



Consolidated Financial Statements

FOR YEAR ENDED MARCH 31, 2021



THE UNIVERSITY OF BRITISH COLUMBIA

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

Statement of Management Responsibility

The consolidated financial statements of the University of British Columbia (the University) have been prepared by management in conformity 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 outlined in note 2(a). The consolidated financial statements present the financial position of the University as at March 31, 2021, 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, 2021.

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

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit Committee. 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 consolidated financial statements for the year ended March 31, 2021 have been reported on by the Office of the Auditor General of British Columbia. The Independent Auditors' Report outlines the scope of the audit and provides the audit opinion on the consolidated financial statements.

[signed]

Santa Ono
President and Vice-Chancellor

June 24, 2021

[signed]

Peter Smailes
Vice-President Finance & Operations





INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

I have audited the accompanying consolidated financial statements of the University of British Columbia ("the group"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations and accumulated surplus, changes in net debt, cash flows, and remeasurement gains and losses for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at March 31, 2021, and the results of its operations and accumulated surplus, changes in net debt, cash flows, and remeasurement gains and losses for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Qualified Opinion

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

As described in Note 2(a) to the consolidated financial statements, the group's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The group was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the group's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In my opinion, certain contributions of the entity do not meet the definition of a liability, and as such the group's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. Had the group made an adjustment for this departure in the current year, the liability for deferred capital contributions as at March 31, 2021 would have been lower by \$1,594 million, revenue, annual surplus and accumulated surplus would have been higher by \$1,594 million and net debt would have been lower by \$1,594 million.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the group in accordance with the ethical requirements that are relevant to my audit of the group's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the group will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the group's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 group'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 group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

[signed]

Stuart Newton, CPA, CA
Assistant Auditor General

Victoria, British Columbia, Canada
June 25, 2021

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31**

(in thousands of dollars)

| | <u>Note</u> | <u>2021</u> | <u>2020</u> |
|--|-------------|---------------------|---------------------|
| Financial Assets | | | |
| Cash and cash equivalents | 3 | \$ 207,102 | \$ 197,121 |
| Promissory notes receivable | 4 | - | 77,502 |
| Accounts receivable | 5 | 230,506 | 187,178 |
| Housing and other loans receivable | 6 | 54,503 | 45,630 |
| Inventories for resale | | 4,870 | 6,556 |
| Portfolio investments | 7 | 912,464 | 608,657 |
| Endowment investments (expendable balance) | 7 | 969,288 | 788,914 |
| Investments in government business enterprises | 8 | 43,347 | 64,280 |
| Supplemental pension assets | 12(a) | 119,103 | 97,346 |
| | | <u>2,541,183</u> | <u>2,073,184</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 10 | 337,822 | 314,267 |
| Deferred revenue | 11 | 132,313 | 145,524 |
| Employee future benefits | 12(c) | 14,648 | 9,818 |
| Supplemental pension liabilities | 12(a) | 119,103 | 97,346 |
| Deferred contributions | 13 | 1,381,093 | 1,115,580 |
| Deferred capital contributions | 14 | 1,594,980 | 1,588,326 |
| Deferred land lease revenue | 15 | 1,035,555 | 977,369 |
| Debt | 16 | 362,055 | 345,496 |
| | | <u>4,977,569</u> | <u>4,593,726</u> |
| Net debt | | (2,436,386) | (2,520,542) |
| Non-Financial Assets | | | |
| Tangible capital assets | 17 | 3,851,800 | 3,708,304 |
| Endowment investments (non-expendable balance) | 7 | 1,039,175 | 1,010,395 |
| Inventories held for use | | 3,690 | 2,302 |
| Prepaid expenses | | 24,317 | 22,230 |
| | | <u>4,918,982</u> | <u>4,743,231</u> |
| Accumulated surplus | | \$ <u>2,482,596</u> | \$ <u>2,222,689</u> |
| Accumulated surplus is comprised of: | | | |
| Accumulated surplus | | \$ 2,302,887 | \$ 2,186,137 |
| Accumulated remeasurement gains | | 179,709 | 36,552 |
| | | <u>\$ 2,482,596</u> | <u>\$ 2,222,689</u> |
| Contractual obligations | 21 | | |

Approved on behalf of the Board of Governors:

[signed]

Nancy McKenzie
Chair, Board of Governors

[signed]

Jessie Dusangh
Chair, Audit Committee

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

(in thousands of dollars)

| | <u>Note</u> | <u>Budget</u> (Note 27) | <u>2021</u> | <u>2020</u> |
|---|-------------|----------------------------|---------------------|---------------------|
| Revenues | | | | |
| Government grants and contracts | 19 | \$ 1,247,731 | \$ 1,338,977 | \$ 1,236,653 |
| Tuition and student fees | | 804,581 | 921,683 | 891,104 |
| Sales and services | | 265,498 | 246,070 | 419,563 |
| Non-government grants, contracts and donations | | 167,465 | 148,026 | 192,694 |
| Investment income | | 100,769 | 129,157 | 94,766 |
| Income from government business enterprises | 8 | 4,051 | 22,541 | (4,804) |
| Amortization of deferred capital contributions | 14 | 93,369 | 88,573 | 86,019 |
| Gain on sale of government business enterprise | 8(c) | - | 27,467 | - |
| | | <u>2,683,464</u> | <u>2,922,494</u> | <u>2,915,995</u> |
| Expenses | 24 | | | |
| Learning | | 1,432,000 | 1,493,100 | 1,427,404 |
| Research | | 506,000 | 539,818 | 537,028 |
| Facilities | | 422,000 | 326,670 | 322,138 |
| Students | | 365,000 | 297,174 | 371,005 |
| Community engagement | | 79,000 | 75,409 | 73,479 |
| Administration | | 105,000 | 108,607 | 95,289 |
| | | <u>2,909,000</u> | <u>2,840,778</u> | <u>2,826,343</u> |
| Annual (deficit) surplus from operations | | (225,536) | 81,716 | 89,652 |
| Restricted endowment donations | | <u>25,000</u> | <u>35,034</u> | <u>30,993</u> |
| Annual (deficit) surplus | | (200,536) | 116,750 | 120,645 |
| Accumulated surplus, beginning of year | | 2,186,137 | 2,186,137 | 2,065,492 |
| Accumulated surplus, end of year | | <u>\$ 1,985,601</u> | <u>\$ 2,302,887</u> | <u>\$ 2,186,137</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 27) | 2021 | 2020 |
|---|------------------------------|------------------------------|------------------------------|
| Annual (deficit) surplus | \$ (200,536) | \$ 116,750 | \$ 120,645 |
| Exclude items not affecting net debt: | | | |
| Endowment donations and transfers received | (25,000) | (28,780) | (39,859) |
| | <u>(225,536)</u> | <u>87,970</u> | <u>80,786</u> |
| Acquisition of tangible capital assets, net of dispositions | (401,000) | (374,366) | (397,527) |
| Amortization of tangible capital assets | 234,000 | 230,870 | 218,623 |
| | <u>(167,000)</u> | <u>(143,496)</u> | <u>(178,904)</u> |
| Acquisition of inventories held for use | - | (6,067) | (6,088) |
| Acquisition of prepaid expenses | - | (24,030) | (21,805) |
| Consumption of inventories held for use | - | 4,679 | 5,905 |
| Use of prepaid expenses | - | 21,943 | 24,676 |
| | <u>-</u> | <u>(3,475)</u> | <u>2,688</u> |
| | (392,536) | (59,001) | (95,430) |
| Net remeasurement gains (losses) | 9,000 | 143,157 | (15,704) |
| | <u>9,000</u> | <u>143,157</u> | <u>(15,704)</u> |
| Increase in net debt | (383,536) | 84,156 | (111,134) |
| Net debt, beginning of year | (2,520,542) | (2,520,542) | (2,409,408) |
| Net debt, end of year | \$ <u>(2,904,078)</u> | \$ <u>(2,436,386)</u> | \$ <u>(2,520,542)</u> |

