



CONSOLIDATED FINANCIAL STATEMENTS

For year ended March 31, 2020

Vancouver, B.C. Canada



THE UNIVERSITY OF BRITISH COLUMBIA

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

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, 2020, 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, 2020.

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. No members of the Audit Committee are officers or employees of the University. The Audit Committee meets with management, the external auditors and the internal auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Audit Committee, with and without the presence of management.

The consolidated financial statements for the year ended March 31, 2020 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.



Santa Ono
President and Vice-Chancellor



Peter Smailes
Vice-President Finance & Operations

June 16, 2020





INDEPENDENT AUDITOR'S REPORT

*To the Board of Governors of the University of British Columbia, and
To the Minister of Advanced Education, Skills and 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, 2020, 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, 2020, and the results of its operations, change in its 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 contributions (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 group 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. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the group's records indicate that the effects of this

departure on the current year consolidated financial statements is an overstatement of the liability for deferred capital contributions of \$1,588 million, an understatement of opening accumulated surplus of \$1,556 million and a current year understatement of revenue of \$32 million.

Accordingly, the current year surplus is understated by \$32 million and net debt is overstated by \$1,588 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.

Other Matters

Without modifying my opinion, I advise the reader that I was not engaged to audit the comparative financial statements of the University of British Columbia as at March 31, 2019, for their fair presentation in accordance with Canadian Public Sector Accounting Standards. The financial statements of the University of British Columbia as at March 31, 2019 were audited by a professional accounting firm who previously reported on their compliance with Section 23.1 of the *Budget Transparency and Accountability Act* including Treasury Board Regulation 198/2011 prescribing the accounting policy for contributions. However, because that audit reported against a different framework than that of the current year, I must advise you that the comparative information in the financial statements and related disclosures were not audited in accordance with Canadian Public Sector Accounting Standards, but rather in compliance with Section 23.1 of the *Budget Transparency and Accountability Act*.

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.



Stuart Newton, CPA, CA
Assistant Auditor General

Victoria, British Columbia, Canada
June 24, 2020



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

(in thousands of dollars)

	Note	2020	2019
			Restated (Note 28)
Financial Assets			
Cash and cash equivalents	3	\$ 197,121	\$ 149,596
Promissory notes receivable	4	77,502	27,672
Accounts receivable	5	187,178	180,094
Housing and other loans receivable	6	45,630	42,898
Inventories for resale		6,556	6,170
Operating investments	7	608,657	638,985
Endowment investments (expendable balance)	7	788,914	877,469
Investments in government business enterprises	8	64,280	123,669
Supplemental pension assets	12(a)	97,346	101,707
		<u>2,073,184</u>	<u>2,148,260</u>
Liabilities			
Accounts payable and accrued liabilities	10	314,267	279,485
Deferred revenue	11	145,524	132,379
Employee future benefits	12(c)	9,818	9,865
Supplemental pension liabilities	12(a)	97,346	101,707
Deferred contributions	13	1,115,580	1,170,797
Deferred capital contributions	14	1,588,326	1,555,969
Deferred land lease revenue	15	977,369	957,180
Debt	16	345,496	350,286
		<u>4,593,726</u>	<u>4,557,668</u>
Net debt		(2,520,542)	(2,409,408)
Non-Financial Assets			
Tangible capital assets	17	3,708,304	3,529,400
Investments			
Endowment (original contribution)	7	1,010,395	970,536
Inventories held for use		2,302	2,119
Prepaid expenses		22,230	25,101
		<u>4,743,231</u>	<u>4,527,156</u>
Accumulated surplus		\$ <u>2,222,689</u>	\$ <u>2,117,748</u>
Accumulated surplus is comprised of:			
Accumulated surplus		\$ 2,186,137	\$ 2,065,492
Accumulated remeasurement gains		36,552	52,256
		<u>\$ 2,222,689</u>	<u>\$ 2,117,748</u>

Contractual obligations 21

Approved on behalf of the Board of Governors:



Michael Korenberg
Chair, Board of Governors



Azim Lalani
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 29)	<u>2020</u>	<u>2019</u> Restated (Note 28)
Revenues				
Government grants and contracts	19	\$ 1,132,988	\$ 1,236,653	\$ 1,147,750
Tuition and student fees		878,081	891,104	814,904
Sales and services		413,015	419,563	403,977
Non-government grants, contracts and donations		174,264	192,694	175,720
Investment income		84,791	94,766	96,925
Income from government business enterprises	8	13,684	(4,804)	3,623
Revenue recognized from deferred capital contributions	14	90,797	86,019	84,833
		<u>2,787,620</u>	<u>2,915,995</u>	<u>2,727,732</u>
Expenses	24			
Learning		1,349,692	1,427,404	1,301,008
Research		495,989	537,028	505,074
Facilities		392,515	322,138	289,221
Students		361,422	371,005	343,730
Community engagement		70,861	73,479	66,254
Administration		87,115	95,289	90,479
		<u>2,757,594</u>	<u>2,826,343</u>	<u>2,595,766</u>
Annual surplus from operations		30,026	89,652	131,966
External endowment donations		<u>25,000</u>	<u>30,993</u>	<u>22,742</u>
Annual surplus		55,026	120,645	154,708
Accumulated surplus, beginning of year		2,149,598	2,065,492	1,910,784
Accumulated surplus, end of year		<u>\$ 2,204,624</u>	<u>\$ 2,186,137</u>	<u>\$ 2,065,492</u>

