



CONSOLIDATED FINANCIAL STATEMENTS

For year ended March 31, 2019

Vancouver, B.C. Canada



THE UNIVERSITY OF BRITISH COLUMBIA

Statement of Management Responsibility

The consolidated financial statements of the University of British Columbia (the University) have been prepared by management in conformity with Canadian public sector accounting standards and Treasury Board direction outlined in note 2(a). The financial statements present the financial position of the University as at March 31, 2019, and the results of its operations, remeasurement gains and losses, and the changes in net debt and changes in its cash flow for the year ended March 31, 2019.

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 reviewing and approving the financial statements, and overseeing management's performance of its financial reporting responsibilities.

The Board of Governors carries out its responsibility for review of the financial statements principally through its Audit Committee. No members of the Audit Committee are officers or employees of the University. The Audit Committee meets with management, the external auditors and the internal auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Audit Committee, with and without the presence of management.

The financial statements for the year ended March 31, 2019 have been reported on by KPMG. The Independent Auditor's Report outlines the scope of the audit and provides the audit opinion on the consolidated financial statements.



Santa Ono
President and Vice-Chancellor



Peter Smailes
Vice-President, Finance & Operations

June 13, 2019





KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the University of British Columbia, and
To the Minister of the Ministry of Advanced Education, Skills & Training, Province of British Columbia

Opinion

We have audited the consolidated financial statements of the University of British Columbia (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2019 of the Entity 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter - Financial Reporting Framework

We draw attention to Note 2 to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Chartered Professional Accountants

Vancouver, Canada
June 13, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31
(in thousands of dollars)

		March 31 2019	March 31 2018
Financial Assets			
Cash and cash equivalents	(Note 3)	\$ 149,596	\$ 231,171
Accounts receivable		222,992	166,616
Inventories for resale		6,170	6,073
Investments	(Note 4)		
Operating		666,657	525,191
Endowment (expendable balance)		877,469	779,374
Investments in government business enterprises	(Note 5)	108,902	26,362
		<u>2,031,786</u>	<u>1,734,787</u>
Liabilities			
Accounts payable and accrued liabilities	(Note 7)	312,991	297,283
Employee future benefits	(Note 8b)	9,865	8,987
Deferred contributions	(Note 9)	1,170,797	1,115,806
Deferred capital contributions	(Note 10)	1,555,969	1,510,738
Deferred land lease revenue	(Note 11)	957,180	758,277
Debt	(Note 12)	350,286	355,235
		<u>4,357,088</u>	<u>4,046,326</u>
Net debt		(2,325,302)	(2,311,539)
Non-Financial Assets			
Tangible capital assets	(Note 13)	3,529,400	3,375,734
Investments			
Endowment (original contribution)	(Note 4)	970,536	942,455
Inventories held for use		2,119	2,015
Prepaid expenses		25,101	22,230
		<u>4,527,156</u>	<u>4,342,434</u>
Accumulated surplus		\$ <u>2,201,854</u>	\$ <u>2,030,895</u>
Accumulated surplus is comprised of:			
Accumulated surplus		\$ 2,149,598	\$ 1,990,999
Accumulated remeasurement gains		52,256	39,896
		<u>\$ 2,201,854</u>	<u>\$ 2,030,895</u>
Contractual obligations and contingent liabilities	(Note 17)		

Approved on behalf of the Board of Governors:



Michael Korenberg
Chair, Board of Governors



Peter Smailes
Vice-President Finance and Operations

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED MARCH 31

(in thousands of dollars)

		<u>Budget</u>	<u>2019</u>	<u>2018</u>
		(Note 2(o))		
Revenues				
Government grants and contracts	(Note 15)	\$ 1,120,933	\$ 1,147,750	\$ 1,077,096
Tuition and student fees		785,576	814,904	725,040
Sales and services		393,108	403,626	399,791
Non-government grants, contracts and donations		172,879	175,720	182,159
Investment income		87,105	96,925	81,825
Income from government business enterprises	(Note 5)	5,111	3,974	13,763
Revenue recognized from deferred capital contributions	(Note 10)	85,132	84,833	81,848
		<u>2,649,844</u>	<u>2,727,732</u>	<u>2,561,522</u>
Expenses	(Note 19)			
Learning		1,308,943	1,297,538	1,197,877
Research		520,364	505,031	496,441
Facilities		296,905	289,200	283,343
Students		328,828	343,548	318,571
Community engagement		63,669	66,167	60,018
Administration		96,145	90,391	84,743
		<u>2,614,854</u>	<u>2,591,875</u>	<u>2,440,993</u>
Annual surplus from operations		34,990	135,857	120,529
External endowment donations		<u>25,000</u>	<u>22,742</u>	<u>25,650</u>
Annual surplus		59,990	158,599	146,179
Accumulated surplus, beginning of year		1,990,999	1,990,999	1,844,820
Accumulated surplus, end of year		<u>\$ 2,050,989</u>	<u>\$ 2,149,598</u>	<u>\$ 1,990,999</u>

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31

(in thousands of dollars)

	Budget (Note 2(o))	2019	2018
Annual surplus	\$ 59,990	\$ 158,599	\$ 146,179
Exclude items not affecting net debt:			
Endowment donations and transfers	(25,000)	(28,081)	(26,402)
	<u>34,990</u>	<u>130,518</u>	<u>119,777</u>
Acquisition of tangible capital assets, net of dispositions	(330,668)	(362,438)	(324,366)
Amortization of tangible capital assets	213,668	208,772	197,720
	<u>(117,000)</u>	<u>(153,666)</u>	<u>(126,646)</u>
Acquisition of inventories held for use	-	(5,255)	(4,585)
Acquisition of prepaid expense	-	(24,701)	(21,508)
Consumption of inventories held for use	-	5,151	4,686
Use of prepaid expense	-	21,830	4,901
	<u>-</u>	<u>(2,975)</u>	<u>(16,506)</u>
	(82,010)	(26,123)	(23,375)
Net remeasurement gains (losses)	8,051	12,360	(485)
Increase in net debt	(73,959)	(13,763)	(23,860)
Net debt, beginning of year	(2,311,539)	(2,311,539)	(2,287,679)
Net debt, end of year	\$ <u>(2,385,498)</u>	\$ <u>(2,325,302)</u>	\$ <u>(2,311,539)</u>