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

(in thousands of dollars)

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Cash provided by operating activities | | |
| Annual surplus | \$ 116,750 | \$ 120,645 |
| Items not affecting cash: | | |
| Amortization of tangible capital assets | 230,870 | 218,623 |
| Amortization of deferred capital contributions | (88,573) | (86,019) |
| Amortization of deferred land lease revenue | (10,776) | (10,405) |
| (Income) loss from government business enterprises | (22,541) | 4,804 |
| Gain on sale of investments | (32,605) | (613) |
| Gain on sale of government business enterprise | (3,152) | - |
| Other | 855 | 2,732 |
| | <u>190,828</u> | <u>249,767</u> |
| Change in non-cash operating working capital: | | |
| Accounts receivable | (27,435) | (6,119) |
| Promissory notes receivable | 77,502 | (49,830) |
| Inventories and prepaid expenses | (1,789) | 2,159 |
| Accounts payable and accrued liabilities | 23,555 | 38,225 |
| Deferred revenue | (13,211) | 13,145 |
| Deferred contributions | 149,840 | 28,460 |
| | <u>399,290</u> | <u>275,807</u> |
| Cash used in capital activities | | |
| Acquisition of tangible capital assets | (380,239) | (403,380) |
| Proceeds from disposition of tangible capital assets | 6,670 | - |
| Deferred capital contributions received | 95,227 | 120,113 |
| | <u>(278,342)</u> | <u>(283,267)</u> |
| Cash provided by (used in) investing activities | | |
| Purchase of portfolio investments | (608,789) | (41,553) |
| Proceeds from sale of portfolio investments | 419,614 | 60,000 |
| Distributions received from government business enterprises | 90,925 | 75,000 |
| Investment in government business enterprises | - | (5,345) |
| Receipt of restricted endowment funds | (28,780) | (39,859) |
| | <u>(127,030)</u> | <u>48,243</u> |
| Cash provided by financing activities | | |
| Proceeds from issuance of long-term debt | 18,731 | - |
| Payment of long-term debt and sinking fund | (2,565) | (2,587) |
| Payments received from infrastructure development charges | 7,554 | 12,061 |
| Issuance of housing loans | (11,760) | (6,177) |
| Payment of housing and other loans | 4,103 | 3,445 |
| | <u>16,063</u> | <u>6,742</u> |
| Increase in cash and cash equivalents | 9,981 | 47,525 |
| Cash and cash equivalents, beginning of year | 197,121 | 149,596 |
| Cash and cash equivalents, end of year | <u>\$ 207,102</u> | <u>\$ 197,121</u> |
| Supplemental cash flow information | | |
| Cash paid for interest | <u>\$ 20,546</u> | <u>\$ 20,363</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>2021</u> | <u>2020</u> |
|---|--------------------------|-------------------------|
| Accumulated remeasurement gains, beginning of year | \$ <u>36,552</u> | \$ <u>52,256</u> |
| (Gains) losses reclassified to the Consolidated Statement of Operations from: | | |
| Equity investments quoted in active market | (18,880) | (3,273) |
| Other investments designated at fair value | (13,724) | 2,660 |
| Unrealized gains (losses) from: | | |
| Equity investments quoted in active market | 152,346 | (18,499) |
| Other investments designated at fair value | <u>23,415</u> | <u>3,408</u> |
| Net remeasurement gains (losses) for the year | 143,157 | (15,704) |
| Accumulated remeasurement gains, end of year | \$ <u><u>179,709</u></u> | \$ <u><u>36,552</u></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, referred to as the Financial Reporting Framework ("FRF").

The *Budget Transparency and Accountability Act* requires that the consolidated financial statements be prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") except as modified by regulation 198/2011. This regulation requires that restricted contributions for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be accounted for as deferred capital contributions as described in note 2(d)(ii).

Revenue recognized in the Consolidated Statement of Operations and Accumulated Surplus and certain related deferred capital contributions are recorded differently under FRF than under PSAS. Note 26 summarizes the impact of FRF versus PSAS on the consolidated financial statements.

(b) Basis of Consolidation

(i) Consolidated Entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by UBC and its proportional interest in government partnerships. Government business enterprises are accounted for by the modified equity method.

The following organizations are 100% controlled by the University and are consolidated in these financial statements. Inter-organizational transactions, balances, and activities have been eliminated on consolidation.

- UBC Investment Management Trust Inc. manages the investment assets of the University, including the endowment funds, staff pension plan, working capital and other investment portfolios.
- UBC Foundation, a not-for-profit foundation that develops public awareness and encourages financial support of the University.
- American Foundation for UBC, an American charitable foundation that encourages financial support of the University.

2 **Significant Accounting Policies (continued)**

(b) Basis of Consolidation (continued)

(i) Consolidated Entities (continued)

- 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 Asia Pacific Regional Office Limited, a Hong-Kong based association that promotes and advances the academic and research interests of the University and its partners in the Asia Pacific region.
- entrepreneurship@UBC Management Inc. manages UBC's investments in start-up ventures.

(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 as earned. 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") (100% interest)
- Great Northern Way Campus Trust ("GNWCT") (25% interest)
- Paragon Testing Enterprises Inc. ("Paragon") (79% interest)

(iii) Investment in Government Partnerships

Government partnerships are accounted for under the proportionate consolidation method. The University accounts for its interest in the partnership on a line by line basis in the consolidated financial statements and eliminates any inter-organizational transactions and balances. Accounting policies of the partnerships are conformed to those of UBC before it is proportionately consolidated.

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

- Tri-Universities Meson Facility ("TRIUMF")

The University has a 7.14% interest in TRIUMF which operates a facility supporting 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% interest in WCUMSS, operating as Bamfield Marine Sciences Centre which provides a base for marine research in Bamfield, B.C.

2 **Significant Accounting Policies (continued)**

(b) Basis of Consolidation (continued)

(iii) Investment in Government Partnerships (continued)

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

The University has a 33.33% interest in CVI which is the commercialization partner of the Centre for Drug Research and Development (CDRD) and provides financial, managerial and development support for start-up ventures.

(c) 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.

(d) Revenue Recognition

(i) Unrestricted Revenue

Government grants that are not restricted to their use and unrestricted contributions and donations are recognized as revenue when received or receivable. Other unrestricted receipts, 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. Amounts received in advance of services provided or products delivered are recorded as deferred revenue.

(ii) Restricted Revenue

Externally restricted grants or donations are recorded as deferred contributions and are recognized as revenue when the restrictions imposed by the contributors on the use of the monies are satisfied as follows:

- 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.
- Restricted 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.
- Restricted contributions spent on acquiring or developing a depreciable tangible capital asset or received in the form of a depreciable tangible capital asset, are recorded to deferred capital contributions and recognized in revenue at the same rate that the amortization of the tangible capital asset is recorded.
- Restricted contributions where the tangible capital asset has an unlimited life, is recorded in revenue and an increase to tangible capital assets.
- Restricted endowment contributions to be retained in perpetuity are recorded as restricted endowment donations in the Consolidated Statement of Operations and Accumulated Surplus and are recognized in the period in which they are received or receivable.

2 **Significant Accounting Policies (continued)**

(d) Revenue Recognition (continued)

(iii) Investment Income

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

The investment income earned on restricted endowments is deferred and recognized when the related expenditure is made or stipulations are met.

(iv) Deferred Land Lease Revenue

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

(e) Financial Instruments

Financial instruments are classified into two categories: (i) fair value and (ii) cost.

