,441,533	2,106,452	752,624	130,158	812,103	294,959	-	8,537,829
Balance, end of year	-	58,551,644	30,607,020	12,215,252	741,404	4,770,698	8,472,314	-	115,358,332
2015 Net book value	$ 9,734,795	$ 130,086,544	$ 9,145,477	$ 1,396,894	$ 878,570	$ 3,934,374	$ 1,464,177	$ 15,380,149	$ 172,020,980
2014 Net book value	$ 9,756,083	$ 130,211,022	$ 4,997,154	$ 1,269,113	$ 1,008,728	$ 4,746,477	$ 1,461,252	$ 9,036,788	$ 162,486,617

(a) Contributed tangible capital assets

Additions to tangible capital assets include the following contributed tangible capital assets:

	2015	2014
Building	$ 312,361	$ 772,061
	$ 312,361	$ 772,061

13. Tangible capital assets (continued)

(b) Assets under construction

Assets under construction having a value of $15,380,149 (2014 - $9,036,788) have not been amortized. Amortization of these assets will commence when the asset is put into service.

14. Financial risk management

The University has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

The Board of Governors ensures that the University has identified its major risks and ensures that management monitors and controls them.

(a) Credit risk

Credit risk is the risk of financial loss to the University if a party to a financial instrument fails to meet its contractual obligations. Such risk arises principally from certain financial assets held by the University consisting of cash and cash equivalents, accounts receivable and investments.

Accounts receivable: Management believes risk with respect to accounts receivable is limited. Student accounts receivable is a large population of limited amounts where the University has the ability to stop further enrolments and granting of transcripts until payment is made. Other receivables and tax recoveries are generally with governments and other credit-worthy institutions.

Investments: The University has an Investment Policy to ensure funds are managed appropriately in order to balance preservation of capital, liquidity requirements and returns. The University retains an external investment firm to manage endowed funds in accordance with its investment policy utilizing diverse agreed upon investment strategies primarily in active trading markets.

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the University's income. The University cash and cash equivalents and investments include amounts on deposit with financial institutions that earn interest at market rates. The University manages its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day to day basis. Fluctuation in market rates of interest does not have a significant effect on the University`s cash and cash equivalents and investments.

The primary objective of the University with respect to its investment of endowed funds is to ensure the security of principal amounts while achieving a satisfactory investment return.

14. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they become due.

The University meets its liquidity risk requirements by continually monitoring actual and forecasted cash flows and aniticipating investment and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

15. Accumulated surplus

Accumulated surplus is comprised of the following:

	2015	2014
Unrestricted	$ 5,737,754	$ 4,874,627
Internally restriced	28,794,053	27,295,026
Investment in tangible capital assets	32,454,967	32,814,480
Endowments (Note 16)	8,652,724	8,186,905
Accumulated surplus	$ 75,639,498	$ 73,171,038

16. Endowments

Changes to the endowment balances are as follows:

	2015	2014
Balance, beginning of year	$ 8,186,905	$ 7,879,299
Contributions received during the year	402,567	307,606
Capitalization of endowment surplus	63,252	-
Balance, end of year	$ 8,652,724	$ 8,186,905

17. Contractual obligations

The nature of the University's activities can result in multi-year contracts and obligations whereby the University will be committed to make future payments.

Significant contractual obligations related to operations that can be reasonably estimated are as follows:

	2016	2017	2018	2019	2020
Long-term lease commitments	$ 317,996	$ 255,044	$ 480,838	$ 462,015	$ 367,629

18. Contingent liabilities

The University may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of operations. In the event that any such claims or litigation are resolved against the University, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of the University. The University has accrued for claims for which the amounts are known or can reasonably be estimated. The outcome of other claims is undeterminable at this time and accordingly no provision has been made for these claims.

19. Comparative figures

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

20. Expenses by object

The following is a summary of expenses by object:

	2015	2014
Salaries and wages	$ 65,284,119	$ 65,601,049
Employee benefits	17,006,090	16,748,910
Amortization of tangible capital assets	8,537,829	7,953,928
Contracted services	4,703,166	4,745,763
Other operating expenses	3,999,900	3,141,305
Supplies and books	3,416,793	3,502,899
Cost of goods sold	3,221,360	3,177,242
Travel and conferences	2,495,602	2,535,768
Utilities	1,803,395	1,880,618
Scholarships and bursaries	1,597,863	1,436,678
Minor renovations and repairs	1,405,095	1,210,065
Printing and advertising	670,139	444,899
Rentals and leases	606,783	632,812
Interest	596,957	616,724
	$ 115,345,091	$ 113,628,660

21. Pension plans

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed pension plans. The board of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are based on a formula. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has about 182,000 active members, with approximately 5,700 from colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012 indicated a $105 million funding deficit for basic pension benefits. The next valuation will be as at August 31, 2015 with results available in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012 indicated a $1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because each Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plans.

The University paid and expensed $1,538,375 (2014 - $1,410,250) for employer contributions to the Municipal Pension Plan and $4,478,416 (2014 - $4,280,142) to the College Pension Plan in fiscal 2015.