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
Cash provided from operating activities		
Annual surplus	\$ 158,599	\$ 146,179
Add non-cash items:		
Amortization of tangible capital assets	208,772	197,720
Amortization of deferred capital contributions	(84,833)	(81,848)
Amortization of deferred land lease revenue	(8,598)	(8,040)
Change in employee future benefits	878	(3,107)
	<u>274,818</u>	<u>250,904</u>
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(54,876)	57,722
Decrease (increase) in inventories	(201)	48
Increase in prepaid expenses	(2,871)	(16,607)
Increase in accounts payable and accrued liabilities	15,709	6,007
	<u>232,579</u>	<u>298,074</u>
Cash used in capital activities		
Tangible capital asset acquisitions	<u>(363,938)</u>	<u>(324,366)</u>
Cash provided by (used in) investing		
Investment in government business enterprises	12,732	19,956
Endowment and operating investments	(242,673)	(180,287)
	<u>(229,941)</u>	<u>(160,331)</u>
Cash provided from financing activities		
Net increase in deferred contributions	43,577	133,724
Net decrease in long-term debt	(6,145)	(6,602)
Increase in deferred land lease revenue	112,229	75,833
Increase in deferred capital contributions	130,064	127,866
	<u>279,725</u>	<u>330,821</u>
Increase (decrease) in cash and cash equivalents	(81,575)	144,198
Cash and cash equivalents, beginning of year	231,171	86,973
Cash and cash equivalents, end of year	<u>\$ 149,596</u>	<u>\$ 231,171</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 20,418</u>	<u>\$ 20,553</u>

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31

(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
Accumulated remeasurement gains, beginning of year	\$ 39,896	\$ 40,381
Remeasurement (gains) losses realized and reclassified to the statement of operations from:		
Equity investments quoted in active market	(9,393)	(9,977)
Other investments designated at fair value	(677)	1,270
Unrealized gains generated during the year from:		
Equity investments quoted in active market	9,716	5,881
Other investments designated at fair value	12,778	2,069
Other comprehensive income (losses) from government business enterprise	<u>(64)</u>	<u>272</u>
Net remeasurement gains (losses) for the year	12,360	(485)
Accumulated remeasurement gains, end of year	<u>\$ 52,256</u>	<u>\$ 39,896</u>

(See accompanying notes to the consolidated financial statements)



Notes to the Consolidated Financial Statements

1 Authority and Purpose

The University of British Columbia (UBC or the University) operates under the authority of the *University Act* of British Columbia. UBC is a comprehensive research university offering a full range of undergraduate, graduate and continuing studies programs. The academic governance of the University is vested in the Senate. As a not-for-profit entity, UBC is governed by a Board of Governors, the majority of whom are appointed by the provincial government of British Columbia. UBC is also a registered charity and is therefore exempt from income taxes under section 149 of the *Income Tax Act*.

2 Significant Accounting Policies

The consolidated financial statements of the University are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of UBC are as follows:

(a) Basis of Accounting

The consolidated 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 consolidated 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 (PSAS), as issued by the Public Sector Accounting Board (PSAB), 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 as deferred contributions and recognized in 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.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

2 **Significant Accounting Policies (continued)**

(a) Basis of Accounting (continued)

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which require 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 PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with PS3100.

As a result, revenue recognized in the Statement of Operations and Accumulated Surplus and certain related deferred capital contributions would be recorded differently under PSAS.

(b) Basis of Presentation

The University reports its operations on a consolidated basis, which includes activities from various funds within the University and external entities.

(c) Basis of Consolidation

(i) Consolidated Entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by UBC. Controlled organizations are consolidated except for government business enterprises which are accounted for by the modified equity method. Inter-organizational transactions, balances, and activities have been eliminated on consolidation.

The following not-for-profit organizations whose activities are intended to benefit UBC are 100% controlled by the University and are consolidated in these financial statements:

- UBC Foundation, a not-for-profit foundation formed to develop public awareness and encourage financial support of the University.
- American Foundation for UBC, an American charitable foundation that encourages financial support of the University.
- Hong Kong Foundation for UBC, a not-for-profit organization incorporated in Hong Kong that promotes and advances all matters concerning education.
- UK Foundation for the University of British Columbia, an official charitable organization in the United Kingdom that promotes and advances all matters concerning education.
- UBC Society for the Education of Young Children, a not-for-profit organization that maintains and operates an educational program for young children.
- UBC Asia Pacific Regional Office Limited, a Hong-Kong based association formed to promote and advance the academic and research interests of the University and its partners in the Asia Pacific region.
- entrepreneurship@UBC Management Inc., a not-for-profit organization that allows UBC to make seed investments in promising student ventures.



2 **Significant Accounting Policies (continued)**

(c) Basis of Consolidation (continued)

(i) Consolidated Entities (continued)

The following for-profit entities are controlled by the University and are consolidated in these financial statements:

- UBC Investment Management Trust, whose primary purpose is to manage the investment assets of the University including the Endowment Fund, Staff Pension Plan, Supplemental Arrangement and Operating Fund. The University has a 100% interest in the trust.
- UBC Research Enterprises Inc., which promotes the creation, testing, development, production and commercialization of intellectual property owned by the University. The entity was dissolved by way of voluntary dissolution under the B.C. Business Corporations Act on December 4, 2017. The University held a 100% interest in the company prior to its dissolution.
- Paragon Testing Enterprises Inc., an English language testing organization that administers English language proficiency tests and develops products and programs to help test takers. The University has an 80% (2018 - 83%) interest in the company.

(ii) 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 and other changes in equity are recorded. No adjustment is made to conform the accounting policies of the government business enterprise to those of UBC other than if other comprehensive income exists, which is accounted for as an adjustment to accumulated surplus (deficit) 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 UBC.

The following organizations are government business enterprises and are accounted for by the modified equity method:

- UBC Properties Investments Ltd. ("UBCPIL")

UBCPIL is incorporated pursuant to the B.C. Business Corporations Act, and is a wholly-owned subsidiary of UBC. UBCPIL is the sole trustee of UBC Properties Trust, which was established to carry out real estate development activities on behalf of the University.

- Great Northern Way Campus Trust ("GNW")

The University has a 25% (2018 - 25%) interest in GNW which was formed on September 15, 2002 to include the lands and premises comprising the Great Northern Way Campus for the equal benefit of the University, Simon Fraser University, British Columbia Institute of Technology and the Emily Carr Institute of Art and Design.

2 Significant Accounting Policies (continued)

(c) Basis of Consolidation (continued)

(iii) Investment in Government Partnerships

Government partnerships that are business partnerships are accounted for by the modified equity method. Accounting policies of the business partnership are not conformed to those of the partners before the equity pick-up. The University is not party to any government business partnerships.

Government partnerships that are not business partnerships are accounted for under the proportionate consolidation method. The University accounts for its share of the partnership on a line by line basis in the consolidated financial statements and eliminates any inter-organizational transactions and balances. Accounting policies of a partnership that is not a business partnership are conformed to those of UBC before it is proportionately consolidated.