- (i) Fair value category: Cash equivalents, portfolio investments that are quoted in an active market, derivatives, private equity investments managed on a fair value basis, 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 unrestricted financial assets carried at fair value are recognized in the Consolidated Statement of Remeasurement Gains and Losses until such time that the financial instrument is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are reclassified to 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 on the Consolidated Statement of Financial Position.

The carrying value of University's cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these financial 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:

- 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)

2 **Significant Accounting Policies (continued)**

(e) Financial Instruments (continued)

- (ii) Cost / amortized cost category: Cash is recorded at cost. Other financial instruments including account receivable, housing and other loans receivable, and accounts payables are recorded at amortized cost. Debt is measured at amortized costs adjusted for discounts, premiums and issue costs using the effective interest rate method. Gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus upon derecognition or impairment.

(f) 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.

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

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 and renovations | 5-50 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.

2 **Significant Accounting Policies (continued)**

(g) Non-financial Assets (continued)

(iii) Unrecognized Assets

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

(iv) Inventories Held for Use

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

(h) Employee Benefits

The pension plan for faculty members is a defined contributions plan and the pension plan for staff is a target benefit plan. The assets and liabilities of these plans are not recognised in the University's financial statements. The University's contributions to these plans are recorded as an expense in the period in which they are due.

The supplemental pension arrangement is a defined contribution plan. The liabilities under this arrangement are the general liabilities of the University. The University is the sole legal and beneficial owner of the assets under this arrangement. These assets and liabilities are recognized in the University's financial statements. The University's contributions to this arrangement are recorded as an expense in the period in which they are due.

Certain employee benefits that vest or accumulate are recognized as expenses and liabilities in the period in which the employee provides the services.

(i) 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) a reasonable estimate of the amount can be made.

(j) 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.

2 **Significant Accounting Policies (continued)**

(k) 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.
- (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.

(l) New accounting standards

Effective April 1, 2022 the University will be required to adopt the PS 3280 Asset Retirement Obligations. This standard establishes when to recognize and how to measure an asset retirement obligation. This standard may be applied retroactively, prospectively or following a modified retroactive approach and early adoption is permitted. The impact on adopting this standard on the University's financial results has not been determined at this time.

2 Significant Accounting Policies (continued)

(l) New accounting standards (continued)

Effective April 1, 2023 the University will be required to adopt PS3400 Revenue. This standard establishes standards on how to account for and report on revenue. Under this standard, transactions are differentiated between revenue that arises from performance obligations and those that do not. Revenues from transactions with performance obligations are recognized when they are satisfied. Revenues from transactions without performance obligations are recognized when they are received or receivable. This standard may be applied retroactively or prospectively and early adoption is permitted. The impact on adopting this standard on the University's financial results has not been determined at this time.

3 Cash and Cash Equivalents

| | March 31 2021 | March 31 2020 |
|------------------|--------------------------|--------------------------|
| Cash | \$ 64,692 | \$ 32,368 |
| Cash equivalents | 142,410 | 164,753 |
| | <u>\$ 207,102</u> | <u>\$ 197,121</u> |

4 Promissory notes receivable

The University issued unsecured promissory notes to UBC Properties Trust bearing an annual interest greater of 2.5% or prime less 1%. The notes were repaid at maturity at December 31, 2020.

5 Accounts receivable

| | March 31 2021 | March 31 2020 |
|---|--------------------------|--------------------------|
| Research receivables | \$ 68,705 | \$ 73,990 |
| Distribution receivable from UBCPIL | 70,863 | 53,924 |
| Receivables from the Province of British Columbia | 19,450 | 6,391 |
| Other receivables | 80,661 | 59,331 |
| Total accounts receivable | 239,679 | 193,636 |
| Allowance for doubtful accounts | (9,173) | (6,458) |
| Net accounts receivable | <u>\$ 230,506</u> | <u>\$ 187,178</u> |

6 Housing and other loans receivable

| | March 31 2021 | March 31 2020 |
|------------------------------------|--------------------------|--------------------------|
| Loans receivable | \$ 18,908 | \$ 19,777 |
| Housing and other loans receivable | 35,595 | 25,853 |
| | <u>\$ 54,503</u> | <u>\$ 45,630</u> |

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2021

(all tabular amounts are in thousands of dollars)

6 Housing and other loans receivable (continued)

- (a) Loans receivable are issued for building construction and improvements in accordance with loan agreements between the University and student society or student union and are paid by student fees. The loans have terms from 25 to 35 years at an interest of 5.75% per annum, repayable at any time, and are unsecured.
- (b) Housing loans are issued in accordance with University's Housing Action Plan. These loans include 20 year mortgages and term loans payable at maturities of 15 or 30 years. Interest is accrued at the Canada Revenue Agency's prescribed interest rate and these loans are secured by first or second mortgages.

7 Investments

- (a) The investments are presented in the consolidated financial statements as:

| | March 31 2021 | March 31 2020 |
|------------------------------------|--------------------------|--------------------------|
| Portfolio investments | \$ 912,464 | \$ 608,657 |
| Endowment (expendable balance) | 969,288 | 788,914 |
| Endowment (non-expendable balance) | 1,039,175 | 1,010,395 |
| | <u>\$ 2,920,927</u> | <u>\$ 2,407,966</u> |

- (b) The composition of investments recorded at fair value is as follows:

| March 31, 2021 | Total | Level 1 | Level 2 | Level 3 |
|---|---------------------|---------------------|-------------------|----------------|
| Endowment investments: | | | | |
| Cash and short-term notes | \$ 37,855 | \$ 37,855 | - | - |
| Fixed income mutual funds | 163,530 | 163,530 | - | - |
| Canadian equities | 228,846 | 128,446 | 100,400 | - |
| Canadian equities mutual funds | 108,852 | 108,852 | - | - |
| United States equities mutual funds | 138,049 | 138,049 | - | - |
| International equities mutual funds | 594,492 | 594,492 | - | - |
| Real estate | 193,866 | 18,059 | - | 175,807 |
| Private equity | 125,868 | - | - | 125,868 |
| Hedge fund | 120,579 | - | - | 120,579 |
| Infrastructure equity | 183,394 | - | - | 183,394 |
| Private debt | 74,141 | - | - | 74,141 |
| Other | 38,991 | - | 28,915 | 10,076 |
| Total endowment investments recorded at fair value | <u>2,008,463</u> | <u>1,189,283</u> | <u>129,315</u> | <u>689,865</u> |
| Portfolio investments: | | | | |
| Fixed income | 794,328 | 793,328 | - | 1,000 |
| Canadian equities | 1,235 | 1,235 | - | - |
| United States equities | 101,980 | 101,980 | - | - |
| Private equity | 14,921 | - | - | 14,921 |
| Total portfolio investments recorded at fair value | <u>912,464</u> | <u>896,543</u> | <u>-</u> | <u>15,921</u> |
| Total | <u>\$ 2,920,927</u> | <u>\$ 2,085,826</u> | <u>\$ 129,315</u> | <u>705,786</u> |



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021
(all tabular amounts are in thousands of dollars)

7 Investments (continued)

(b) The composition of investments recorded at fair value is as follows (continued):

| March 31, 2020 | Total | Level 1 | Level 2 | Level 3 |
|---|---------------------|---------------------|-------------------|----------------|
| Endowment investments: | | | | |
| Cash and short-term notes | \$ 2,487 | \$ 2,487 | \$ - | \$ - |
| Fixed income mutual funds | 169,715 | 169,715 | - | - |
| Canadian equities | 243,240 | 108,733 | 134,507 | - |
| Canadian equities mutual funds | 69,469 | 69,469 | - | - |
| United States equities mutual funds | 112,270 | 112,270 | - | - |
| International equities mutual funds | 415,030 | 415,030 | - | - |
| Real estate | 179,494 | - | - | 179,494 |
| Private equity | 138,595 | - | - | 138,595 |
| Hedge fund | 114,900 | - | - | 114,900 |
| Infrastructure equity | 196,114 | - | - | 196,114 |
| Private debt | 56,079 | - | - | 56,079 |
| Other | 101,916 | - | 30,339 | 71,577 |
| Total endowment investments recorded at fair value | 1,799,309 | 877,704 | 164,846 | 756,759 |
| Portfolio investments: | | | | |
| Fixed income | 594,583 | 593,583 | - | 1,000 |
| Canadian equities | 771 | 771 | - | - |
| Private equity | 13,303 | - | - | 13,303 |
| Total portfolio investments recorded at fair value | 608,657 | 594,354 | - | 14,303 |
| Total | \$ 2,407,966 | \$ 1,472,058 | \$ 164,846 | 771,062 |