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31

(in thousands of dollars)

	<u>Budget</u> (Note 29)	<u>2020</u>	<u>2019</u> Restated (Note 28)
Annual surplus	\$ 55,026	\$ 120,645	\$ 154,708
Exclude items not affecting net debt:			
Endowment donations and transfers	(25,000)	(39,859)	(28,081)
	<u>30,026</u>	<u>80,786</u>	<u>126,627</u>
Acquisition of tangible capital assets, net of dispositions	(524,945)	(397,527)	(362,438)
Amortization of tangible capital assets	224,229	218,623	208,772
	<u>(300,716)</u>	<u>(178,904)</u>	<u>(153,666)</u>
Acquisition of inventories held for use	-	(6,088)	(5,255)
Acquisition of prepaid expense	-	(21,805)	(24,701)
Consumption of inventories held for use	-	5,905	5,151
Use of prepaid expense	-	24,676	21,830
	<u>-</u>	<u>2,688</u>	<u>(2,975)</u>
	(270,690)	(95,430)	(30,014)
Net remeasurement gains (losses)	<u>7,033</u>	<u>(15,704)</u>	<u>12,360</u>
Increase in net debt	(263,657)	(111,134)	(17,654)
Net debt, beginning of year	(2,362,541)	(2,409,408)	(2,391,754)
Net debt, end of year	<u>\$ (2,626,198)</u>	<u>\$ (2,520,542)</u>	<u>\$ (2,409,408)</u>

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
		Restated (Note 28)
Cash provided by operating activities		
Annual surplus	\$ 120,645	\$ 154,708
Items not affecting cash:		
Amortization of tangible capital assets	218,623	208,772
Amortization of deferred capital contributions	(86,019)	(84,833)
Amortization of deferred land lease revenue	(10,405)	(8,598)
Change in employee future benefits	(47)	878
Loss (income) from government business enterprises	4,804	(3,203)
Loss (gain) on disposal of tangible capital assets	3,314	(1,500)
Non-cash adjustment for infrastructure development	-	13,639
	<u>250,915</u>	<u>279,863</u>
Change in non-cash operating working capital:		
Increase in accounts receivable, loans and promissory notes receivable	(58,681)	(77,023)
Increase in inventories	(569)	(201)
Decrease (increase) in prepaid expenses	2,728	(2,871)
Increase in accounts payable and accrued liabilities	38,225	9,881
Increase in deferred revenue	13,145	9,718
Increase in deferred contributions	28,460	39,248
	<u>274,223</u>	<u>258,615</u>
Cash used in capital activities		
Acquisition of tangible capital assets	(403,380)	(360,938)
Contributions received for tangible capital assets	120,113	130,064
	<u>(283,267)</u>	<u>(230,874)</u>
Cash provided by (used in) investing activities		
Distributions received from government business enterprises	75,000	88,200
Investment in government business enterprises	(5,345)	-
Decrease (increase) in operating investments	32,299	(105,934)
Increase in endowment investments	(54,859)	(108,081)
	<u>47,095</u>	<u>(125,815)</u>
Cash provided by financing activities		
Payment of long-term debt and sinking fund	(2,587)	(2,801)
Payments received for infrastructure development	12,061	19,300
	<u>9,474</u>	<u>16,499</u>
Increase (decrease) in cash and cash equivalents	47,525	(81,575)
Cash and cash equivalents, beginning of year	149,596	231,171
Cash and cash equivalents, end of year	<u>\$ 197,121</u>	<u>\$ 149,596</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 20,363</u>	<u>\$ 20,418</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>2020</u>	<u>2019</u> Restated (Note 28)
Accumulated remeasurement gains, beginning of year	\$ <u>52,256</u>	\$ <u>39,896</u>
Remeasurement (gains) losses realized and reclassified to statement of operations from:		
Equity investments quoted in active market	(3,273)	(9,393)
Other investments designated at fair value	2,660	(677)
Unrealized gains (losses) generated during the year from:		
Equity investments quoted in active market	(18,499)	9,716
Other investments designated at fair value	3,408	12,778
Other comprehensive income (losses) from government business enterprise	<u>-</u>	<u>(64)</u>
Net remeasurement gains (losses) for the year	(15,704)	12,360
Accumulated remeasurement gains, end of year	\$ <u><u>36,552</u></u>	\$ <u><u>52,256</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 received or receivable 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

- 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

- 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 contributions to be retained in perpetuity, or endowments, are recorded as external endowment donations in the Consolidated Statement of Operations and Accumulated Surplus and are recognized in the period in which they are received.

2 **Significant Accounting Policies (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 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: 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 recognized in the Consolidated Statement of Operations and Accumulated Surplus and related balances reversed from the Consolidated Statement of Remeasurement Gains and Losses. Unrealized gains and losses on financial assets related to restricted endowments are included in deferred contributions on the Consolidated Statement of Financial Position.