The consolidated financial statements include the accounts of the following non-business government partnerships:

- **Tri-Universities Meson Facility (TRIUMF)**

The University has a 7.14% (2018 - 7.69%) interest in TRIUMF, Canada's particle accelerator centre. TRIUMF is a joint venture amongst the University and thirteen other universities (2018 - twelve), which was established to operate a facility that supports fundamental and applied research in particle and nuclear physics, as well as the materials and life sciences. TRIUMF operates on the UBC campus and elsewhere.

- **Western Canadian Universities Marine Sciences Society (WCUMSS)**

The University has a 20% (2018 - 20%) interest in WCUMSS, operating as Bamfield Marine Sciences Centre. The University is one of five university members of WCUMSS, which is formed to provide a permanent base for marine and coastal-oriented field operations in Bamfield, B.C. WCUMSS mandates to provide research infrastructure for scientists, offer senior undergraduate and graduate courses and programs, and provide training opportunities for students, First Nations and other public groups.

- **CDRD Ventures Inc. (CVI, formerly DDI Drug Development Inc.)**

The University has a 33% (2018 - 33%) interest in CVI and is one of three shareholders. CVI is the commercialization partner of the Centre for Drug Research and Development (CDRD), which provides financial, managerial and development support to turn promising technologies into companies and to help existing companies grow.

(iv) Trusts Under Administration

Trusts administered by UBC as directed by agreement or statute for certain beneficiaries are not included in the University's consolidated financial statements.

(d) 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.

2 **Significant Accounting Policies (continued)**

(e) Revenue Recognition

(i) Restricted Revenue

The University follows the deferral method of accounting for contributions. Some contributions, such as grants and donations for research or capital purposes, are restricted in use by the external contributor. Externally restricted contributions are recognized as revenue when the restrictions imposed by the contributors on the use of the monies are satisfied as follows:

- Non-capital contributions for specific purposes are recorded as deferred contributions and recognized as revenue in the year in which the stipulation or restriction on the contribution has been met. Unspent capital contributions are initially recorded as deferred contributions and transferred to and recorded as deferred capital contributions when the amounts have been spent on tangible capital assets and are recognized into revenue as noted below.
- Contributions spent in acquiring or developing a depreciable tangible capital asset or received 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. Where the tangible capital asset involved has an unlimited life, the contribution is recorded in the Consolidated Statement of Operations and Accumulated Surplus.

Some restricted contributions must be retained in perpetuity, allowing only the investment income earned thereon to be spent, and are recorded as external endowment donations in the Consolidated Statement of Operations and Accumulated Surplus for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.

(ii) Unrestricted Revenue

Unrestricted contributions are recorded as revenue when received or receivable if the amounts can be estimated and collection is reasonably assured. Government grants not restricted as to their use are recognized as revenue when received or receivable. Other unrestricted revenue, including tuition fees and sales of services and products, are reported as revenue at the time the services are provided or the products are delivered. Tuition fees received in advance of courses being delivered are deferred and recognized when the courses are delivered.

(iii) Deferred Land Lease Revenue

The University leases certain properties to third parties for a period of 99 years. Deferred land lease revenue is initially recognized and deferred when the contract has been entered into and all performance obligations have been met. Subsequently, deferred land lease revenue is amortized over the 99 year term of the lease.

(iv) Investment Income

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains or losses on the sale of investments, write-downs on investments where the loss in value is determined to be other than temporary, and fair value adjustment of investments. Investment transactions are recorded on a trade date basis. Transaction costs are expensed as incurred. To the extent that investment income relates to externally restricted endowments, income is recorded in the year in which the related expenses are incurred.

2 **Significant Accounting Policies (continued)**

(f) Financial Instruments

Classification, Disclosure and Presentation

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

Fair value category: Portfolio investments that are quoted in an active market, private equity investments, and sinking fund investments are all 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 are recorded as an expense. Unrealized gains and losses on financial assets, except those that are related to restricted endowments, are recognized in the Consolidated Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus and related balances reversed from the Consolidated Statement of Remeasurement Gains and Losses. Unrealized gains and losses on financial assets related to restricted endowments are included in deferred contributions.

Cost category: Gains and losses are recognized in the Consolidated 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 are included in the cost of the related investments. Debt is measured at amortized cost.

(g) Short-term Investments

Short-term investments are defined to include highly liquid securities with terms to maturity of one year or less. Short-term investments are cashable on demand and are recorded at fair value.

(h) Inventories for Resale

Inventories held for resale, including books, food services, and gift shop items, are recorded at the lower of cost or net realizable value. Cost is determined using the weighted average basis. Cost includes invoice cost and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. 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.

(i) 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. Contributed tangible capital assets are recorded at fair value at the date of contribution.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

2 Significant Accounting Policies (continued)

(i) Non-financial Assets (continued)

(i) Tangible Capital Assets (continued)

Tangible capital assets are amortized on a straight-line basis over their estimated useful life as shown below. Land is not amortized as it is deemed to have a permanent value.

Site improvements	15-80 years
Buildings	10-50 years
Building renovations	5-40 years
Furnishings, equipment and systems	3-10 years
Library books	10 years

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 UBC'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.

(ii) Leased Tangible Capital Assets

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

(iii) Unrecognized Assets

Major categories of unrecognized assets include works of art and historical collections, mineral resources, and licenses.

These assets cannot be reasonably measured for various reasons, including being priceless or irreplaceable, not intended for sale, intended for exhibition purposes, restricted for research and academic purposes, or an estimate of future benefits associated with the assets cannot be made due to their extraordinary nature.

(iv) Inventories Held for Use

Inventories held for use are recorded at the lower of cost and replacement cost.

Cost includes the original purchase cost, plus shipping and applicable duties. Replacement cost is the estimated current price to replace the items.

(j) Employee Future Benefits

(i) Pension Plans

The University has two pension plans and a supplemental arrangement plan providing pension and other benefits to its employees. The assets and liabilities of these plans are not included in the University's consolidated financial statements.



2 **Significant Accounting Policies (continued)**

(j) Employee Future Benefits (continued)

(i) Pension Plans (continued)

Faculty Pension Plan

The Faculty Pension Plan is a defined contribution plan providing benefits on a money purchase basis. The cost of pension benefits includes the current service cost based on 10.00% of salary (2018 – 10.00%), less a fixed offsetting amount relating to Canada Pension Plan contributory earnings. The University expenses contributions to this plan in the year the contributions are related to.

Staff Pension Plan

The Staff Pension Plan is a target benefit plan and provides benefits based on 1.80% (2018 - 1.80%) of the average best three years' basic salary multiplied by the number of years of contributory service. The University's contribution for the Staff Pension Plan is 9.40% of salary (2018 - 9.13%), less a fixed offsetting amount relating to Canada Pension Plan contributory earnings. In the event of funding deficiencies, the University's contributions remain fixed and benefits for members may be reduced. Accordingly, the University accounts for this as a defined contribution plan and expenses contributions to this plan in the year of the related contributions. Benefits security for employees is improved by the plan maintaining a contingency reserve. The contingency reserve ceiling recommended by the plan's actuary and approved by the pension board and Canada Revenue Agency is 40% of liabilities.