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

| | March 31 2021 | March 31 2020 |
|----------------------------|--------------------------|--------------------------|
| Balance, beginning of year | \$ 771,062 | \$ 693,555 |
| Unrealized (losses) gains | (14,857) | 32,885 |
| Purchases | 98,930 | 73,541 |
| Dispositions | (149,349) | (28,919) |
| Balance, end of year | \$ 705,786 | \$ 771,062 |

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021
(all tabular amounts are in thousands of dollars)

7 Investments (continued)

(d) Endowment Investments

- (i) Endowments investments are recorded as financial assets (expendable) and non-financial assets (non-expendable). The non-expendable component represents the original donation that is held in perpetuity and its use is restricted by the donors. The expendable portion is the total amount of the endowment assets less the non-expendable component and represents the accumulated net investment earnings less the accumulated spend.

The University's policy sets out an objective to maintain the purchasing power of the original contributions. Accordingly, on an annual basis, an amount based on inflation is internally allocated within the expendable portion of the endowment assets. However, in the event that net investment income is insufficient to fund the spending amount, this amount is available to fund the spending amount.

| | March 31, 2021 | | | March 31, 2020 | | |
|----------------------------|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|
| | Non-expendable | Expendable | Total | Non-expendable | Expendable | Total |
| Balance, beginning of year | \$ 1,010,395 | \$ 788,914 | \$ 1,799,309 | \$ 970,536 | \$ 877,469 | \$ 1,848,005 |
| Donations received | 23,034 | - | 23,034 | 30,993 | - | 30,993 |
| Internal transfers | 5,746 | - | 5,746 | 8,866 | - | 8,866 |
| Transfers to/from cash | - | - | - | - | 15,000 | 15,000 |
| Investment income (loss) | - | 267,711 | 267,711 | - | (18,113) | (18,113) |
| Expenses | - | (87,337) | (87,337) | - | (85,442) | (85,442) |
| Balance, end of year | <u>\$ 1,039,175</u> | <u>\$ 969,288</u> | <u>\$ 2,008,463</u> | <u>\$ 1,010,395</u> | <u>\$ 788,914</u> | <u>\$ 1,799,309</u> |

(ii) Endowments Held by Vancouver Foundation

Endowments with a fair value of \$27.3 million (March 31, 2020 - \$28.7 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. During the current year, \$2.7 million (March 31, 2020 - \$nil) was transferred to the University's endowment.

Endowments with a fair value of \$26.6 million (March 31, 2020 - \$25.5 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.

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021
(all tabular amounts are in thousands of dollars)

7 Investments (continued)

(e) Derivative Instruments

The notional and fair values of the University's derivative financial instruments are as follows:

| | 2021 | | 2020 | |
|-----------------------------------|-----------------|-----------------------------------|-----------------|-----------------------------------|
| | Notional Amount | Fair Value Asset (Liabilities) | Notional Amount | Fair Value Asset (Liabilities) |
| Foreign currency forwards: | | | | |
| Portfolio investments | \$ 3,640 | \$ (50) | \$ - | \$ - |
| Endowment | 331,772 | (11) | 339,099 | (57) |
| Total | \$ 335,412 | \$ (61) | \$ 339,099 | \$ (57) |

Unrealized gains and losses on forward currency contracts held within endowment investments are included in endowment cash and short-term notes as per the fair value hierarchy table and matured on April 30, 2021. Unrealized gains and losses on forward currency contracts held within portfolio investments are included in the Consolidated Statement of Operations and Accumulated Surplus and mature on September 30, 2021 and January 18, 2022.

During the current year, the University recognized \$33.9 million (2020 - \$20.9 million loss) of net realized gains on forward currency contracts of which \$8.3 million (2020 - \$5.2 million) was recorded in investment income on the Consolidated Statement of Operations and Accumulated Surplus and \$25.6 million (2020 - \$15.7 million) was recorded to deferred contributions on the Consolidated Statement of Financial Position.

8 Investments in Government Business Enterprises

The University's investment in government business enterprises is as follows:

| | Note | 2021 | 2020 |
|---------------------------------|------|-----------|-----------|
| UBC Properties Investments Ltd. | 8(a) | \$ 30,253 | \$ 47,166 |
| Great Northern Way Campus Trust | 8(b) | 13,094 | 12,169 |
| Paragon Inc. | 8(c) | - | 4,945 |
| Total | | \$ 43,347 | \$ 64,280 |

The University's income (loss) from government business enterprises is as follows:

| | Note | 2021 | 2020 |
|---------------------------------|------|-----------|------------|
| UBC Properties Investments Ltd. | 8(a) | \$ 17,119 | \$ (5,431) |
| Great Northern Way Campus Trust | 8(b) | 1,095 | (182) |
| Paragon Inc. | 8(c) | 4,327 | 809 |
| Total | | \$ 22,541 | \$ (4,804) |



CONSOLIDATED FINANCIAL STATEMENTS**YEAR ENDED MARCH 31, 2021**

(all tabular amounts are in thousands of dollars)

8 Investments in Government Business Enterprises (continued)**(a) UBC Properties Investments Ltd.**

UBCPIL was created on January 20, 1999 under the Business Corporations Act of British Columbia and is a wholly-owned subsidiary of the University. UBCPIL is the sole trustee of UBC Properties Trust which develops, owns and operates a portfolio of residential, mixed use and commercial properties on behalf of the University.

The University's 100% interest in UBCPIL is classified as a government business enterprise, accounted for on the modified equity basis utilizing the annual audited financial statements of UBCPIL prepared as at March 31.

The continuity of the University's investment in UBCPIL is as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|------------------|------------------|
| Investment, beginning of the year | \$ 47,166 | \$ 111,318 |
| Net income | 77,051 | 10,826 |
| Distributions declared | (93,964) | (74,978) |
| Investment, end of year | <u>\$ 30,253</u> | <u>\$ 47,166</u> |

Condensed financial information of UBCPIL is as follows:

Consolidated Statement of Financial Position

| | <u>March 31 2021</u> | <u>March 31 2020</u> |
|--------------------------|--------------------------|--------------------------|
| Financial assets | \$ 83,338 | \$ 105,967 |
| Liabilities | 628,756 | 594,653 |
| Net assets (liabilities) | (545,418) | (488,686) |
| Non-financial assets | 575,671 | 535,852 |
| Accumulated surplus | <u>\$ 30,253</u> | <u>\$ 47,166</u> |

Consolidated Statement of Operations

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|------------------|-------------------|
| Revenue | \$ 131,708 | \$ 68,991 |
| Expenses | 54,657 | 58,165 |
| Surplus for the year | 77,051 | 10,826 |
| Adjustment to defer land sales | (59,932) | (16,257) |
| Surplus (deficit) | <u>\$ 17,119</u> | <u>\$ (5,431)</u> |

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 15).

During the current year, the University received \$94 million in distributions from UBCPIL (2020 - \$75 million).

During the current year, UBCPIL invoiced the University \$5.4 million (2020 - \$3.8 million) for project management fees. During the current year, the University collected \$7.7 million in infrastructure development charges from UBCPIL (2020 - \$12.1 million).



