



**VANCOUVER ISLAND
UNIVERSITY**

**VANCOUVER ISLAND UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS
And Independent Auditor's Report thereon
MARCH 31, 2023**

Statement of Administrative Responsibility for Consolidated Financial Statements

Administrative management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Finance, Audit and Facilities Committee. The members of the Finance, Audit and Facilities Committee include employees of the University. The Finance, Audit and Facilities Committee meets with management and with the external auditor to discuss the results of audit examinations and financial reporting matters.

KPMG LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Governors to audit the consolidated financial statements and report directly to them; their report follows. The external auditor has full and free access to, and meets periodically with, both the Finance, Audit and Facilities Committee and management to discuss their audit findings.

On behalf of the University:



Manley McLachlan
Board Chair



Omair Quraishi
Interim VP, Finance and Administration

May 25, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of Vancouver Island University, and
To the Minister of the Ministry of Post-Secondary Education and Future Skills

Opinion

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

- the consolidated statement of financial position as at March 31, 2023
- the consolidated statement of operations and accumulated operating surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of rereasurement gains and losses for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2023 of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

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

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

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



Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 1(a) to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements (“Note 2”), which explains that certain comparative information presented for the year ended March 31, 2022 has been restated. Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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



We also:

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

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

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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Victoria, Canada
May 25, 2023

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Financial Position

As at March 31, 2023, with comparative information for March 31, 2022

		2023	2022 (restated - note 2)
Financial assets			
Cash and cash equivalents		\$ 10,861,466	\$ 23,923,442
Accounts receivable	(note 4)	14,577,227	8,855,405
Inventories for resale		817,334	883,152
Portfolio investments	(note 5)	30,867,570	30,755,100
Loan receivable	(note 6)	701,227	653,996
		<u>57,824,824</u>	<u>65,071,095</u>
Liabilities			
Accounts payable and accrued liabilities	(note 7)	27,846,338	26,712,525
Employee future benefits	(note 8)	6,451,825	5,890,097
Deferred revenue	(note 9)	26,806,379	27,651,747
Deferred contributions	(note 10)	12,341,099	11,028,919
Deferred capital contributions	(note 11)	161,225,334	162,705,927
Asset retirement obligations	(note 12)	4,878,566	4,730,500
Obligations under capital lease	(note 13)	2,165,911	908,003
		<u>241,715,452</u>	<u>239,627,718</u>
Net debt		(183,890,628)	(174,556,623)
Non-financial assets			
Tangible capital assets	(note 14)	213,773,967	215,647,934
Restricted endowment investments	(note 5)	4,018,389	4,018,389
Prepaid expenses		1,985,803	2,114,742
		<u>219,778,159</u>	<u>221,781,065</u>
Accumulated surplus		<u>\$ 35,887,531</u>	<u>\$ 47,224,442</u>
Accumulated surplus is comprised of:			
Accumulated operating surplus	(note 15)	\$ 36,283,979	\$ 47,969,904
Accumulated remeasurement losses		(396,448)	(745,462)
		<u>\$ 35,887,531</u>	<u>\$ 47,224,442</u>

Contractual obligations (note 16)

Contingencies (note 17)

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Board Chair



Interim VP, Finance and Administration

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Operations and Accumulated Operating Surplus

For the year ended March 31, 2023, with comparative information for March 31, 2022