The carrying value of University's cash and 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)
- (ii) Cost category: Cash and cash equivalents are recorded at cost. Accounts receivable are recorded at cost less amount for valuation allowance. Debt and other financial liabilities are recorded at amortized cost. Gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are included in the cost of the related investments.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(all tabular amounts are in thousands of dollars)

2 Significant Accounting Policies (continued)

(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.

(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.



2 **Significant Accounting Policies (continued)**

(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.

(k) Debt Issue Costs

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

2 **Significant Accounting Policies (continued)**

(l) 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.

(m) New accounting standards

Effective April 1, 2021 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 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.

2 Significant Accounting Policies (continued)

(m) New accounting standards (continued)

Effective April 1, 2022 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 2020	March 31 2019
Cash	\$ 32,368	\$ 34,535
Cash equivalents	164,753	115,061
	<u>\$ 197,121</u>	<u>\$ 149,596</u>

4 Promissory notes receivable

The University issued unsecured promissory notes with UBC Properties Trust bearing an annual interest greater of 2.5% or prime less 1% and maturing on June 30 and December 31, 2020. The notes are payable on demand.

5 Accounts receivable

	March 31 2020	March 31 2019
Research receivables	\$ 73,990	\$ 69,396
Distribution receivable from UBCPIL	53,924	52,047
Other receivables	65,722	63,863
Total accounts receivable	193,636	185,306
Allowance for doubtful accounts	(6,458)	(5,212)
Net accounts receivable	<u>\$ 187,178</u>	<u>\$ 180,094</u>

6 Housing and other loans receivable

	March 31 2020	March 31 2019
Loans receivable	\$ 19,777	\$ 21,733
Housing and other loans receivable	25,853	21,165
	<u>\$ 45,630</u>	<u>\$ 42,898</u>

- (a) Loans receivable are issued for building construction and improvements 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.

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6 Housing and other loans receivable (continued)

- (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 2020	March 31 2019
Operating investments	\$ 608,657	\$ 638,985
Endowment (expendable balance)	788,914	877,469
Endowment (original contribution)	1,010,395	970,536
	<u>\$ 2,407,966</u>	<u>\$ 2,486,990</u>

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

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	<u>1,799,309</u>	<u>877,704</u>	<u>164,846</u>	<u>756,759</u>
Operating investments:				
Fixed income				
Corporate	1,000	-	-	1,000
Mutual funds	593,583	593,583	-	-
Canadian equities	771	771	-	-
Private equity	13,303	-	-	13,303
Total operating investments recorded at fair value	<u>608,657</u>	<u>594,354</u>	<u>-</u>	<u>14,303</u>
Total	<u>\$ 2,407,966</u>	<u>\$ 1,472,058</u>	<u>\$ 164,846</u>	<u>771,062</u>



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7 Investments (continued)

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

March 31, 2019	Total	Level 1	Level 2	Level 3
Endowment investments:				
Cash and short-term notes	\$ 24,786	\$ 24,786	\$ -	\$ -
Fixed income mutual funds	129,851	129,851	-	-
Canadian equities	293,226	158,246	134,980	-
Canadian equities mutual funds	84,489	84,489	-	-
United States equities mutual funds	131,139	131,139	-	-
International equities mutual funds	476,145	476,145	-	-
Real estate	158,780	-	-	158,780
Private equity	110,364	-	-	110,364
Hedge fund	106,565	-	-	106,565
Infrastructure equity	200,498	-	-	200,498
Private debt	25,817	-	-	25,817
Other	106,345	-	28,373	77,972
Total endowment investments recorded at fair value	1,848,005	1,004,656	163,353	679,996
Operating investments:				
Fixed income				
Corporate	1,000	-	-	1,000
Mutual funds	623,837	623,837	-	-
Canadian equities	1,566	1,566	-	-
United States equities	23	23	-	-
Private equity	12,559	-	-	12,559
Total operating investments recorded at fair value	638,985	625,426	-	13,559
Total	\$ 2,486,990	\$ 1,630,082	\$ 163,353	\$ 693,555

Derivative instruments

Unrealized gains and losses on forward currency contracts are included in cash and short term notes above. As at March 31, 2020, the University recorded an unrealized loss of \$0.1 million (March 31, 2019 - \$0.1 million gain) on forward currency contracts with notional values of \$339.1 million (March 31, 2019 - \$269.9 million), which matured on April 30, 2020.

During the current year, the University recognized \$20.9 million (2019 - \$4.4 million) of net realized losses on forward currency contracts of which \$5.2 million (2019 - \$1.1 million) was recorded in investment income on the Consolidated Statement of Operations and Accumulated Surplus and \$15.7 million (2019 - \$3.3 million) was recorded to deferred contributions on the Consolidated Statement of Financial Position.