CONSOLIDATED FINANCIAL STATEMENTS**YEAR ENDED MARCH 31, 2021**

(all tabular amounts are in thousands of dollars)

8 Investments in Government Business Enterprises (continued)**(b) Great Northern Way Campus Trust**

GNWCT was formed on September 15, 2002 for the equal benefit of the University, Simon Fraser University, British Columbia Institute of Technology and the Emily Carr University of Art + Design. GNWCT manages and operates real estate and property management, financial and endowment management and supports the academic programs at the Centre for Digital Media, including the Master of Digital Media graduate degree program. The University has a 25% interest in GNWCT.

The University's 25% interest in GNWCT is classified as a government business enterprise, accounted for on the modified equity basis utilizing the annual audited financial statements of GNWCT prepared as at December 31. As the fiscal periods of GNWCT and the University differ, any significant financial transactions that occur during the intervening period are recorded in these consolidated financial statements based on the fiscal year of the University.

The continuity of the University's investment in GNWCT is as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|------------------|------------------|
| Investment, beginning of the year | \$ 12,169 | \$ 12,351 |
| Share of net income (loss) | 1,095 | (182) |
| Distributions declared | (170) | - |
| Investment, end of year | <u>\$ 13,094</u> | <u>\$ 12,169</u> |

Condensed financial information of GNWCT is as follows:

Consolidated Statement of Financial Position

| | <u>March 31 2021</u> | <u>March 31 2020</u> |
|--|--------------------------|--------------------------|
| Financial assets | \$ 44,781 | \$ 40,092 |
| Liabilities | 9,636 | 9,778 |
| Net assets | 35,145 | 30,314 |
| Non-financial assets | 17,233 | 18,364 |
| Accumulated surplus | 52,378 | 48,678 |
| UBC's proportionate share of accumulated surplus (25%) | <u>\$ 13,094</u> | <u>\$ 12,169</u> |

Consolidated Statement of Operations

| | <u>2021</u> | <u>2020</u> |
|--|-----------------|-----------------|
| Revenue | \$ 9,007 | \$ 8,402 |
| Expenses | 4,627 | 9,129 |
| Net income (loss) | 4,380 | (727) |
| UBC's proportionate share of net income (loss) (25%) | <u>\$ 1,095</u> | <u>\$ (182)</u> |

During the current year, the University received \$0.2 million in distributions from GNWCT (2020 - \$nil).



8 Investments in Government Business Enterprises (continued)

(c) Paragon Testing Enterprises Inc.

Paragon was formed on August 6, 2009 to develop, deliver, and licence English proficiency tests, as well as test preparation programs and testing software.

The University's 79.44% interest in Paragon is accounted for on the modified equity basis utilizing the annual audited financial statements of Paragon prepared as at September 30. As the fiscal year of Paragon and the University differ, any significant financial transactions that occur during the intervening period are recorded in these consolidated financial statements based on the fiscal year of the University.

On March 31, 2021 the shareholders of Paragon sold their shares for a total purchase price up to \$47.0 million which included \$35.0 million of cash consideration and up to \$12.0 million of contingent consideration based on future revenues.

For the year ended March 31, 2021 the University recognized a gain of \$27.5 million on the disposition of its 79.44% interest in Paragon. \$24.3 million of the gain derived from the cash consideration adjusted for transaction costs, unearned revenue and working capital amounts. \$3.2 million of the non-cash gain resulted from derecognition of the residual carrying value of the investment.

The calculation of the contingent consideration is based on the revenues earned by Paragon for the twelve-month period ending September 20, 2021. The Share Purchase Agreement sets out a minimum and maximum revenue range against which this earned revenue is compared. Once the earned revenue meets the minimum amount, the contingent consideration will be calculated on a proportionate basis up to the maximum amount. The amount of the contingent consideration can range from \$nil to \$12.0 million of which the University would recognize 79.44%.

For the year ended March 31, 2021 the University did not recognize any of the contingent consideration.

The University's investment in Paragon is recorded as follows:

| | March 31, 2021 | March 31, 2020 |
|--------------------------------------|---------------------------|---------------------------|
| Investment, beginning of the year | \$ 4,945 | \$ 4,136 |
| Share of net income | 4,327 | 850 |
| Dividends received | (12,424) | - |
| Loss on 0.79% decrease in investment | - | (41) |
| Gain on sale of Paragon | 3,152 | - |
| Investment, end of year | <u>\$ -</u> | <u>\$ 4,945</u> |

Condensed financial information of Paragon is as follows:

| Consolidated Statement of Financial Position | March 31, 2021 | March 31, 2020 |
|---|---------------------------|---------------------------|
| Assets | \$ 3,512 | \$ 10,591 |
| Liabilities | 5,471 | 2,336 |
| Net assets | (1,959) | 8,225 |
| Non-controlling interest | 2,009 | 2,030 |
| Accumulated surplus | (3,968) | 6,225 |
| UBC's proportionate share of accumulated surplus before sale (79.44%) | (3,152) | 4,945 |
| Gain on sale | 3,152 | - |
| UBC's proportionate share of accumulated surplus (79.44%) | <u>\$ -</u> | <u>\$ 4,945</u> |

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

(all tabular amounts are in thousands of dollars)

8 Investments in Government Business Enterprises (continued)

(c) Paragon Testing Enterprises Inc. (continued)

Consolidated Statement of Operations

| | <u>2021</u> | <u>2020</u> |
|---|-----------------|---------------|
| Revenue | \$ 29,055 | \$ 22,274 |
| Expenses | <u>23,608</u> | <u>21,204</u> |
| Net income | 5,447 | 1,070 |
| UBC's proportionate share of net income (79.44%) | <u>4,327</u> | <u>850</u> |
| Loss on 0.79% decrease in investment | - | (41) |
| UBC's adjusted proportionate share of net income (79.44%) | <u>\$ 4,327</u> | <u>\$ 809</u> |

9 Investments in Government Partnerships

The financial results of TRIUMF, WCUMSS, and CDRD Ventures Inc. are proportionately consolidated with those of the University based upon University's share of total contributions.

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

Consolidated Statement of Financial Position

| | <u>March 31 2021</u> | <u>March 31 2020</u> |
|----------------------|--------------------------|--------------------------|
| Financial Assets | \$ 11,951 | \$ 13,013 |
| Liabilities | <u>7,555</u> | <u>8,884</u> |
| Net assets | 4,396 | 4,129 |
| Non-financial assets | <u>3,381</u> | <u>3,320</u> |
| Accumulated surplus | <u>\$ 7,777</u> | <u>\$ 7,449</u> |

Consolidated Statement of Operations

| | <u>March 31 2021</u> | <u>March 31 2020</u> |
|----------------------|--------------------------|--------------------------|
| Revenue | \$ 7,985 | \$ 9,346 |
| Expenses | <u>8,497</u> | <u>8,686</u> |
| Surplus for the year | <u>\$ (512)</u> | <u>\$ 660</u> |

10 Accounts Payable and Accrued Liabilities

| | <u>March 31 2021</u> | <u>March 31 2020</u> |
|--|--------------------------|--------------------------|
| Accounts payable and accrued liabilities | \$ 193,009 | \$ 199,732 |
| Salaries and benefits payable | 59,098 | 49,643 |
| Accrued vacation pay | 53,702 | 36,516 |
| Amounts payable to UBCPIL | <u>32,013</u> | <u>28,376</u> |
| | <u>\$ 337,822</u> | <u>\$ 314,267</u> |



11 Deferred Revenue

| | March 31 2021 | March 31 2020 |
|------------------------|--------------------------|--------------------------|
| Tuition and fees | \$ 69,965 | \$ 54,116 |
| Student housing | 17,960 | 30,213 |
| Infrastructure funding | 15,911 | 15,606 |
| Other | 28,477 | 45,589 |
| | <u>\$ 132,313</u> | <u>\$ 145,524</u> |

12 Employee Future Benefits

(a) Description of the Pension Plans

The University has two pension plans and a supplemental arrangement providing pension and other benefits to its employees.