	Budget (note 1(l))	2023	2022 (restated - note 2)
Revenue			
Province of British Columbia grants	\$ 70,627,424	\$ 80,408,123	\$ 72,703,648
Government of Canada grants	1,521,481	2,710,018	1,418,940
Other grants and contracts	5,623,572	6,179,038	8,523,197
Tuition and student fees	67,989,581	59,580,463	58,061,277
Sales of goods and services	9,066,302	7,685,814	6,490,389
Rental income	3,103,321	3,567,606	2,723,206
Revenue recognized from deferred capital contributions (note 11)	8,000,000	8,192,414	7,586,145
Investment income	1,057,145	1,023,033	1,093,886
Gifts, grants and bequests	1,127,793	2,658,372	1,916,306
Gain (loss) on sale of tangible capital assets	(23,000)	55,326	106,775
Other	614,067	166,412	1,227,616
	<u>168,707,686</u>	<u>172,226,619</u>	<u>161,851,385</u>
Expenses (note 19)			
Instruction and student support	161,223,285	169,215,167	155,558,510
Ancillary	12,776,221	14,697,377	12,189,242
	<u>173,999,506</u>	<u>183,912,544</u>	<u>167,747,752</u>
Annual operating deficit	(5,291,820)	(11,685,925)	(5,896,367)
Accumulated operating surplus, beginning of year	47,969,904	47,969,904	58,453,202
Adjustment on adoption of the asset retirement obligations standard (note 2)	-	-	(4,586,931)
Accumulated operating surplus, beginning of year, as restated	47,969,904	47,969,904	53,866,271
Accumulated operating surplus, end of year	\$ 42,678,084	\$ 36,283,979	\$ 47,969,904

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Changes in Net Debt

For the year ended March 31, 2023, with comparative information for March 31, 2022

	Budget (note 1(l))	2023	2022 (restated - note 2)
Annual operating deficit	\$ (5,291,820)	\$ (11,685,925)	\$ (5,896,367)
Acquisition of tangible capital assets	(11,429,007)	(10,476,323)	(9,088,699)
Amortization of tangible capital assets	12,200,000	12,350,290	11,378,980
Proceeds on sale of tangible capital assets	-	55,326	106,775
Gain on sale of tangible capital assets	-	(55,326)	(106,775)
	770,993	1,873,967	2,290,281
Utilization (acquisition) of prepaid expense	-	128,939	(113,282)
Net effect of remeasurement gains (losses)	-	349,014	(1,496,656)
	-	477,953	(1,609,938)
Increase in net debt	(4,520,827)	(9,334,005)	(5,216,024)
Net debt, beginning of year	(174,556,623)	(174,556,623)	(164,753,668)
Adjustment on adoption of the asset retirement obligations standard (note 2)	-	-	(4,586,931)
Net debt, beginning of year, as restated	(174,556,623)	(174,556,623)	(169,340,599)
Net debt, end of year	\$ (179,077,450)	\$ (183,890,628)	\$ (174,556,623)

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Cash Flows

For the year ended March 31, 2023, with comparative information for March 31, 2022

	2023	2022 (restated - note 2)
Cash provided by (used in):		
Operations:		
Annual operating deficit	\$ (11,685,925)	\$ (5,896,367)
Items not involving cash:		
Amortization of tangible capital assets	12,350,290	11,378,980
Revenue recognized from deferred capital contributions	(8,192,414)	(7,586,145)
Change in employee future benefits	561,728	444,546
Gain on sale of tangible capital assets	(55,326)	(106,775)
Accretion expense	148,066	143,569
Change in non-cash operating working capital:		
Increase in accounts receivable	(5,721,822)	(3,788,880)
Decrease (increase) in inventories for resale	65,818	(108,877)
Increase (decrease) in accounts payable and accrued liabilities	1,133,813	(1,793,825)
Increase (decrease) in deferred revenue	(845,368)	3,364,899
Increase in deferred contributions	1,312,180	3,114,687
Decrease (increase) in prepaid expenses	128,939	(113,282)
	(10,800,021)	(947,470)
Capital activities:		
Cash used to acquire tangible capital assets	(8,777,576)	(8,108,532)
Proceeds on sale of tangible capital assets	55,326	106,775
	(8,722,250)	(8,001,757)
Financing activities:		
Loan receivable	(47,231)	(17,268)
Principal payments under capital lease obligations	(440,839)	(72,164)
Receipt of deferred capital contributions	6,711,821	5,723,853
	6,223,751	5,634,421
Investing activities:		
Net sale of investments	236,544	1,415,805
Net change in cash and cash equivalents	(13,061,976)	(1,899,001)
Cash and cash equivalents, beginning of year	23,923,442	25,822,443
Cash and cash equivalents, end of year	\$ 10,861,466	\$ 23,923,442