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7 Investments (continued)

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

	March 31 2020	March 31 2019
Balance, beginning of year	\$ 693,555	\$ 503,835
Unrealized gains	32,885	30,777
Purchases	73,541	189,624
Dispositions	(28,919)	(30,681)
Balance, end of year	<u>\$ 771,062</u>	<u>\$ 693,555</u>

- (d) Endowment Investments

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

	March 31, 2020			March 31, 2019		
	<u>Principal</u>	<u>Expendable</u>	<u>Total</u>	<u>Principal</u>	<u>Expendable</u>	<u>Total</u>
Balance, beginning of year	\$ 970,536	\$ 877,469	\$ 1,848,005	\$ 942,455	\$ 779,374	\$ 1,721,829
Donations	30,993	-	30,993	22,742	-	22,742
Internal transfers	8,866	-	8,866	5,339	-	5,339
Transfers to/from cash	-	15,000	15,000	-	80,000	80,000
Investment income (loss)	-	(18,113)	(18,113)	-	94,380	94,380
Expenses	-	(85,442)	(85,442)	-	(76,285)	(76,285)
Balance, end of year	<u>\$ 1,010,395</u>	<u>\$ 788,914</u>	<u>\$ 1,799,309</u>	<u>\$ 970,536</u>	<u>\$ 877,469</u>	<u>\$ 1,848,005</u>

- (ii) Endowments Held by Vancouver Foundation

Endowments with a fair value of \$28.7 million (March 31, 2019 - \$26.8 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.

Endowments with a fair value of \$25.5 million (March 31, 2019 - \$23.8 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, 2020**

(all tabular amounts are in thousands of dollars)

8 Investments in Government Business Enterprises

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

	Note	2020	2019
UBC Properties Investments Ltd.	8(a)	\$ 47,166	\$ 111,318
Great Northern Way Campus Trust	8(b)	12,169	12,351
Paragon Inc.	8(c)	4,945	-
Total		<u>\$ 64,280</u>	<u>\$ 123,669</u>

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

	Note	2020	2019
UBC Properties Investments Ltd.	8(a)	\$ (5,431)	\$ 571
Great Northern Way Campus Trust	8(b)	(182)	3,052
Paragon Inc.	8(c)	809	-
Total		<u>\$ (4,804)</u>	<u>\$ 3,623</u>

(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:

	2020	2019
Investment, beginning of the year	\$ 111,318	\$ 125,089
Net income	10,826	79,716
Distributions from UBCPIL	(74,978)	(93,487)
Investment, end of year	<u>\$ 47,166</u>	<u>\$ 111,318</u>

During the prior year, UBCPIL adopted IFRS 15 *Revenue from Contracts with Customers*, which resulted in a \$95.3 million adjustment to its opening retained earnings. This adjustment is reflected in the opening 2019 investment in government business enterprises balance in University's consolidated financial statements.



8 Investments in Government Business Enterprises (continued)

(a) UBC Properties Investments Ltd. (continued)

Condensed financial information of UBCPIL is as follows:

Consolidated Statement of Financial Position	March 31 2020	March 31 2019
Financial assets	\$ 105,967	\$ 145,028
Liabilities	594,653	480,724
Net assets (liabilities)	(488,686)	(335,696)
Non-financial assets	535,852	447,014
Accumulated surplus	\$ 47,166	\$ 111,318

Consolidated Statement of Operations	2020	2019
Revenue	\$ 37,853	\$ 97,972
Expenses	27,027	18,256
Surplus for the year	10,826	79,716
Adjustment to defer land sales	(16,257)	(79,145)
Surplus (deficit)	\$ (5,431)	\$ 571

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 \$75.0 million in distributions from UBCPIL (2019 - \$93.5 million declared, \$81.8 million received).

During the current year, UBCPIL invoiced the University \$3.8 million (2019 - \$2.8 million) for project management fees. During the current year, the University collected \$12.1 million in infrastructure development charges from UBCPIL (2019 - \$19.3 million).

(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.

Other comprehensive income from GNWCT is included in the Consolidated Statement of Remeasurement Gains and Losses.

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8 Investments in Government Business Enterprises (continued)

(b) Great Northern Way Campus Trust (continued)

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

	<u>2020</u>	<u>2019</u>
Investment, beginning of the year	\$ 12,351	\$ 9,363
Share of net income (loss)	(182)	3,052
Share of other comprehensive loss	-	(64)
Investment, end of year	<u>\$ 12,169</u>	<u>\$ 12,351</u>

Condensed financial information of GNWCT is as follows:

Consolidated Statement of Financial Position

	<u>March 31 2020</u>	<u>March 31 2019</u>
Financial assets	\$ 40,092	\$ 41,045
Liabilities	9,778	10,987
Net assets	30,314	30,058
Non-financial assets	18,364	19,348
Accumulated surplus	48,678	49,406
UBC's proportionate share of accumulated surplus (25%)	<u>\$ 12,169</u>	<u>\$ 12,351</u>

Consolidated Statement of Operations

	<u>2020</u>	<u>2019</u>
Revenue	\$ 8,402	\$ 26,114
Expenses	9,129	13,905
Net income (loss)	(727)	12,209
UBC's proportionate share of net income (loss) (25%)	<u>\$ (182)</u>	<u>\$ 3,052</u>

During the current year, the University did not receive any distributions from GNWCT (2019 - \$nil declared, \$6.4 million received related to prior year distribution).

(c) Paragon Testing Enterprises Inc.