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 10.0% of salary (2020 – 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% (2020 - 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 (2020 - 9.40%). 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 employees whose aggregate annual pension contributions exceed the contribution limit allowed under the Income Tax Act for registered plans. The University contributes the excess amounts to each member's supplemental account. These supplemental accounts under this arrangement are the general liability of the University. The University invests these funds and remains the sole legal and beneficial owner of the assets.

The Supplemental Arrangement is a money purchase plan and the amount in the member's supplemental account will be adjusted for investment experience. No payments are made out of the Supplemental Arrangement account before the earliest of the member's termination, retirement or death.

12 Employee Future Benefits (continued)

(b) Contributions to Pension Plans

University contributions made to each of the pension plans were:

| | March 31 2021 | March 31 2020 |
|--------------------------|--------------------------|--------------------------|
| Faculty Pension Plan | \$ 47,950 | \$ 45,208 |
| Staff Pension Plan | 62,766 | 53,543 |
| Supplemental Arrangement | 5,652 | 4,938 |
| | \$ 116,368 | \$ 103,689 |

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

(i) 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.

(ii) Sick Leave Benefits

The University's 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.

(iii) The accrued benefit obligations of these benefits are as follows:

| | Sick Leave | IRP and DBP | March 31 2021 | March 31 2020 |
|------------------------------------|-----------------------|------------------------|--------------------------|--------------------------|
| Balance, beginning of year | \$ 3,092 | 6,726 | \$ 9,818 | \$ 9,865 |
| Current service and interest cost | 1,165 | 1,128 | 2,293 | 2,235 |
| Benefits paid | (1,222) | (1,054) | (2,276) | (2,282) |
| Actuarial loss | | 4,813 | 4,813 | - |
| Balance, end of year | \$ 3,035 | 11,613 | \$ 14,648 | \$ 9,818 |
| Components of net benefit expense: | | | 2021 | 2020 |
| Service cost | | | \$ 1,929 | \$ 1,871 |
| Interest cost | | | 364 | 364 |
| Net benefit expense | | | \$ 2,293 | \$ 2,235 |

12 Employee Future Benefits (continued)

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

(iv) The actuarial assumptions are as follows:

| | <u>Sick Leave</u> | | <u>IRP and DBP</u> | |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>March 31 2021</u> | <u>March 31 2020</u> | <u>March 31 2021</u> | <u>March 31 2020</u> |
| Discount rate | 3.30% | 3.30% | 2.60% | 3.50% |
| Expected wage and salary increases | 2.50% | 2.50% | 2.00% | 2.00% |

13 Deferred Contributions

Deferred contributions represent unspent externally restricted grants, donations, contributions and endowment investment income. The deferred contributions for endowments represent the accumulated investment income less the accumulated expenditure on restricted endowments including an amount for the preservation of the capital purchasing power.

| | <u>March 31 2021</u> | <u>March 31 2020</u> |
|----------------------|--------------------------|--------------------------|
| Research | \$ 488,507 | \$ 377,251 |
| Capital | 5,506 | 11,690 |
| Trust | 176,714 | 151,451 |
| Endowment | 710,366 | 575,188 |
| Balance, end of year | <u>\$ 1,381,093</u> | <u>\$ 1,115,580</u> |

Changes in deferred contributions are as follows:

| | <u>March 31, 2021</u> | | | | |
|---|-----------------------|-----------------|-------------------|-------------------|---------------------|
| | <u>Research</u> | <u>Capital</u> | <u>Trust</u> | <u>Endowment</u> | <u>Total</u> |
| Balance, beginning of year | \$ 377,251 | \$ 11,690 | \$ 151,451 | \$ 575,188 | \$ 1,115,580 |
| Grants, contributions, donations and endowment income | 605,498 | 47,480 | 292,204 | 195,992 | 1,141,174 |
| Transferred to deferred capital contributions (Note 14) | (46,473) | (48,754) | - | - | (95,227) |
| Recognized to revenue | (447,769) | (4,910) | (266,941) | (60,814) | (780,434) |
| Balance, end of year | <u>\$ 488,507</u> | <u>\$ 5,506</u> | <u>\$ 176,714</u> | <u>\$ 710,366</u> | <u>\$ 1,381,093</u> |

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021
(all tabular amounts are in thousands of dollars)

13 Deferred Contributions (continued)

| | March 31, 2020 | | | | |
|---|-----------------------|------------------|-------------------|-------------------|---------------------|
| | Research | Capital | Trust | Endowment | Total |
| Balance, beginning of year | \$ 368,005 | \$ 17,802 | \$ 145,275 | \$ 639,715 | \$ 1,170,797 |
| Grants, contributions, donations and endowment income | 508,547 | 58,849 | 225,870 | 4,448 | 797,714 |
| Transferred to deferred capital contributions (Note 14) | (52,475) | (67,638) | - | - | (120,113) |
| Recognized to revenue | (446,826) | 2,677 | (219,694) | (68,975) | (732,818) |
| Balance, end of year | <u>\$ 377,251</u> | <u>\$ 11,690</u> | <u>\$ 151,451</u> | <u>\$ 575,188</u> | <u>\$ 1,115,580</u> |

14 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 2021 | March 31 2020 |
|---|--------------------------|--------------------------|
| Balance, beginning of year | \$ 1,588,326 | \$ 1,555,969 |
| Grants, contributions and donations spent (Note 13) | 95,227 | 120,113 |
| Current year amortization | (88,573) | (86,019) |
| Disposals | - | (1,737) |
| Balance, end of year | <u>\$ 1,594,980</u> | <u>\$ 1,588,326</u> |

15 Deferred Land Lease Revenue

Deferred land lease revenue represents the unamortized amount of the revenue from the 99-year land leases:

| | March 31 2021 | March 31 2020 |
|----------------------------|--------------------------|--------------------------|
| Balance, beginning of year | \$ 977,369 | \$ 957,180 |
| Additions | 68,963 | 30,594 |
| Current year amortization | (10,777) | (10,405) |
| Balance, end of year | <u>\$ 1,035,555</u> | <u>\$ 977,369</u> |



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021
(all tabular amounts are in thousands of dollars)

16 Debt

Debt is measured at amortized cost as follows:

| | Maturity Date | Interest Rate | March 31 2021 | March 31 2020 |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Debentures, Series A, unsecured | 2031 | 6.65% | \$ 126,873 | \$ 126,815 |
| Debentures, Series B, unsecured | 2035 | 4.82% | 125,590 | 125,566 |
| Mortgages | 2022-2023 | 7.25%-7.88% | 1,049 | 1,612 |
| Debentures, Province of BC, unsecured | 2037 | 4.70% | 126,632 | 126,630 |
| Debentures, Province of BC, unsecured | 2050 | 2.95% | 18,698 | - |
| Demand loan | Demand | 2.45% | 259 | 196 |
| | | | <u>399,101</u> | <u>380,819</u> |
| Less sinking fund investments | | | <u>(37,046)</u> | <u>(35,323)</u> |
| Total | | | <u>\$ 362,055</u> | <u>\$ 345,496</u> |

During the current year, the University entered into a debenture agreement with the Province of BC for \$15.3 million and premiums of \$3.3 million, which is amortized until maturity based upon the effective interest method.