Supplemental Arrangement

The Supplemental Arrangement has been established for those Faculty Pension Plan members whose aggregate annual pension contributions exceed the contribution limit allowed under the Income Tax Act for registered plans. Excess University contributions are deposited into notional accounts established for each member in the Supplemental Arrangement account. No payments are made out of the Supplemental Arrangement account before the earliest of the member's termination, retirement or death.

(ii) Income Replacement Plan / Disability Benefit Plan

The income replacement plan for faculty and disability benefit plan for all other employees provide income for disabled employees. The plans commence after a qualifying period of four months for CUPE 2950 employees and six months for all other employees. When an employee is in receipt of income replacement or disability benefits, the University continues to pay the costs of certain member benefits. The costs of the plans are employee funded. The University is not required to contribute to the plans nor is it responsible for any deficit that the plans may incur.

(iii) Sick Leave Benefits

Sick leave benefits are available to UBC's employees. Employees are entitled to sick leave in accordance with the terms and conditions of their employment contracts. The costs of those benefits which vest or accumulate are actuarially determined based on service and estimates of retirement ages and expected future salary or wage increases. The obligation is accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses from event-driven benefits that do not vest or accumulate are recognized immediately in the Consolidated Statement of Operations and Accumulated Surplus.

2 Significant Accounting Policies (continued)

(k) Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. Liabilities are recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all 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.

(l) Use of Estimates

The preparation of these consolidated financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates and assumptions relate to the determination of useful lives of tangible capital assets for amortization and the amortization of related deferred capital contributions, valuation of financial instruments, the present value of employee future benefits and commitments, and provisions for contingencies. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(m) Debt Issue Costs

The underwriting discount along with consulting fees relating to the debenture issuances are capitalized and amortized to match the term of the long-term debenture. Amortization is calculated based on the effective interest rate method.

(n) Functional Classification of Expenses

Expenses in the Consolidated Statement of Operations and Accumulated Surplus have been classified based upon functional lines of service provided by the University. The outline of services provided by each function is as follows:

- (i) Learning - This function includes expenses related to all direct educational delivery within the institution and activities that directly support the academic functions of the institution. This includes credit and non-credit courses, diploma, certificate and degree programs; continuing education; curriculum and program development; libraries and galleries; on-line delivery; information technology; specific purpose funding; and endowment non-award funding. Costs associated with this function include contract expenses; Deans/Directors and/or Chairs; and instructional administration (general and financial), support staff and support costs directly related to these activities.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

2 Significant Accounting Policies (continued)

(n) Functional Classification of Expenses (continued)

- (ii) Research - This function includes research activities specifically funded by contracts and/or grants from external organizations and undertaken within the institution to produce research outcomes. Costs associated with this function include such things as research administration, research accounting, support costs established to conduct all research projects, and research related amortization.
- (iii) Facilities - This function includes all capital asset related expenditures for the operation of the University. These include the operation and maintenance of physical plant and equipment for all institutional activities; utilities; facilities administration; custodial services; landscaping and grounds keeping; major repairs and renovations; security services; administration of infrastructure development; amortization expense (other than research related) and debt servicing costs related to the entire University.
- (iv) Students - This function includes activities that directly support the individual students or groups of students. These include student service administration; counseling; career services; social development and recreation; financial aid administration; scholarships and bursaries; and any other centralized general and financial administration and support costs related to these activities. It also includes ancillary operations that provide goods and services to the students, endowment award related funding and award funds that support students. Costs associated with this function include general and financial administration and support costs directly related to these activities.
- (v) Community engagement - This function includes activities that support the relationship between the University and the community. It includes campus planning; advancement and development office; alumni; public / government relations; community affairs, and any other centralized institution wide external affairs. Costs associated with this function include general, financial administration and support costs directly related to these activities.
- (vi) Administration - This function includes activities that support the institution as a whole, such as executive management; governance committees; the Board and Senate; corporate finance; human resources; purchasing; and any other centralized institution-wide general administrative activities.

(o) Budget Figures

The budget was approved by the Board of Governors on April 19, 2018. These figures have been provided for comparative purposes.

3 Cash and Cash Equivalents

	<u>March 31</u> <u>2019</u>	<u>March 31</u> <u>2018</u>
Cash	\$ 34,535	\$ 25,473
Cash equivalents	115,061	205,698
	<u>\$ 149,596</u>	<u>\$ 231,171</u>

The University has a seasonal revolving line of credit. During September 1 to May 31, the line of credit is CAD \$40 million, and during June 1 to August 31, the line of credit is increased to CAD \$60 million. This operating facility includes, as a sub-limit, a US dollar current account overdraft facility up to US \$5 million. As at March 31, 2019, the University had a CAD \$40 million revolving line of credit (March 31, 2018 - \$40 million) with a sub limit of US \$5 million line of credit (March 31, 2018 – US \$5 million).



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

4 Investments

Investments include operating, endowment and sinking fund investments. Operating investments consist of research, capital, and other funds received and held in advance for future expenditures. Endowment investments consist of donations held in perpetuity and land lease revenues received by the University to benefit current and future generations. Sinking fund investments are managed by the provincial government and will be applied against repayment of provincial debentures on maturity (Note 12).

(a) Analysis of Investments

	March 31 2019	March 31 2018
Government and corporate bonds		
<u>Maturity</u>		
Less than 1 year	\$ -	\$ -
1 - 5 years	681,901	534,814
Greater than 5 years	-	-
Various – pooled	213,026	230,190
	<u>894,927</u>	<u>765,004</u>
Short-term notes and treasury bills	22,414	27,403
Canadian equities	221,632	221,311
Canadian pooled funds	241,157	212,237
United States equities and pooled funds	182,941	139,319
Other international pooled funds	947,501	883,897
Other	35,204	24,809
	<u>\$ 2,545,776</u>	<u>\$ 2,273,980</u>

These investments are presented in the consolidated financial statements as:

	March 31 2019	March 31 2018
Operating investments	\$ 666,657	\$ 525,191
Endowment (expendable balance)	877,469	779,374
Endowment (original contribution)	970,536	942,455
Sinking fund investments (Note 12)	31,114	26,960
	<u>\$ 2,545,776</u>	<u>\$ 2,273,980</u>

Other investments include cash and short-term investments related to endowments and real estate investments and promissory notes issued by unrelated parties.



4 Investments (continued)

(b) Endowment Investments

- (i) Endowment investments are reported as financial assets (expendable portion) and non-financial assets (externally restricted principal portion). The portion reported as non-financial assets comprise investments representing the original donation and amounts required to be reinvested to maintain the capital, which are externally restricted by donors and, therefore, cannot be spent and are not considered financial assets.