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31, 2023, with comparative information for March 31, 2022

	2023	2022
Unrealized gains (losses) attributed to:		
Long term bonds	\$ 404,099	\$ (1,377,290)
Equity investments	(55,085)	(119,366)
Net remeasurement gain (loss) for the year	349,014	(1,496,656)
Accumulated remeasurement gains (losses), beginning of year	(745,462)	751,194
Accumulated remeasurement losses, end of year	\$ (396,448)	\$ (745,462)

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

Vancouver Island University (the "University") is a post-secondary educational institution incorporated under the University Act. The University is a registered charity, governed by a Board of Governors, the majority of which are appointed by the Province of British Columbia. The University offers a broad range of program options including undergraduate and graduate degrees, career diplomas, and trades training at its Nanaimo, Cowichan, Parksville, and Powell River campuses.

1. Significant accounting policies

These consolidated financial statements are prepared in accordance with the following principles:

(a) Basis of accounting

These 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 certain regulations (257/2010 and 198/2011) issued by the Province of British Columbia Treasury Board.

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

The issued regulations require all taxpayer supported organizations in the school, university, college and hospital sectors to adopt Canadian public sector accounting standards without any PS 4200 elections, effective their first fiscal year commencing after January 1, 2012.

The regulations require that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions, recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia taxpayer supported organizations, these contributions include government transfers and externally restricted contributions.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

1. Significant accounting policies (continued)

(a) Basis of accounting (continued)

The accounting policy requirements under the regulations are significantly different from the requirements of Canadian public sector accounting standards which require that:

- (i) Government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and certain eligibility criteria have been met, and
- (ii) Externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified.

As a result, revenue recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus and certain related deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(b) Basis of consolidation

The consolidated financial statements include the accounts of the University, and its controlled entities: The International High School at Vancouver Island University Association and The High School at Vancouver Island University Association - (collectively "the High Schools"), Vancouver Island University Initiatives Corporation ("VIUIC") and Vancouver Island University Initiatives Trust ("VIUIT").

The High Schools are registered charities incorporated under the Societies Act (British Columbia). They jointly operate a private high school for local and international students. The High Schools' fiscal year-ends of June 30, 2022 have been consolidated into these financial statements. No material transactions or events have occurred between July 1, 2022 and March 31, 2023.

VIUIC is incorporated under the Business Corporations Act of the Province of British Columbia and is 100% owned by the University. Its sole purpose is to act as trustee of VIUIT. VIUIC's fiscal year-end of December 31, 2022 has been consolidated into these financial statements. No material transactions or events have occurred between January 1, 2023 and March 31, 2023.

The VIUIT was established on August 1, 2018 as a vehicle to undertake business ventures that are planned to generate income. VIUIT is a taxable business trust and must pay income taxes on any taxable income not allocated to beneficiaries. The beneficiaries of VIUIT are the University and the Vancouver Island University Foundation ("the Foundation"). Activity in VIUIT ceased in 2020 but may subsequently resume at a later date.

(c) Revenue recognition

Revenue is recognized when amounts can be reasonably estimated and when collection is reasonably assured as follows:

Operating government grants without eligibility criteria or stipulations are recognized as revenue when authorized and received or receivable. Operating government grants, containing stipulations as to their use, are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation and meets the definition of a liability.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

1. Significant accounting policies (continued)

(c) Revenue recognition (continued)

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred.

Other revenue, including student fees, interest, and sales of goods and services, are reported as revenue at the time the services or products are provided.

As discussed above, contributions restricted for the purpose of acquiring or developing a depreciable tangible capital asset are recorded as deferred capital contributions and amortized over the remaining useful life of the related tangible capital assets.

Investment income includes interest recorded on an accrual basis, dividends recorded as declared, and realized gains and losses on the sale of investments.

Endowment contributions are recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus in the period in which they are received or earned. Investment income earned on externally restricted endowment contributions is deferred until used for the specific purpose.