The University has a 79.44% (2018 – 80.24%) interest in Paragon which was formed on August 6, 2009 to develop, deliver, and licence English proficiency tests, as well as test preparation programs and testing software.

Prior to year ended March 31, 2020, Paragon was consolidated into the University's financial results on a proportionate basis. During the year ended March 31, 2020 it was determined that Paragon met the criteria of a government business enterprise and effective April 1, 2019 it is accounted for on the modified equity basis of accounting. This change in status was treated prospectively in the University's consolidated financial statements.

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 periods 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.



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(all tabular amounts are in thousands of dollars)

8 Investments in Government Business Enterprises (continued)

(c) Paragon Testing Enterprises Inc.

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

	March 31, 2020
UBC's share of net assets as at April 1, 2019	\$ 4,136
Share of net income	850
Loss on 0.79% decrease in investment	(41)
Investment, end of year	<u>\$ 4,945</u>

Condensed financial information of Paragon is as follows:

Consolidated Statement of Financial Position

	March 31, 2020
Assets	\$ 10,591
Liabilities	<u>2,336</u>
Net assets	8,255
Non-controlling interest	<u>2,030</u>
Accumulated surplus	6,225
UBC's proportionate share of accumulate surplus (79.44%)	<u>\$ 4,945</u>

Consolidated Statement of Operations

	2020
Revenue	\$ 22,274
Expenses	<u>21,204</u>
Net income	1,070
UBC's proportionate share of net income (79.44%)	850
Loss on 0.79% decrease in investment	<u>(41)</u>
UBC's adjusted proportionate share of net income (79.44%)	<u>\$ 809</u>



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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

	March 31 2020	March 31 2019
Financial Assets	\$ 13,013	\$ 12,551
Liabilities	8,884	9,187
Net assets	4,129	3,364
Non-financial assets	3,320	3,431
Accumulated surplus	<u>\$ 7,449</u>	<u>\$ 6,795</u>

Consolidated Statement of Operations

	March 31 2020	March 31 2019
Revenue	\$ 9,346	\$ 8,753
Expenses	8,686	7,847
Surplus for the year	<u>\$ 660</u>	<u>\$ 906</u>

10 Accounts Payable and Accrued Liabilities

	March 31 2020	March 31 2019
		Restated (Note 28)
Accounts payable and accrued liabilities	\$ 199,732	\$ 181,617
Salaries and benefits payable	49,643	42,844
Accrued vacation pay	36,516	32,087
Amounts payable to UBCPIL	28,376	22,937
	<u>\$ 314,267</u>	<u>\$ 279,485</u>

11 Deferred Revenue

	March 31 2020	March 31 2019
Tuition and fees	\$ 50,236	\$ 51,541
Student housing	24,601	19,210
Infrastructure funding	15,606	14,767
Other	55,081	46,861
	<u>\$ 145,524</u>	<u>\$ 132,379</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 10.00% of salary (2019 – 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% (2019 - 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 (2019 - 9.40%), less a fixed offsetting amount relating to Canada Pension Plan contributory earnings. In the event of funding deficiencies, the University's contributions remain fixed and benefits for members may be reduced. Accordingly, the University accounts for this as a defined contribution plan and expenses contributions to this plan in the year of the related contributions. Benefits security for employees is improved by the plan maintaining a contingency reserve. The contingency reserve ceiling recommended by the plan's actuary and approved by the pension board and Canada Revenue Agency is 40% of liabilities.

Supplemental Arrangement

The Supplemental Arrangement has been established for 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.

(b) Contributions to Pension Plans

University contributions made to each of the pension plans were:

	March 31 2020	March 31 2019
Faculty Pension Plan	\$ 45,208	\$ 43,256
Staff Pension Plan	53,543	48,675
Supplemental Arrangement	4,938	4,796
	<u>\$ 103,689</u>	<u>\$ 96,727</u>

12 Employee Future Benefits (continued)

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

(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.

The accrued benefit obligation is as follows:

	Sick Leave	IRP and DBP	March 31 2020	March 31 2019
Balance, beginning of year	\$ 3,143	\$ 6,722	\$ 9,865	\$ 8,987
Current service and interest cost	1,141	1,094	2,235	1,968
Benefits paid	(1,192)	(1,090)	(2,282)	(2,208)
Actuarial loss	-	-	-	1,118
Balance, end of year	<u>\$ 3,092</u>	<u>\$ 6,726</u>	<u>\$ 9,818</u>	<u>\$ 9,865</u>
Components of net benefit expense:			2020	2019
Service cost			\$ 1,871	\$ 1,674
Interest cost			364	294
Net benefit expense			<u>\$ 2,235</u>	<u>\$ 1,968</u>

The actuarial assumptions are as follows:

	Sick Leave	IRP and DBP		
	March 31 2020	March 31 2019	March 31 2020	March 31 2019
Discount rate	3.30%	3.30%	3.50%	3.50%
Expected wage and salary increases	2.50%	2.50%	2.00%	2.00%
Expected future inflation rate	-	-	2.00%	2.00%