	March 31, 2019			March 31, 2018		
	Principal	Expendable	Total	Principal	Expendable	Total
Balance, beginning of year	\$ 942,455	\$ 779,374	\$ 1,721,829	\$ 916,053	\$ 622,219	\$ 1,538,272
Donations	22,742	-	22,742	25,650	-	25,650
Internal transfers	5,339	-	5,339	752	-	752
Transfers to/from cash	-	80,000	80,000	-	75,000	75,000
Investment income	-	94,380	94,380	-	150,689	150,689
Expenses	-	(76,285)	(76,285)	-	(68,534)	(68,534)
Balance, end of year	<u>\$ 970,536</u>	<u>\$ 877,469</u>	<u>\$ 1,848,005</u>	<u>\$ 942,455</u>	<u>\$ 779,374</u>	<u>\$ 1,721,829</u>

(ii) Endowments Held by Vancouver Foundation

Endowments with a fair value of \$24.4 million (March 31, 2018 - \$25.7 million) are held by the Vancouver Foundation in perpetuity for the benefit of the University and are not included in the University's consolidated financial statements. The capital of these endowment funds are held permanently by Vancouver Foundation and invested in accordance with the provisions of the Vancouver Foundations Act.

Endowments with a fair value of \$26.8 million (March 31, 2018 - \$28.2 million) are held and managed by Vancouver Foundation and are included in the University's consolidated financial statements. The University has the discretion to direct Vancouver Foundation to transfer the whole or any part of the capital of these endowment funds to the University.

(c) Fair Value of Financial Instruments

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties. UBC 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 Consolidated Statement of Financial Position under the following captions:

- Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities – the carrying amounts approximate fair value because of the short-term maturity of these instruments.
- Operating investments
- Endowment investments

4 Investments (continued)

(c) Fair Value of Financial Instruments (continued)

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:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- 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)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The composition of investments recorded at fair value is as follows:

March 31, 2019	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Endowment investments:				
Cash and short-term notes	\$ 52,017	\$ 52,017	\$ -	\$ -
Fixed income mutual funds	102,620	102,620	-	-
Canadian equities	293,226	293,226	-	-
Canadian equities mutual funds	84,489	84,489	-	-
United States equities mutual funds	131,139	131,139	-	-
International equities mutual funds	476,145	476,145	-	-
Real estate	158,780	-	-	158,780
Private equity	110,364	-	-	110,364
Hedge fund	106,565	-	-	106,565
Infrastructure equity	200,498	-	-	200,498
Private debt	25,817	-	-	25,817
Other	104,745	-	26,773	77,972
Total endowment investments recorded at fair value	1,846,405	1,139,636	26,773	679,996
Operating investments:				
Fixed income				
Government	651,509	651,509	-	-
Mutual funds	1,000	-	-	1,000
Canadian equities	1,566	1,566	-	-
United States equities	23	23	-	-
Private equity	12,559	-	-	12,559
Total operating investments recorded at fair value	666,657	653,098	-	13,559
Total	\$ 2,513,062	\$ 1,792,734	\$ 26,773	693,555

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019
(all tabular amounts are in thousands of dollars)

4 Investments (continued)

(c) Fair Value of Financial Instruments (continued)

March 31, 2018	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Endowment investments:				
Cash and short-term notes	\$ 37,260	\$ 37,260	\$ -	\$ -
Fixed income mutual funds	97,515	97,515	-	-
Canadian equities	321,384	321,384	-	-
Canadian equities mutual funds	73,564	73,564	-	-
United States equities mutual funds	97,193	97,193	-	-
International equities mutual funds	576,249	529,834	46,415	-
Real estate	141,091	-	-	141,091
Private equity	74,851	-	-	74,851
Hedge fund	80,136	-	-	80,136
Infrastructure equity	182,935	-	-	182,935
Private debt	9,875	-	-	9,875
Other	28,176	-	28,176	-
Total endowment investments recorded at fair value	1,720,229	1,156,750	74,591	488,888
Operating investments:				
Fixed income				
Government	508,828	508,828	-	-
Mutual funds	1,000	-	-	1,000
Canadian equities	1,416	1,416	-	-
United States equities	-	-	-	-
Private equity	13,947	-	-	13,947
Total operating investments recorded at fair value	525,191	510,244	-	14,947
Total	\$ 2,245,420	\$ 1,666,994	\$ 74,591	\$ 503,835

The following table reconciles the changes in fair value of financial instruments classified as level 3 during the year.

	March 31 2019	March 31 2018
Balance, beginning of year	\$ 503,835	\$ 430,945
Unrealized gains	30,777	4,748
Purchases	189,624	121,096
Dispositions	(30,681)	(52,954)
Balance, end of year	\$ 693,555	\$ 503,835



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

5 Investments in Government Business Enterprises

Two entities are accounted for in the University's consolidated financial statements using the modified equity method of accounting for government business enterprises (Note 2(c)(ii)).

Financial information in respect of these entities is disclosed below.

	UBC Properties Investments Ltd.		Great Northern Way Campus Trust	
Consolidated Statement of Financial Position:	March 31 2019	March 31 2018	March 31 2019	March 31 2018
Financial assets	\$ 145,028	\$ 86,103	\$ 41,045	\$ 49,387
Liabilities	480,724	504,280	10,987	32,251
Net assets (liabilities)	(335,696)	(418,177)	30,058	17,136
Non-financial assets	447,014	447,851	19,348	20,318
Accumulated surplus	\$ 111,318	\$ 29,674	\$ 49,406	\$ 37,454
Adjustment for Infrastructure Impact Charges (IIC's) and contributions	(14,767)	(12,676)	-	-
Adjusted accumulated surplus	\$ 96,551	\$ 16,998	\$ 49,406	\$ 37,454
UBC's proportionate share	\$ 96,551	\$ 16,998	\$ 12,351	\$ 9,364

Consolidated Statement of Operations:

Revenue	\$ 97,972	\$ 88,926	\$ 26,114	\$ 38,969
Expenses	18,256	8,380	13,905	23,306
Surplus for the year	79,716	80,546	12,209	15,663
Adjustment to defer land sales	(79,145)	(71,051)	-	-
Adjustment for IIC's	351	352	-	-
Adjusted accumulated surplus	\$ 922	\$ 9,847	\$ 12,209	\$ 15,663
UBC's proportionate share	\$ 922	\$ 9,847	\$ 3,052	\$ 3,916

(a) UBCPIL recognizes revenue from sales of 99-year leases when the contract has been entered into and all performance obligations have been met including the transfer of control of the prepaid lease. The University defers these revenues in its Consolidated Statement of Financial Position and amortizes the balance to its Consolidated Statement of Operations and Accumulated Surplus over the duration of the leases (Note 11). During the year, UBCPIL adopted IFRS 15 *Revenue from Contracts with Customers*, resulting in an \$95.3 million increase to its current year's opening equity. This adjustment has been recorded in the investment in government business enterprises on the University's consolidated financial statements.