Gifts-in-kind are only recorded if the University would have otherwise have paid for them. Gifts-in-kind are recorded at fair market value on the date of the donation or at a nominal value when fair value cannot be reasonably determined.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonable assured. Pledges from donors are recorded when payment is received or when the transfer of property is complete.

Volunteers contribute service to assist the University in carrying out its mission. Such contributions of services are not recognized in these consolidated financial statements.

(d) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a maturity of 90 days or less at the date of purchase.

(e) Inventories for resale

Inventories held for resale, including books, food, and school supplies are recorded at the lower of cost and net realizable value using the weighted average cost method. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated selling price less any costs to sell.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

1. Significant accounting policies (continued)

(f) Employee future benefits

The University and its employees make contributions to two multi-employer joint trustee plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as defined contribution plans and any contributions made by the University to the plans are expensed as incurred.

Sick leave benefits and retirement severance benefits are also available to the University's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans are accrued based on the projected benefits method as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees except gains and losses associated with event driven benefits which are recognized immediately.

(g) Asset retirement obligations

An asset retirement obligation is recognized when, as at the financial reporting date, all the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The University's asset retirement obligation is primarily related to the removal of asbestos in buildings.

The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities and is recorded as a liability and increase to the related tangible capital assets. The amount capitalized in tangible capital assets is amortized using the amortization accounting policy outlined in (h(i)).

The carrying value of the liability is reconsidered at each financial reporting date with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the asset retirement obligations liability and tangible capital assets.

(h) 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.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

1. Significant accounting policies (continued)

(h) Non-financial assets (continued)

(i) Tangible capital assets

Tangible capital asset acquisitions are initially recorded at cost which includes amounts that are directly attributable to the acquisition, construction, development, or betterment of the asset. Interest is not capitalized when external debt is issued to finance the construction of tangible capital assets. Donated assets are recorded at fair value as of the date of donation. Amortization of capital assets is recorded on a straight-line basis over the estimated life of the asset, as shown below. Land is not amortized as it is deemed to have a permanent value:

Asset	Years
Buildings	5 - 60
Library books	10
Site improvements	5 - 20
Computing equipment and software	5 - 18
Furniture and equipment	5 - 15
Vehicles	5
Equipment under capital leases	5
Leasehold improvements	Term of Lease

Work in progress is not amortized until the asset is available for productive use. Land use rights are not recognized as assets in these consolidated financial statements. Works of art and historic treasures are not recognized as assets in these consolidated financial statements.

(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.

(i) Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas requiring the use of management estimates include the impairment of assets (provisions are made for slow moving and obsolete inventory), provision for doubtful accounts, amortization period for tangible capital assets and deferred capital contributions, and actuarial assumptions for employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in future years. As adjustments to estimates become necessary they are reported in earnings in the period in which they become known.

In addition, the University's implementation of PS 3280 *Asset Retirement Obligations* has resulted in the requirement for management to make estimates regarding the remediation costs of affected tangible capital assets.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

1. Significant accounting policies (continued)

(j) Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities denominated in a foreign currency are translated using the exchange rates at the Consolidated Statement of Financial Position date. Any gain or loss resulting from a change in rates between the transaction date and Consolidated Statement of Financial Position date is recognized in the Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, the related cumulative remeasurement gain or loss is reversed in the Consolidated Statement of Remeasurement Gains and Losses and the exchange gain or loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus.

(k) Financial instruments

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

(i) Fair value category: Cash and cash equivalents are recorded at fair value due to the short term nature of the instrument. Investments that are managed and evaluated as a group and derivative instruments are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Consolidated Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus and related balances reversed from the Consolidated Statement of Remeasurement Gains and Losses.

(ii) Cost category: Gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus when the financial asset is derecognized due to disposal or impairment.

(a) Accounts receivable are measured at amortized cost using the effective interest method.

(b) Accounts payable and accrued liabilities are measured at amortized cost. Any gains, losses or interest expense is recorded on the Consolidated Statement of Operations and Accumulated Operating Surplus depending on the nature of the financial liability that gave rise to the gain, loss, or expense.