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

| | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Debentures, Series A | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 125,000 |
| Debentures, Series B | - | - | - | - | - | 125,000 |
| Mortgages | 595 | 434 | - | - | - | - |
| Debentures Province of BC | - | - | - | - | - | 140,282 |
| Demand loan | 259 | - | - | - | - | - |
| Total | \$ 854 | \$ 434 | \$ - | \$ - | \$ - | \$ 390,282 |

Interest expense for the year on outstanding debt was \$20.8 million (2020 - \$20.6 million), which was recorded in the Consolidated Statement of Operations and Accumulated Surplus.

In addition to principal repayments, sinking fund payments were 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, 2021 was \$37.0 million (March 31, 2020 - \$35.3 million) and was invested in government and corporate bonds. The University will make sinking fund payments over the next five years and thereafter as follows:

| | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Sinking fund investments | \$ 2,006 | \$ 2,006 | \$ 2,006 | \$ 2,006 | \$ 2,006 | \$ 24,070 |

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, 2021 and 2020, there were no amounts outstanding on the line of credit.

The University has a letter of credit facility of \$26.3 million available as of March 31, 2021 (March 31, 2020 - \$27.6 million). This letter of credit is provided as security to BC Hydro for electrical transmission upgrade work completed in November 2020. The University does not expect any draws on the letter of credit as BC Hydro is expected to recover its costs via increased electrical billings.



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

(all tabular amounts are in thousands of dollars)

17 Tangible Capital Assets

| Cost | Balance at March 31 2020 | Additions and Transfers | Change in Assets Under Construction | Disposals | Balance at March 31 2021 |
|------------------------------------|---|--|--|-------------------|---|
| Land | \$ 21,508 | \$ 2,459 | \$ - | \$ 5,873 | \$ 18,094 |
| Site improvements | 276,209 | 11,885 | | 561 | 287,533 |
| Buildings and renovations | 4,280,201 | 70,727 | 27,122 | 36,510 | 4,341,540 |
| Furnishings, equipment and systems | 684,109 | 94,546 | (5,932) | 79,466 | 693,257 |
| Library books | 149,080 | 15,922 | - | 12,604 | 152,398 |
| Assets under construction | 88,016 | 184,700 | (21,190) | - | 251,526 |
| Total | \$ 5,499,123 | \$ 380,239 | \$ - | \$ 135,014 | \$ 5,744,348 |

| Accumulated Amortization | Balance at March 31 2020 | Amortization | Disposals | Balance at March 31 2021 |
|-------------------------------------|---|---------------------|-------------------|---|
| Site improvements | \$ 54,429 | \$ 6,973 | \$ 561 | \$ 60,841 |
| Buildings and renovations | 1,380,121 | 117,034 | 36,510 | 1,460,645 |
| Furnishings, equipment and systems | 285,789 | 91,783 | 79,466 | 298,106 |
| Library books | 70,480 | 15,080 | 12,604 | 72,956 |
| Total | \$ 1,790,819 | \$ 230,870 | \$ 129,141 | \$ 1,892,548 |



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

(all tabular amounts are in thousands of dollars)

17 Tangible Capital Assets (continued)

| Cost | Balance at March 31 2019 | Additions | Change in Assets Under Construction | Disposals | Balance at March 31 2020 |
|------------------------------------|---|-------------------|--|-------------------|---|
| Land | \$ 21,456 | \$ 52 | \$ - | \$ - | \$ 21,508 |
| Site improvements | 255,126 | 24,610 | | 3,527 | 276,209 |
| Buildings and renovations | 4,118,306 | 137,015 | 102,746 | 77,866 | 4,280,201 |
| Furnishings, equipment and systems | 625,891 | 158,941 | - | 100,723 | 684,109 |
| Library books | 145,996 | 15,730 | - | 12,646 | 149,080 |
| Assets under construction | 124,532 | 66,230 | (102,746) | - | 88,016 |
| Total | \$ 5,291,307 | \$ 402,578 | \$ - | \$ 194,762 | \$ 5,499,123 |

| Accumulated Amortization | Balance at March 31 2019 | Amortization | Disposals | Balance at March 31 2020 |
|-------------------------------------|---|---------------------|-------------------|---|
| Site improvements | \$ 50,546 | \$ 6,495 | \$ 2,612 | \$ 54,429 |
| Buildings and renovations | 1,342,906 | 110,945 | 73,730 | 1,380,121 |
| Furnishings, equipment and systems | 300,081 | 86,431 | 100,723 | 285,789 |
| Library books | 68,374 | 14,752 | 12,646 | 70,480 |
| Total | \$ 1,761,907 | \$ 218,623 | \$ 189,711 | \$ 1,790,819 |

| Net Book Value | March 31 2021 | March 31 2020 |
|------------------------------------|--------------------------|--------------------------|
| Land | \$ 18,094 | \$ 21,508 |
| Site improvements | 226,692 | 221,780 |
| Buildings and renovations | 2,880,895 | 2,900,080 |
| Furnishings, equipment and systems | 395,151 | 398,320 |
| Library books | 79,442 | 78,600 |
| Assets under construction | 251,526 | 88,016 |
| Total | \$ 3,851,800 | \$ 3,708,304 |

18 Financial Risk Management

The University has a Fiscal Strategy that provides the framework of financial management that ensures the University is operating in a financially sustainable manner and that its financial affairs are conducted in a sound and prudent manner. In addition, the University has a Statement of Investment Policies and Procedures (SIPP) for each of the funds including: liquidity fund, working capital fund and the endowment fund. The Board of Governors reviews and monitors UBC's financial performance against these frameworks and policies.

The University has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk (which is further broken down in Note 18 (c)).

(a) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk primarily arises from the University's cash and cash equivalents, accounts receivable and portfolio and endowment investments.

Credit risk associated with cash and cash equivalents is minimized by ensuring that the assets are invested with high credit quality financial institutions.

Accounts receivable primarily consist of receivables from the Province of British Columbia and the federal government of Canada and respective government agencies, student accounts receivables, and distribution receivable from UBCPIL. The remaining receivables from other sources is limited.

The University manages its exposure to credit risk from student receivables by limiting further enrollment in courses and withholding transcripts until payment is made. Additionally, the University actively manages the collection of receivables from students.

The University manages its credit risk on its portfolio and endowment investments with provisions in its investment policies which set out parameters and monitoring of the credit quality of the securities in which it invests.

(b) 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 maintains a level of highly liquid funds in order to meet its financial commitments. These include cash, assets that can readily be converted into cash, and access to a revolving line of credit. In addition, the University has a \$100 million liquidity fund to meet its short to medium term operating requirements. The University maintains a short-term liquidity target of 45 days of operating expense or greater, and an intermediate liquidity target of 90 days of operating expenses or greater.

The University prepares an annual operating budget to ensure the University does not allocate any funding beyond what it is expected to earn. The operating budget, which includes capital expenditures, is monitored and updated as required. Significant capital projects must be approved by the Board prior to commencement.

18 Financial Risk Management (continued)

(c) Market risk

Market risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or factors affecting financial instruments traded in the market. The significant market risks to which the University is exposed to are interest rate risk, foreign exchange risk and price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The University is exposed to interest rate risk on its fixed income investments held in its portfolio and endowment investments. The University invests in a diversified portfolio of fixed income securities to provide stability of capital within a suitable risk reward framework.

The University is not at risk for changes in its cash flow due to changes in interest rates on its long-term debt as these borrowings are at fixed rates of interest.

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. The University is exposed to foreign exchange risk on investments that are dominated in foreign currencies.

The functional currency of the University is the Canadian dollar. The University conducts some transactions in foreign currencies, particularly the U.S. dollar. The University maintains a U.S. dollar denominated bank account to minimize foreign exchange risk on these transactions.

The University's endowment fund invests in foreign denominated financial instruments. It has a currency hedging program in place to mitigate its exposure to foreign exchange risk. The counterparty to any derivative transaction must have a high-quality credit rating.

(iii) Price risk

Price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices. The University is exposed to market price risk on its portfolio investments.