(b) During the year, the University received distributions from UBCPIL of \$81.8 million (2018 - \$91.5 million) and from GNW of \$6.4 million (2018 - \$8.0 million).



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019
(all tabular amounts are in thousands of dollars)

5 Investments in Government Business Enterprises (continued)

(c) During the year, the following significant related party transactions occurred:

UBCPIL invoiced the University \$2.8 million (2018 - \$3.8 million) for project management fees.

UBCPIL issued promissory notes in favour of the University amounting to \$27.6 million (2018 - \$2.6 million). The University charged UBCPIL interest in the amount of \$0.3 million (2018 - \$0.3 million).

The University collected \$19.3 million from UBCPIL (2018 - \$1.1 million) for infrastructure impact charges. These charges have been eliminated in the consolidated financial statements.

6 Investments in Government Partnerships

UBC provides contributions to fund the operations of TRIUMF, WCUMSS, and CDRD Ventures Inc. Their financial results are proportionately consolidated with those of UBC based upon UBC's share of their total contributions.

The amounts included in these consolidated financial statements are as follows:

	<u>TRIUMF</u>		<u>WCUMSS</u>		<u>CDRD Ventures Inc.</u>	
Consolidated Statement of Financial Position:	March 31 2019	March 31 2018	March 31 2019	March 31 2018	March 31 2019	March 31 2018
Financial assets	\$ 54,737	\$ 49,175	\$ 619	\$ 1,098	\$ 25,552	\$ 16,456
Liabilities	68,970	49,930	1,694	1,847	11,768	8,146
Net assets (liabilities)	(14,233)	(755)	(1,075)	(749)	13,784	8,310
Non-financial assets	27,303	25,418	7,400	7,513	4	12
Accumulated surplus	\$ 13,070	\$ 24,663	\$ 6,325	\$ 6,764	\$ 13,788	\$ 8,322
UBC's proportionate share	\$ 934	\$ 1,897	\$ 1,265	\$ 1,353	\$ 4,596	\$ 2,774
Consolidated Statement of Operations:						
Revenue	\$ 73,851	\$ 77,086	\$ 3,929	\$ 6,505	\$ 8,077	\$ 844
Expenses	85,445	75,364	4,369	4,062	2,611	824
Surplus for the year	\$ (11,594)	\$ 1,722	\$ (440)	\$ 2,443	\$ 5,466	\$ 20
UBC's proportionate share	\$ (828)	\$ 132	\$ (88)	\$ 489	\$ 1,822	\$ 7

TRIUMF expenses all capital assets in its income statement as acquired; the University capitalizes the capital assets and amortizes them over the useful lives. TRIUMF recognizes revenue in the year it is received, whereas the University follows the deferral method of accounting for contributions.



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

7 Accounts Payable and Accrued Liabilities

	March 31 2019	March 31 2018
Accounts payable and accrued liabilities	\$ 273,187	\$ 260,959
Salaries and benefits payable	20,380	18,584
Accrued vacation pay	8,532	8,109
Amounts payable to government organizations	10,892	9,631
	<u>\$ 312,991</u>	<u>\$ 297,283</u>

Included in accounts payable and accrued liabilities at March 31, 2019 is a balance of \$23.0 million owing to UBCPIL. (March 31, 2018 - \$29.2 million).

8 Employee Future Benefits

(a) Contributions to Pension Plans

University contributions made to each of the pension plans were:

	March 31 2019	March 31 2018
Faculty Pension Plan	\$ 43,256	\$ 42,580
Staff Pension Plan	48,675	43,482
Supplemental Arrangement	4,796	4,571
	<u>\$ 96,727</u>	<u>\$ 90,633</u>

(b) Accumulated Sick Leave Benefit and Income Replacement Plan (IRP)/Disability Benefit Plan (DBP)

The accrued sick leave benefit and accrued IRP and DBP obligations as at March 31, 2019 are based on actuarial valuations prepared as of March 31, 2019 and 2018, respectively. The accrued benefit obligations are calculated as follows:

	Sick leave	IRP and DBP	March 31 2019	March 31 2018
Balance, beginning of year	\$ 2,290	\$ 6,697	\$ 8,987	\$ 12,094
Current service and interest cost	898	1,070	1,968	2,582
Benefits paid	(1,163)	(1,045)	(2,208)	(2,439)
Actuarial loss (gain)	1,118	-	1,118	(3,250)
Balance, end of year	<u>\$ 3,143</u>	<u>\$ 6,722</u>	<u>\$ 9,865</u>	<u>\$ 8,987</u>



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

8 Employee Future Benefits (continued)

(b) Accumulated Sick Leave Benefit and IRP/DBP (continued)

Components of net benefit expense	<u>2019</u>	<u>2018</u>
Service cost	\$ 1,674	\$ 2,274
Interest cost	<u>294</u>	<u>308</u>
Net benefit expense	<u>\$ 1,968</u>	<u>\$ 2,582</u>

Actuarial assumptions used to determine the University's accrued sick leave benefit obligation are as follows:

	<u>March 31 2019</u>	<u>March 31 2018</u>
Discount rate	3.30%	1.90%
Expected wage and salary increases	2.50%	2.00%

Actuarial assumptions used to determine the University's accrued income replacement benefit obligation are as follows:

	<u>March 31 2019</u>	<u>March 31 2018</u>
Discount rate	3.50%	3.50%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary increases	2.00%	2.00%



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

9 Deferred Contributions

Deferred contributions represent unspent externally restricted grants, donations, contributions and endowment investment income.