(l) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2022-2023 Consolidated Resource Plan approved by the Board of Governors of the University on March 31, 2022. The budget is reflected in the Consolidated Statement of Operations and Accumulated Operating Surplus and the Consolidated Statement of Changes in Net Debt.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

2. Adoption of new accounting standard

On April 1, 2022, the University adopted Canadian Public Sector Accounting Standard PS 3280 *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain capital assets. The University has adopted the new accounting standard using the modified retroactive transitional provisions, which results in the restatement of the comparative balances as at and for the year ended March 31, 2022 as follows:

	As previously stated	Adjustment	As restated
Consolidated Statement of Financial Position			
Asset retirement obligations	\$ -	\$ 4,730,500	\$ 4,730,500
Accumulated operating surplus	52,700,404	(4,730,500)	47,969,904
Consolidated Statement of Operations and Accumulated Operating Surplus			
Instruction and student support	\$ 155,425,000	\$ 133,510	\$ 155,558,510
Ancillary	12,179,183	10,059	12,189,242
Annual operating deficit	(5,752,798)	(143,569)	(5,896,367)
Accumulated operating surplus, beginning of year	58,453,202	(4,586,931)	53,866,271
Consolidated Statement of Changes in Net Debt			
Annual operating deficit	\$ (5,752,798)	\$ (143,569)	\$ (5,896,367)
Net debt, beginning of year	(164,753,668)	(4,586,931)	(169,340,599)
Consolidated Statement of Cash Flows			
Annual operating deficit	\$ (5,752,798)	\$ (143,569)	\$ (5,896,367)
Accretion expense	-	143,569	143,569
Note 14. Tangible capital assets			
Cost – Buildings	\$ 278,709,758	\$ 997,483	\$ 279,707,241
Accumulated amortization – Buildings	107,349,759	997,483	108,347,242
Note 15. Accumulated operating surplus (deficit)			
Invested in tangible capital assets	\$ 54,220,397	\$ (4,730,500)	\$ 49,489,897
Note 19. Expenses by object			
Accretion expense	\$ -	\$ 143,569	\$ 143,569

3. Financial instruments

(a) Fair value of financial instruments

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

- (i) Cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

3. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

- (ii) The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 - Unadjusted quoted market prices in an active market for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Bonds and fixed term instruments and pooled funds are classified as level 2 in the fair value hierarchy.

(b) Risk management policy

The University, as part of its operations, has established objectives to mitigate risk related to financial instruments as risk management objectives.

All significant financial assets and financial liabilities of the University are either recognized or disclosed in the consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk, and credit risk.

Financial instruments are exposed to risk through the normal course of operation. These risks are managed through the University's collection procedures, investment guidelines, and other internal policies and procedures. These risks include:

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign currency rates. The University has no material exposure to changes in foreign currency rates.

(ii) Credit risk

Financial instruments that potentially subject the University to concentrations of credit risk include cash and cash equivalents, accounts receivable, and investments in other than equity investments. The maximum credit risk exposure is \$52,151,721 (2022 - \$59,642,106).

The University's credit exposure is limited due to the large customer base, regular monitoring of the receivables and providing allowances for potentially uncollectable amounts. Total financial instruments that are past-due, but not considered to be impaired, are \$1,143,009 (2022 - \$580,630).

The University believes there is minimal credit risk associated with its marketable securities and accounts receivable as the University expects that its counterparties will meet their obligations.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

3. Financial instruments (continued)

(b) Risk management policy (continued)

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the University manages exposure on its marketable securities, short term investments, and endowment and other investments which have fixed interest rates by varying the maturity dates. The University manages exposure on the interest-bearing investments by investing in a widely diversified portfolio with varying interest rates and maturity dates.

(iv) Liquidity risk

Liquidity risk is the risk that the University will encounter difficulty in meeting obligations associated with financial liabilities. The University enters into transactions to purchase goods and services, lease property, and to borrow funds from financial institutions to finance capital projects for which payments are required at various dates. Liquidity risk is measured by reviewing the University's future net cash flows for the possibility of a negative net cash flow.