The University follows principles of asset mix, portfolio diversification and investment selection to mitigate its exposure to market price risk. Equities are diversified by stock, capitalization and industry, and by region and country in the case of foreign equities. Private equities are diversified by company, capitalization, industry and global region.

Fixed income assets are invested in governments or corporations with high credit ratings, while mortgage investments are restricted to pooled mortgage funds consisting of geographically diversified mortgages for different types of properties.

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021
(all tabular amounts are in thousands of dollars)

19 Government Grants and Contracts

| | March 31 2021 | March 31 2020 |
|--|--------------------------|--------------------------|
| Province of British Columbia | | |
| Core academic funding | \$ 750,166 | \$ 700,064 |
| Postgraduate medical education program | 154,180 | 143,607 |
| Other funding | 47,482 | 58,052 |
| Total Province of British Columbia | 951,828 | 901,723 |
| Government of Canada | 367,154 | 312,009 |
| Other governments | 19,995 | 22,921 |
| | <u>\$ 1,338,977</u> | <u>\$ 1,236,653</u> |

During the year, the University received restricted and unrestricted funding from the Province of British Columbia in the amount of \$994.9 million (2020 - \$936.9 million). \$951.8 million has been recognized as revenue from funding received in the current year and prior years (2020 - \$901.7 million). Unspent funding represents restricted contributions and is deferred in the Consolidated Statement of Financial Position.

20 Contractual Rights

The University has entered into multi-year research funding agreements whereby it has the opportunity to earn revenue of \$13.0 million to March 31, 2030. The timing of revenue is dependent on the University incurring eligible expenditures as defined within the funding agreements.

21 Contractual Obligations

The University has entered into multi-year contracts for property leases, delivery of services and purchase of private equity investments. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Amounts related to the unperformed portion of the contracts are shown in tables below.

a) Commitments related to property leases and delivery of services:

| | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter |
|------------------------|-------------------|------------------|------------------|-----------------|-----------------|-------------------|
| Construction contracts | \$ 111,216 | \$ 18,817 | \$ 9,953 | \$ 3,649 | \$ 162 | \$ - |
| Property leases | 6,217 | 5,093 | 3,872 | 2,965 | 2,719 | 39,939 |
| Student awards | 5,505 | - | - | - | - | - |
| Subscription agreement | 2,869 | - | - | - | - | - |
| Total | <u>\$ 125,807</u> | <u>\$ 23,910</u> | <u>\$ 13,825</u> | <u>\$ 6,614</u> | <u>\$ 2,881</u> | <u>\$ 39,939</u> |

Construction contracts include \$32.7 million in construction commitments of UBCPIL.

b) Commitments related to the purchase of private equity investments:

| | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Private equity investments | \$ 111,877 | \$ 43,275 | \$ 15,426 | \$ 10,923 | \$ - | \$ - |



22 Contingent Liabilities

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 litigation.

The University is 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.

23 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.

During the year, the University recorded expenses in the Statement of Operations of \$196.7 million (2020 - \$191.3 million) mostly related to medical education programs and research activities with health authorities and other post-secondary institutions.

The University has entered into the following operating leases and licensing agreements with entities under common control and non-business government partnerships in which the University charges nominal rates. Due to the nature and exchange of benefits between the University and the related party, the fair values of these lease and licensing transactions are currently not determinable. All properties are located at either the Vancouver or Okanagan campus. The related party is responsible for its operational and other applicable costs as defined in the agreements.

| | Type | Term | Expiry |
|---|------------------------|-------------|---------------|
| Vancouver Coastal Health Authority | Building lease | Monthly | - |
| Vancouver Coastal Health Authority | Building lease | 25 years | 2038 |
| TRIUMF | Land lease | 99 years | 2107 |
| South Coast British Columbia Transportation Authority | Land lease and license | 40 years | 2055 |
| BC Transit | License | 15 years | 2032 |

Transactions and balances between the University and UBCPIL have been recorded separately in Notes 5, 8 and 10. Grants received from the Province of British Columbia are discussed in Note 19.

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

(all tabular amounts are in thousands of dollars)

24 Expenses by Object

The following is a summary of expenses by object:

| | March 31 2021 | March 31 2020 |
|---|--------------------------|--------------------------|
| Salaries | \$ 1,550,102 | \$ 1,464,740 |
| Employee benefits | 272,744 | 254,080 |
| Supplies and sundries | 249,431 | 298,205 |
| Amortization of tangible capital assets | 230,870 | 218,623 |
| Scholarships, fellowships and bursaries | 163,793 | 153,060 |
| Grants and reimbursements to other agencies | 155,004 | 144,068 |
| Professional and consulting fees | 143,092 | 133,885 |
| Utilities | 31,916 | 36,096 |
| Interest on long-term debt | 20,843 | 20,596 |
| Cost of goods sold | 17,485 | 41,467 |
| Travel and field trips | 5,498 | 61,523 |
| | <u>\$ 2,840,778</u> | <u>\$ 2,826,343</u> |

25 Grants and Reimbursements to Other Agencies

During the year, the University distributed research and other funds to agencies totalling \$155.0 million (2020 - \$144.1 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.

26 Difference between FRF and PSAS

| | March 31, 2021 | | |
|--|-----------------------|-------------|-------------------|
| | <u>FRF</u> | <u>PSAS</u> | <u>Difference</u> |
| Liabilities | | | |
| Deferred capital contributions | \$ 1,594,980 | \$ - | \$ 1,594,980 |
| Accumulated surplus | 2,482,596 | 4,077,576 | (1,594,980) |
| Revenues | | | |
| Government grants and contracts | 1,338,977 | 1,424,541 | (85,564) |
| Non-government grants, contracts | 148,026 | 157,689 | (9,663) |
| Amortization of deferred capital contributions | 88,573 | - | 88,573 |
| Annual surplus | \$ 116,750 | \$ 123,404 | \$ (6,654) |

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021
(all tabular amounts are in thousands of dollars)

26 Difference between FRF and PSAS (continued)

| | March 31, 2020 | | |
|--|-----------------------|-------------|-------------------|
| | <u>FRF</u> | <u>PSAS</u> | <u>Difference</u> |
| Liabilities | | | |
| Deferred capital contributions | \$ 1,588,326 | \$ - | \$ 1,588,326 |
| Accumulated surplus | 2,222,689 | 3,811,015 | (1,588,326) |
| Revenues | | | |
| Government grants and contracts | 1,236,653 | 1,349,527 | (112,874) |
| Sales and services | 419,563 | 417,826 | 1,737 |
| Non-government grants, contracts | 192,694 | 199,933 | (7,239) |
| Amortization of deferred capital contributions | 86,019 | - | 86,019 |
| Annual surplus | \$ 120,645 | \$ 153,002 | \$ (32,357) |

27 Budget figures

The budget was approved by the Board of Governors on July 27, 2020. These figures have been provided for comparative purposes.

28 Impact of COVID-19

The current fiscal year was unprecedented and challenging for the global economy. While the University faced increased cost pressures and decreased revenues due to COVID-19, there was not a significant impact from a financial perspective due to strong student enrolments and an increase in investment revenues. Revenues from ancillary operations declined due to a shift from in-person to online teaching and the cancellation of summer programs. The decline in revenues was offset by a reduction in discretionary spending and hiring delays. The University is committed to investing in its students, furthering the academic mandate, and promoting a more inclusive, diverse, and vibrant community. The University continues to follow the public health orders and is working closely with the public health for a safe return to campus.

For the next fiscal year, the University plans for \$3.1 billion in total spending and projecting a balanced financial position. While there continues to be uncertainty related to the financial impact of COVID-19, the University has sufficient reserves and liquidity to manage financial uncertainty.

29 Comparative Information

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





THE UNIVERSITY OF BRITISH COLUMBIA