	March 31 2019	March 31 2018
Research	\$ 368,005	\$ 333,348
Capital	17,802	25,781
Trust	145,275	136,472
Endowment	639,715	620,205
Balance, end of year	<u>\$ 1,170,797</u>	<u>\$ 1,115,806</u>

Changes in deferred contributions are as follows:

	Research	Capital	March 31, 2019 Trust	Endowment	Total
Balance, beginning of year	\$ 333,348	\$ 25,781	\$ 136,472	\$ 620,205	\$ 1,115,806
Grants, contributions, donations and endowment income	508,763	65,148	214,169	70,754	858,834
Transferred to deferred capital contributions (Note 10)	(52,941)	(77,123)	-	-	(130,064)
Recognized to revenue	(421,165)	3,996	(205,366)	(51,244)	(673,779)
Balance, end of year	<u>\$ 368,005</u>	<u>\$ 17,802</u>	<u>\$ 145,275</u>	<u>\$ 639,715</u>	<u>\$ 1,170,797</u>

	Research	Capital	March 31, 2018 Trust	Endowment	Total
Balance, beginning of year	\$ 286,921	\$ 39,488	\$ 103,757	\$ 536,114	\$ 966,280
Grants, contributions, donations and endowment income	473,484	83,595	238,463	128,545	924,087
Transferred to deferred capital contributions (Note 10)	(31,580)	(96,286)	-	-	(127,866)
Recognized to revenue	(395,477)	(1,016)	(205,748)	(44,454)	(646,695)
Balance, end of year	<u>\$ 333,348</u>	<u>\$ 25,781</u>	<u>\$ 136,472</u>	<u>\$ 620,205</u>	<u>\$ 1,115,806</u>



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

10 Deferred Capital Contributions

Contributions that are restricted for capital and have been spent on capital are recorded as deferred capital contributions. Contributions that are restricted for capital but have not yet been spent are recorded as deferred contributions until such time that the amounts are spent on tangible capital assets. Amounts are recognized into revenue as the liability is extinguished over the useful life of the related tangible capital asset.

Changes in the deferred capital contributions balance are as follows:

	March 31 2019	March 31 2018
Balance, beginning of year	\$ 1,510,738	\$ 1,464,720
Grants, contributions and donations spent (Note 9)	130,064	127,866
Current year amortization	(84,833)	(81,848)
Balance, end of year	<u>\$ 1,555,969</u>	<u>\$ 1,510,738</u>

11 Deferred Land Lease Revenue

	Balance at March 31 2018	Additions	Recognized to Revenue	Balance at March 31 2019
Deferred land lease revenue, gross	\$ 808,074	\$ 207,501	\$	\$ 1,015,575
Accumulated amortization of deferred land lease revenue	(49,797)		(8,598)	(58,395)
Deferred land lease revenue, net	<u>\$ 758,277</u>	<u>\$ 207,501</u>	<u>\$ (8,598)</u>	<u>\$ 957,180</u>

	Balance at March 31 2017	Additions	Recognized to Revenue	Balance at March 31 2018
Deferred land lease revenue, gross	\$ 732,241	\$ 75,833	\$ -	\$ 808,074
Accumulated amortization of deferred land lease revenue	(41,757)	-	(8,040)	(49,797)
Deferred land lease revenue, net	<u>\$ 690,484</u>	<u>\$ 75,833</u>	<u>\$ (8,040)</u>	<u>\$ 758,277</u>



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

12 Debt

Debt is measured at amortized cost as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>March 31 2019</u>	<u>March 31 2018</u>
Series A Debentures Unsecured, to be repaid at maturity	2031	6.65%	\$ 126,761	\$ 126,710
Series B Debentures Unsecured, to be repaid at maturity	2035	4.82%	125,543	125,520
Canada Mortgage and Housing Corporation \$454.9 paid semi-annually	2019 to 2023	6.25% to 7.88%	2,256	3,111
Province of BC Unsecured Debentures, to be repaid at maturity	2037	4.70%	126,628	126,626
Royal Bank of Canada Demand Loans, \$9.6 paid monthly	2020	3.39%	212	228
			<u>381,400</u>	<u>382,195</u>
Less sinking fund investments (Note 4a)			<u>(31,114)</u>	<u>(26,960)</u>
Total			\$ <u>350,286</u>	\$ <u>355,235</u>

The principal portion of debt repayments over the next five years and thereafter are as follows:

2020	\$ 648
2021	749
2022	596
2023	433
2024	-
Thereafter	<u>375,000</u>
	\$ <u>377,426</u>

Interest expense for the year on outstanding debt is \$20.8 million (2018 - \$20.9 million), which is recorded in the Consolidated Statement of Operations and Accumulated Surplus.

In addition to principal repayments, sinking fund payments are made into government invested funds, to be applied against repayment of provincial debentures on maturity. The market value of sinking fund investments as at March 31, 2019 is \$31.1 million (Note 4a) and is invested in government and corporate bonds. The University will make sinking fund payments over the next five years and thereafter as follows:

2020	\$ 2,006
2021	2,006
2022	2,006
2023	2,006
2024	2,006
Thereafter	<u>30,086</u>
	\$ <u>40,116</u>



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

13 Tangible Capital Assets

Cost	Balance at March 31 2018	Net Additions (Transfers)	Disposals	Balance at March 31 2019
Land	\$ 21,456	\$ -	\$ -	\$ 21,456
Site improvements	243,663	11,850	387	255,126
Buildings and renovations	3,946,809	186,226	14,729	4,118,306
Assets under construction	95,387	29,145	-	124,532
Furnishings, equipment and systems	612,635	121,799	108,543	625,891
Library books	145,102	14,918	14,024	145,996
Total	\$ 5,065,052	\$ 363,938	\$ 137,683	\$ 5,291,307

Accumulated Amortization	Balance at March 31 2018	Disposals	Amortization	Balance at March 31 2019
Land	\$ -	\$ -	\$ -	\$ -
Site improvements	44,988	387	5,945	50,546
Buildings and renovations	1,252,709	13,229	103,426	1,342,906
Assets under construction	-	-	-	-
Furnishings, equipment and systems	323,777	108,543	84,847	300,081
Library books	67,844	14,024	14,554	68,374
Total	\$ 1,689,318	\$ 136,183	\$ 208,772	\$ 1,761,907

	Net book value March 31 2019
Land	\$ 21,456
Site improvements	204,580
Buildings and renovations	2,775,400
Assets under construction	124,532
Furnishings, equipment and systems	325,810
Library books	77,622
Total	\$ 3,529,400



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

13 Tangible Capital Assets (continued)

Cost	Balance at March 31 2017	Net Additions (Transfers)	Disposals	Balance at March 31 2018
Land	\$ 19,622	\$ 1,834	\$ -	\$ 21,456
Site improvements	230,941	13,017	295	243,663
Buildings and renovations	3,646,051	307,252	6,494	3,946,809
Assets under construction	196,683	(101,296)	-	95,387
Furnishings, equipment and systems	603,527	87,667	78,559	612,635
Library books	140,764	15,892	11,554	145,102
Total	\$ 4,837,588	\$ 324,366	\$ 96,902	\$ 5,065,052

Accumulated Amortization	Balance at March 31 2017	Disposals	Amortization	Balance at March 31 2018
Land	\$ -	\$ -	\$ -	\$ -
Site improvements	39,636	295	5,647	44,988
Buildings and renovations	1,164,084	6,494	95,119	1,252,709
Assets under construction	-	-	-	-
Furnishings, equipment and systems	319,674	78,559	82,662	323,777
Library books	65,106	11,554	14,292	67,844
Total	\$ 1,588,500	\$ 96,902	\$ 197,720	\$ 1,689,318

	Net book value March 31 2018
Land	\$ 21,456
Site improvements	198,675
Buildings and renovations	2,694,100
Assets under construction	95,387
Furnishings, equipment and systems	288,858
Library books	77,258
Total	\$ 3,375,734



13 Tangible Capital Assets (continued)

(a) Assets Under Construction

As at March 31, 2019, assets under construction having a value of \$124.5 million (March 31, 2018 - \$95.4 million) have not been amortized. Amortization of these assets will commence when the assets are put into service.