(v) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The University enters into transactions to purchase investments, for which the market price fluctuates. The University manages this risk through its investment policy which prescribes the maximum amount of investments that can be made in any one investment type.

There has been no change to any of the risk exposures from the prior period.

(c) Financial asset impairment

At each year-end date, the University is required to evaluate and record any other-than-temporary impairment of its financial assets, other than those carried at fair value. Accordingly, the University has compared the carrying value of each of these financial assets to its fair value as at March 31, 2023. No provision for impairment was recorded in the current year, as the fair value of all financial assets exceeded or did not differ significantly from their carrying value.

4. Accounts receivable

	2023	2022
Trade accounts receivable	\$ 4,080,202	\$ 5,354,326
Due from Federal government	430,056	252,878
Due from Provincial government	8,834,328	1,904,350
Due from other government organizations	1,232,641	1,343,851
	\$ 14,577,227	\$ 8,855,405

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

5. Investments

	2023	2022
Cash and cash equivalents	\$ 135,986	\$ 130,271
Bonds and fixed term instruments - at fair value	24,323,023	23,640,444
Pooled funds - at fair value	10,426,950	11,002,774
	<u>\$ 34,885,959</u>	<u>\$ 34,773,489</u>
Classified as:		
Portfolio investments	\$ 30,867,570	\$ 30,755,100
Restricted endowment investments	4,018,389	4,018,389
	<u>\$ 34,885,959</u>	<u>\$ 34,773,489</u>

Fixed term investments mature between June 2023 and June 2083 (2022 - June 2023 and May 2031) and have a total maturity/face value of \$25,059,000 (2022 - \$23,990,000). Interest rates range between 1.20% and 7.34% (2022 - 1.20% and 3.67%).

6. Loan receivable

The University has entered into a capital financing loan agreement with VIUIT. The interest rate is calculated yearly, not in advance and adjusted annually on the anniversary date. For the year ending March 31, 2023, the loan bore interest at 6.95% per annum (Bank of Canada prime lending rate plus 0.25% per annum) (2022 - 2.95% (Bank of Canada prime lending rate plus 0.25% per annum)). No interim payments are required. The loan is unsecured, drawn to a maximum of \$1,000,000, and is repayable March 11, 2024. \$610,000 (2022 - \$610,000) has been drawn against this agreement.

7. Accounts payable and accrued liabilities

	2023	2022
Accounts payables and accrued liabilities	\$ 7,163,087	\$ 7,467,862
Salaries and benefits payable	11,733,167	10,227,771
Accrued vacation pay	8,950,084	9,016,892
	<u>\$ 27,846,338</u>	<u>\$ 26,712,525</u>

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

8. Employee future benefits

(a) Termination benefits, and compensated absences

Employees are entitled to receive special payments upon retirement or termination as specified by collective and administrator agreements. These payments are based upon accumulated sick credits and entitlements for each year of service.

	2023	2022
Accrued benefit obligation, beginning of year	\$ 5,916,100	\$ 6,122,600
Unamortized actuarial losses, beginning of year	(26,003)	(677,049)
	5,890,097	5,445,551
Current service cost	556,100	518,800
Interest cost	160,400	161,101
Benefits paid	(404,498)	(252,242)
Loss on event driven liabilities	210,900	-
Amortization of actuarial losses	38,826	16,887
Accrued benefit liability, end of year	\$ 6,451,825	\$ 5,890,097

Accrued benefit liability, end of year consists of:

	2023	2022
Accrued benefit obligation, end of year	\$ 5,407,600	\$ 5,916,100
Unamortized actuarial gains (losses), end of year	1,044,225	(26,003)
Accrued benefit liability, end of year	\$ 6,451,825	\$ 5,890,097

Actuarial gains and losses are amortized over 10 years (2022 - 10 years), being the expected average remaining service life of the employees. The total net expense recorded in the consolidated financial statements in respect of obligations under this plan amounts to \$966,226 (2022 - \$696,788).