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13 Deferred Contributions

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

	March 31 2020	March 31 2019
Research	\$ 377,251	\$ 368,005
Capital	11,690	17,802
Trust	151,451	145,275
Endowment	575,188	639,715
Balance, end of year	<u>\$ 1,115,580</u>	<u>\$ 1,170,797</u>

Changes in deferred contributions are as follows:

	Research	Capital	March 31, 2020 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>

	Research	Capital	March 31, 2019 Trust	Endowment	Total
Balance, beginning of year	\$ 333,348	\$ 25,781	\$ 136,472	\$ 620,205	\$ 1,115,806
Grants, contributions, donations and endowment income	508,763	65,148	214,169	70,754	858,834
Transferred to deferred capital contributions (Note 14)	(52,941)	(77,123)	-	-	(130,064)
Recognized to revenue	(421,165)	3,996	(205,366)	(51,244)	(673,779)
Balance, end of year	<u>\$ 368,005</u>	<u>\$ 17,802</u>	<u>\$ 145,275</u>	<u>\$ 639,715</u>	<u>\$ 1,170,797</u>



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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 2020	March 31 2019
Balance, beginning of year	\$ 1,555,969	\$ 1,510,738
Grants, contributions and donations spent (Note 13)	120,113	130,064
Current year amortization	(86,019)	(84,833)
Disposals	(1,737)	-
Balance, end of year	<u>\$ 1,588,326</u>	<u>\$ 1,555,969</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 2020	March 31 2019
Balance, beginning of year	\$ 957,180	\$ 758,277
Additions	30,594	207,501
Current year amortization	(10,405)	(8,598)
Balance, end of year	<u>\$ 977,369</u>	<u>\$ 957,180</u>

16 Debt

Debt is measured at amortized cost as follows:

	Maturity Date	Interest Rate	March 31 2020	March 31 2019
Series A Debentures, Unsecured	2031	6.65%	\$ 126,815	\$ 126,761
Series B Debentures, Unsecured	2035	4.82%	125,566	125,543
Canada Mortgage and Housing Corporation	2022 to 2023	7.25% to 7.88%	1,612	2,256
Province of BC Unsecured Debentures	2037	4.70%	126,630	126,628
Royal Bank of Canada	2021	3.39%	196	212
			<u>380,819</u>	<u>381,400</u>
Less sinking fund investments			(35,323)	(31,114)
Total			<u>\$ 345,496</u>	<u>\$ 350,286</u>



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16 Debt (continued)

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

	2021	2022	2023	2024	2025	Thereafter
Series A Debentures, Unsecured	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,000
Series B Debentures, Unsecured	-	-	-	-	-	125,000
Canada Mortgage and Housing Corporation	553	595	434	-	-	-
Province of BC Unsecured Debentures	-	-	-	-	-	125,000
Royal Bank of Canada	196	-	-	-	-	-
Total	\$ 749	\$ 595	\$ 434	\$ -	\$ -	\$ 375,000

Interest expense for the year on outstanding debt is \$20.6 million (2019 - \$20.8 million), which is recorded in the Consolidated Statement of Operations and Accumulated Surplus.

In addition to principal repayments, sinking fund payments are made into government invested funds, to be applied against repayment of provincial debentures on maturity. The market value of sinking fund investments as at March 31, 2020 is \$35.3 million (March 31, 2019 - \$31.1 million) and is invested in government and corporate bonds. The University will make sinking fund payments over the next five years and thereafter as follows:

	2021	2022	2023	2024	2025	Thereafter
Sinking fund investments	\$ 2,006	\$ 2,006	\$ 2,006	\$ 2,006	\$ 2,006	\$ 26,074

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, 2020 and 2019, there were no amounts outstanding on the line of credit.

The University has a letter of credit facility of \$27.6 million available as of March 31, 2020 (March 31, 2019 - \$26.3 million). This letter of credit is provided as security to BC Hydro for electrical infrastructure upgrade work to be completed by October 2020. The University does not expect to draw on the letter of credit as BC Hydro is expected to recover its costs via increased electrical billings.



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17 Tangible Capital Assets

Cost	Balance at March 31 2019	Additions (Transfers)	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	239,761	77,866	4,280,201
Assets under construction	124,532	(36,516)	-	88,016
Furnishings, equipment and systems	625,891	158,941	100,723	684,109
Library books	145,996	15,730	12,646	149,080
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
Land	\$ -	\$ -	\$ -	\$ -
Site improvements	50,546	6,495	2,612	54,429
Buildings and renovations	1,342,906	110,945	73,730	1,380,121
Assets under construction	-	-	-	-
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



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17 Tangible Capital Assets (continued)

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

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

Net Book Value	March 31 2020	March 31 2019
Land	\$ 21,508	\$ 21,456
Site improvements	221,780	204,580
Buildings and renovations	2,900,080	2,775,400
Assets under construction	88,016	124,532
Furnishings, equipment and systems	398,320	325,810
Library books	78,600	77,622
Total	\$ 3,708,304	\$ 3,529,400



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.