(b) Write-Down of Tangible Capital Assets

Write-downs of tangible capital assets during the year were nil (2018 - nil).

14 Financial Risk Management

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

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

(a) Interest Rate Risk

The University is exposed to interest rate risk on fixed income investments held; the risk arises from fluctuations in interest rates and the degree of volatility of these rates. The University is not at risk for changes in interest rates on its long-term debt obligations as all borrowings are at fixed rates of interest.

(b) Liquidity Risk

The University is exposed to liquidity risk which may arise from the possibility that the University is not able to meet its financial obligations as they become due, or can only do so at excessive costs. The University establishes budgets and cash flow projections to ensure it has the necessary funds, including access to a revolving line of credit to fulfill its obligations when due.

(c) Credit Risk

The University is exposed to credit risk if a counterparty to a financial instrument fails to meet its obligations. The University accounts for a specific bad debt provision when management considers that the expected recovery is less than the account receivable.

(d) Foreign Exchange Risk

The University is exposed to foreign exchange risk on investments held in foreign currencies and may use foreign currency swaps to mitigate this risk.

15 Government Grants and Contracts

	March 31 2019	March 31 2018
Province of British Columbia		
Core Academic Funding	\$ 634,979	\$ 613,902
Post Graduate Medical Education Program	139,469	135,048
Other funding	48,510	35,830
Total Province of British Columbia	<u>822,958</u>	<u>784,780</u>
Government of Canada	304,561	273,439
Other governments	20,231	18,877
	<u>\$ 1,147,750</u>	<u>\$ 1,077,096</u>

During the year, the University received restricted and unrestricted funding from the Province of British Columbia in the amount of \$867.3 million (2018 - \$842.2 million). \$823.0 million has been recognized as revenue from funding received in the current year and prior years (2018 - \$784.8 million). Unspent funding represents restricted contributions and is deferred in the Consolidated Statement of Financial Position.

16 Contractual Rights

The University has entered into contracts or agreements in the normal course of operations that it expects will result in the realization of assets and revenues in future fiscal years. UBC is the recipient of research grants from various federal, provincial, and municipal funding agencies. These funding agreements do not abnormally impact the University's financial position and do not guarantee the University the right to future funding.

17 Contractual Obligations and Contingent Liabilities

Contractual obligations and contingent liabilities are as follows:

(a) Capital Projects

At March 31, 2019, outstanding commitments totalled \$188.2 million (March 31, 2018 - \$20.2 million) for capital projects. These commitments will be payable in subsequent years, and are funded by provincial contributions, private donations and earnings from sales and services.

(b) Litigation

The University is involved from time to time in litigation, which arises in the normal course of operations. Liabilities on any litigation are recognized in the consolidated financial statements when the outcome becomes reasonably determinable. In management's judgement, there is no material negative exposure at this time from existing litigations.

(c) Derivative Financial Instruments

At March 31, 2019, the University had outstanding forward currency contracts with notional values of \$269.9 million (2018 - \$298.3 million) whose settlements extend to May 3, 2019. The unrealized gain at March 31, 2019 was \$0.1 million (2018 - \$0.2 million) and has been reflected in the Consolidated Statement of Remeasurement Gains and Losses and in the fair value of investments.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

17 Contractual Obligations and Contingent Liabilities (continued)

(d) Self Insurance

Effective January 1, 2013, the University became a member of the University, College and Institute Protection Program (UCIPP), which is an actuarially valuated program of self-insurance for the Province of British Columbia that has been in place since 1987. It is one of several self-insurance programs operated within the Insurance and Risk Management Account (IRMA), which is a special account established under the Financial Administration Act, controlled by the Risk Management Branch of the Ministry of Finance. Annually, an independent actuarial firm reviews the claims history, funding levels and balances in the various programs making up IRMA to ensure that it is maintained at a level sufficient to pay both known claims and incurred, but not reported, losses.

(e) Funding Commitments

Under its endowment investment strategy, the University has outstanding commitments to fund infrastructure, private debt, private equity and real estate investments totalling approximately \$6.6 million (March 31, 2018 - \$3.6 million); \$62.2 million (March 31, 2018 - \$54.6 million); \$96.1 million (March 31, 2018 - \$137.7 million); and \$61.6 million (March 31, 2018 - \$48.5 million), respectively. The University has no outstanding commitments to previous hedge fund investments (March 31, 2018 - nil).

(f) Operating Lease

The University has lease commitments for premises is committed to total lease payments of \$53.3 million over the term of the lease, which expires on March 31, 2040.

(g) Letter of Credit

The University has a letter of credit facility of CAD \$26.3 million available as of March 31, 2019 (2018 - \$26.3 million). This letter of credit is provided as security to BC Hydro for electrical infrastructure upgrade work to be completed by October 2020. The University does not expect to draw on the letter of credit as BC Hydro is expected to recover its costs via increased electrical billings.

18 Related Party Transactions

The University is related through common control to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these related parties, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at their exchange amounts, which is the amount of consideration established and agreed to between the University and the related parties.



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

(all tabular amounts are in thousands of dollars)

19 Expenses by Object

The following is a summary of expenses by object:

	March 31 2019	March 31 2018
Salaries	\$ 1,347,461	\$ 1,267,799
Employee benefits	219,023	195,107
Supplies and sundries	253,467	240,110
Amortization	208,772	197,720
Cost of goods sold	45,779	45,570
Scholarships, fellowships and bursaries	147,011	130,935
Travel and field trips	57,807	55,028
Professional and consulting fees	124,606	113,862
Grants and reimbursements to other agencies	127,872	135,691
Utilities	39,296	38,317
Interest on long-term debt	20,781	20,854
	<u>\$ 2,591,875</u>	<u>\$ 2,440,993</u>

20 Grants and Reimbursements to Other Agencies

During the year, the University distributed research and other funds to agencies totalling \$127.9 million (2018 - \$135.7 million). These funds were distributed under agreements with granting agencies, whereby the University is the administrative head and a portion of the research is undertaken at other agencies.

Reimbursements of \$100.0 million (2018 - \$98.4 million) were made to BC health authorities for payments made on behalf of the University for the postgraduate medical education program.

21 Comparative Information

Certain comparative figures have been reclassified in order to provide presentational consistency with the current year.