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation are as follows:

	2023	2022
Discount rate for termination benefits	4.90%	2.60%
Expected future inflation rate	2.20%	2.20%

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

8. Employee future benefits (continued)

(b) Pension liability

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2022, the College Pension Plan has about 16,600 active members, and approximately 10,100 retired members. As at December 31, 2022, the Municipal Pension Plan has about 240,000 active members, including approximately 7,000 from colleges and universities.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2021, indicated a \$202 million surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The University paid \$9,200,378 (2022 - \$8,972,889) for employer contributions to the plans in fiscal 2022-23.

The next valuation for the College Pension Plan will be as at August 31, 2024, with results available in 2025. The next valuation for the Municipal Pension Plan will be December 31, 2024, with results available in 2025.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

9. Deferred revenue

Deferred revenue includes unspent funds externally restricted for non-capital purposes from all sources except Federal and Provincial government reporting entities. The main components are tuition, and grant and contract service funding as listed below.

	2023	2022
Tuition	\$ 19,772,743	\$ 18,769,556
Grant and contract service funding	6,433,460	8,227,634
Other	600,176	654,557
	<u>\$ 26,806,379</u>	<u>\$ 27,651,747</u>

10. Deferred contributions

Deferred contributions include unspent grant and contract services contributions externally restricted for non-capital purposes from Federal and Provincial government reporting entities. Changes in deferred contributions are as follows:

	2023	2022
Balance, beginning of year	\$ 11,028,919	\$ 7,914,232
Contributions received during the year	16,644,640	17,612,392
Revenue recognized from deferred contributions	(15,332,460)	(14,497,705)
Balance, end of year	<u>\$ 12,341,099</u>	<u>\$ 11,028,919</u>

11. Deferred capital contributions

Contributions restricted for the purpose of acquiring or developing depreciable tangible capital assets are recorded as deferred capital contributions. Amounts are recognized into revenue over the useful life of the related tangible capital asset. Treasury Board provided direction on accounting treatment as disclosed in note 1. Changes in the deferred capital contributions balance are as follows:

	2023	2022
Balance, beginning of year	\$ 162,705,927	\$ 164,568,219
Contributions received during the year - cash	6,711,821	5,723,853
Revenue recognized from deferred capital contributions	(8,192,414)	(7,586,145)
Balance, end of year	<u>\$ 161,225,334</u>	<u>\$ 162,705,927</u>

Deferred capital contributions as at March 31, 2023 include \$3,420,184 (2022 - \$116,502) of contributions used to purchase tangible capital assets that have yet to commence being amortized and contributions that have yet to be spent of \$2,381,174 (2022 - \$2,186,393).

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

12. Asset retirement obligations

The University owns and operates several buildings that are known to have asbestos, lead, and other hazardous materials, which represent a health hazard upon demolition of the building and there is a legal obligation to remove it. Following adoption of PS 3280 *Asset Retirement Obligations*, the University recognized an obligation relating to the removal and post-removal care of the materials in these buildings as estimated at April 1, 2022. The buildings had varying useful lives when purchased and are all fully amortized. Once an approved project plan is in place, the timing and amount of future cash flows can then be reasonably estimated and the corresponding liability for that asset is updated to reflect the anticipated costs for removal and post removal care of hazardous materials. Estimated costs have been discounted to the present value using a discount rate of 3.13% per annum.

The transition and recognition of asset retirement obligations involved an accompanying increase to the tangible capital assets and the restatement of prior year balances (see note 2).