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19 Government Grants and Contracts

	March 31 2020	March 31 2019
Province of British Columbia		
Core academic funding	\$ 623,864	\$ 634,979
Postgraduate medical education program	150,020	139,469
Other funding	127,839	48,510
Total Province of British Columbia	901,723	822,958
Government of Canada	312,009	304,561
Other governments	22,921	20,231
	<u>\$ 1,236,653</u>	<u>\$ 1,147,750</u>

During the year, the University received restricted and unrestricted funding from the Province of British Columbia in the amount of \$936 million (2019 - \$867 million). \$902 million has been recognized as revenue from funding received in the current year and prior years (2019 - \$823 million). Unspent funding represents restricted contributions and is recorded as deferred contributions 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 \$8.4 million to March 31, 2025. 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:

	2021	2022	2023	2024	2025	Thereafter
Construction contracts	\$ 166,737	\$ 33,454	\$ 787	\$ -	\$ -	\$ -
Property leases	7,603	5,053	4,428	3,976	2,764	42,339
Subscription agreement	5,202	5,202	-	-	-	-
Total	<u>\$ 179,542</u>	<u>\$ 43,709</u>	<u>\$ 5,215</u>	<u>\$ 3,976</u>	<u>\$ 2,764</u>	<u>\$ 42,339</u>

Construction contracts include \$25.3 million in construction commitments of UBCPIL.

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

	2021	2022	2023	2024	2025	Thereafter
Private equity investments	\$ 81,421	\$ 66,132	\$ 16,254	\$ 8,994	\$ -	\$ -



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 litigations.

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.

The University has entered into operating lease and licensing agreements with entities under common control and non-business government partnerships in which the University charges nominal rates.

Transactions and balances between the University and UBCPIL have been recorded separately in Notes 5, 8 and 10.

During the year ended March 31, 2020, there were no material transactions between the University and its key management personnel or their close family members.

24 Expenses by Object

The following is a summary of expenses by object:

	March 31 2020	March 31 2019 <small>Restated (Note 28)</small>
Salaries	\$ 1,464,740	\$ 1,350,857
Employee benefits	254,080	219,518
Supplies and sundries	298,205	253,467
Amortization	218,623	208,772
Scholarships, fellowships and bursaries	153,060	147,011
Grants and reimbursements to other agencies	144,068	127,872
Professional and consulting fees	133,885	124,606
Travel and field trips	61,523	57,807
Cost of goods sold	41,467	45,779
Utilities	36,096	39,296
Interest on long-term debt	20,596	20,781
	\$ 2,826,343	\$ 2,595,766



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25 Grants and Reimbursements to Other Agencies

During the year, the University distributed research and other funds to agencies totalling \$144.1 million (2019 - \$127.9 million). These funds were distributed under agreements with granting agencies, whereby the University is the administrative head and a portion of the research is undertaken at other agencies.

Reimbursements of \$105.9 million (2019 - \$100.0 million) were made to BC health authorities for payments made on behalf of the University for the postgraduate medical education program.

26 Difference between FRF and PSAS

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)
Revenue recognized from deferred capital contributions	86,019	-	86,019
Annual surplus	\$ 120,645	\$ 153,002	\$ (32,357)

March 31, 2019			
	<u>FRF</u>	<u>PSAS</u>	<u>Difference</u>
Liabilities			
Deferred capital contributions	\$ 1,555,969	\$ -	\$ 1,555,969
Accumulated surplus	2,117,748	3,673,717	(1,555,969)
Revenues			
Government grants and contracts	1,147,750	1,263,313	(115,563)
Sales and services	403,977	403,977	-
Non-government grants, contracts	175,720	190,221	(14,501)
Revenue recognized from deferred capital contributions	84,833	-	84,833
Annual surplus	\$ 154,708	\$ 199,939	\$ (45,231)



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27 Comparative Information

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

28 Correction of errors

During the year ended March 31, 2020, the following errors were identified:

(a) Tuition revenue:

In the year ended March 31, 2018 tuition revenue for the second winter session, which runs from January to April, had been incorrectly recorded between fiscal periods. The entirety of the second winter session tuition was included in the fiscal year ended March 31, 2018 and no revenue had been allocated to the next fiscal year. This resulted in a \$48.6 million overstatement of revenue in the year ended March 31, 2018. The accumulated surplus for the years ended March 31, 2018 and 2019 has been restated.

(b) Compensated absences and vacation entitlements:

Prior to the year ended March 31, 2020, the methodology used to calculate accruals related to compensated absences and vacation entitlements was incorrect, resulting in an understatement of these expenses by \$35.5 million. This resulted in a \$31.6 million understatement of expenses for the years ended prior to March 31, 2019 and \$3.9 million for the year ended March 31, 2019.

These corrections have been accounted for retrospectively and corrected by restating each of the affected financial statement line items for the prior year. The following tables summarize the impact of the correction on University's consolidated financial statements as at and for the years ended March 31, 2019 and 2018.

Consolidated statement of financial position

		As at March 31, 2018		
	<u>Note</u>	As reported, adjusted for reclassifications (Note 27)	<u>Adjustment</u>	<u>Restated</u>
Financial assets		\$ 1,734,787	\$ -	\$ 1,734,787
Accounts payable and accrued liabilities	28(b)	238,046	31,558	269,604
Deferred revenue	28(a)	71,911	48,657	120,568
Others		3,736,369	-	3,736,369
Total liabilities		4,046,326	80,215	4,126,541
Net Debt		(2,311,539)	(80,215)	(2,391,754)
Non-financial assets		4,342,434	-	4,342,434
Accumulated surplus		\$ 2,030,895	\$ (80,215)	\$ 1,950,680
Accumulated surplus is comprised of:				
Accumulated surplus		\$ 1,990,999	\$ (80,215)	\$ 1,910,784
Accumulated rereasurement gains		39,896	-	39,896
		\$ 2,030,895	\$ (80,215)	\$ 1,950,680



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28 Correction of errors (continued)

Consolidated statement of financial position (continued)

As at March 31, 2019

	<u>Note</u>	<u>As reported, adjusted for reclassifications (Note 27)</u>	<u>Adjustment</u>	<u>Restated</u>
Financial assets		\$ 2,148,260	\$ -	\$ 2,148,260
Accounts payable and accrued liabilities	28(b)	244,036	35,449	279,485
Deferred revenue	28(a)	83,722	48,657	132,379
Others		4,145,804	-	4,145,804
Total liabilities		4,473,562	84,106	4,557,668
Net Debt		(2,325,302)	(84,106)	(2,409,408)
Non-financial assets		4,527,156	-	4,527,156
Accumulated surplus		\$ 2,201,854	\$ (84,106)	\$ 2,117,748
Accumulated surplus is comprised of:				
Accumulated surplus		\$ 2,149,598	\$ (84,106)	\$ 2,065,492
Accumulated remeasurement gains		52,256	-	52,256
		\$ 2,201,854	\$ (84,106)	\$ 2,117,748

Consolidated statement of operations

Year ended March 31, 2019

	<u>Note</u>	<u>As reported</u>	<u>Adjustment</u>	<u>Restated</u>
Revenues		\$ 2,727,732	\$ -	\$ 2,727,732
Expenses				
Learning		1,297,538	3,470	1,301,008
Research		505,031	43	505,074
Facilities		289,200	21	289,221
Students		343,548	182	343,730
Community engagement		66,167	87	66,254
Administration		90,391	88	90,479
		2,591,875	3,891	2,595,766
Annual surplus (deficit) from operations	28(b)	135,857	(3,891)	131,966
External endowment donations		22,742	-	22,742
Annual surplus		158,599	(3,891)	154,708
Accumulated surplus, beginning of year		1,990,999	(80,215)	1,910,784
Accumulated surplus, end of year		\$ 2,149,598	\$ (84,106)	\$ 2,065,492



29 Budget figures

The budget was approved by the Board of Governors on April 18, 2019. These figures have been provided for comparative purposes.

30 Impact of COVID-19

The World Health Organization declared a global pandemic related to Coronavirus disease 2019 (COVID-19) on March 11, 2020. The COVID-19 situation has continued to evolve rapidly in Canada and across the World. This is an unprecedented scenario and the University remains first-and-foremost committed to protecting the health and safety of its students, faculty and staff. The University continues to work closely with provincial and federal authorities and Ministry of Advanced Education, Skills and Training officials to help safeguard its community and to fulfill its academic and research mandate.

For the year ended March 31, 2020, the financial impact of COVID-19 was not significant and the University has sufficient reserves and significant liquidity to handle financial uncertainty.

Even though the financial impact was not significant, the financial markets have experienced significant volatility and additional measurement uncertainty exists for the fair value estimate for the University's investments, due to the economic impacts of the COVID-19 pandemic (Note 7(c)).

COVID-19 may significantly impact the University's financial position for the fiscal year ending March 31, 2021 as the University anticipates potential decreases in key revenue sources and corresponding increases in expenditures that are directly tied to the changes in the teaching and learning modes of delivery / pedagogies, research sustainability and ramp-up, student housing, food and other ancillary services, student emergency support, and renovations / modifications / purchases to comply with health guidelines. Significant volatility in the financial markets may have an impact on the financial performance of the University's investments

The University is finalizing the COVID-19 financial impact and the fiscal 2021 financial budget. The financial budget is being developed with inputs that have high degrees of uncertainty, many of which the University has limited control over. These include enrolment projections, international travel restrictions, public health guidelines and directives, and the potential threat of a second wave of the pandemic in the absence of viable treatment or vaccine. The University will have a greater understanding of the impact of COVID-19 in the third quarter of the 2020/21 fiscal year as students commit to courses and pay student fees. There are possible scenarios where UBC could see an increase in revenue if international borders are opened and British Columbia is seen as a safe haven for international students, thus increasing demand.

The impact of COVID-19 may result in multi-year financial implications. The long-term effects of COVID-19 are being actively assessed. The financial landscape and operations of the University will need to be recast in the post COVID-19 environment to reflect changing priorities, capture new opportunities and address emerging challenges.

To manage the financial uncertainties and ensure the preservation of the long-term sustainability of the University, the University is developing contingency plans and mitigation strategies. Additional funding will be dedicated to pursuing high standards of research, teaching and learning, ensuring quality across programs, supporting the phased ramp-up of research activities, promoting the health and safety of all students, staff and faculty, and adequate contingency to support unanticipated COVID-19 related impacts.