Changes to the asset retirement obligations in the year are as follows:

	2023	2022 (restated – note 2)
Asset retirement obligations, beginning of year	\$ 4,730,500	\$ -
Adjustment on adoption of the asset retirement obligations standard (note 2)	-	4,586,931
Opening balance, as restated	4,730,500	4,586,931
Accretion expense	148,066	143,569
Asset retirement obligations, end of year	\$ 4,878,566	\$ 4,730,500

13. Obligations under capital lease

	2023	2022
Various Macquarie financing leases for audio-visual and computer equipment bearing interest between 0.168% and 7.60% per annum, repayable in quarterly blended payments between \$1,119 and \$38,499 with maturity dates between October 2025 and January 2028, secured by specific assets.	\$ 2,165,911	\$ 908,003
	\$ 2,165,911	\$ 908,003

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

13. Obligations under capital lease (continued)

Future minimum capital lease payments are:

2024	\$ 660,249
2025	660,249
2026	621,750
2027	344,634
2028	77,922
Total minimum lease payments due:	\$ 2,364,804

14. Tangible capital assets

Cost	Balance at March 31, 2022 (restated – note 2)	Additions & WIP Transfers In	Disposals, WIP Transfers Out & Write-offs	Balance at March 31, 2023
Land	\$ 12,090,647	\$ -	\$ -	\$ 12,090,647
Buildings	279,707,241	3,174,043	-	282,881,284
Work in progress (“WIP”)	3,938,472	3,104,705	-	7,043,177
Site improvements	7,776,243	36,065	1,515,210	6,297,098
Leasehold improvements	502,290	-	-	502,290
Furniture and equipment	26,909,665	1,897,202	3,195,094	25,611,773
Computing equipment and software	20,908,296	269,867	171,787	21,006,376
Library books	1,816,377	38,199	-	1,854,576
Vehicles	1,235,299	257,496	30,434	1,462,361
Leased tangible capital assets	980,167	1,698,746	-	2,678,913
	\$ 355,864,697	\$ 10,476,323	\$ 4,912,525	\$ 361,428,495

Accumulated amortization	Balance at March 31, 2022 (restated – note 2)	Disposals and Write-offs	Amortization expense	Balance at March 31, 2023
Buildings	\$ 108,347,242	\$ -	\$ 7,330,778	\$ 115,678,020
Site improvements	5,022,970	1,515,210	242,906	3,750,666
Leasehold improvements	352,961	-	45,127	398,088
Furniture and equipment	17,867,612	3,195,094	2,098,262	16,770,780
Computing equipment and software	6,711,499	171,787	1,956,559	8,496,271
Library books	912,264	-	172,951	1,085,215
Vehicles	904,198	30,434	137,799	1,011,563
Leased tangible capital assets	98,017	-	365,908	463,925
	\$ 140,216,763	\$ 4,912,525	\$ 12,350,290	\$ 147,654,528

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

14. Tangible capital assets (continued)

	Net book value March 31, 2023	Net book value March 31, 2022
Land	\$ 12,090,647	\$ 12,090,647
Buildings	167,203,264	171,359,999
Work in progress	7,043,177	3,938,472
Site improvements	2,546,432	2,753,273
Leasehold Improvements	104,202	149,329
Furniture and equipment	8,840,993	9,042,053
Computing equipment and software	12,510,105	14,196,797
Library books	769,361	904,113
Vehicles	450,798	331,101
Leased tangible capital assets	2,214,988	882,150
	\$ 213,773,967	\$ 215,647,934

(a) Contributed tangible capital assets

During the year there were no contributions of tangible capital assets (2022 - \$nil).

(b) Works of art and historical treasures

The University manages and controls various works of art and non-operational historical cultural assets including artifacts, paintings and sculptures located at University sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(c) Write-off of tangible capital assets

During the year, fully amortized tangible capital assets with an original cost of \$4,912,523 (2022 - \$4,414,256) were written off. These writedowns were applied to fully depreciated tangible capital assets that have reached pre-established age thresholds set beyond their useful lives.

The University has no direct insurance coverage against loss on any of its tangible capital assets except vehicles. The insurance on University property is the responsibility of the Province of British Columbia.

During the year ending March 31, 1999, a building was constructed by the Malaspina Students' Union Society on land owned by the University in Nanaimo. The cost of this building has been financed by the Student Union, however, title to the building remains with the University. The University has entered into a lease agreement with the Student Union in the amount of \$1 per annum for a period of 50 years. The building is not recorded as an asset in the consolidated financial statements of the University.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

15. Accumulated operating surplus (deficit)

The accumulated operating surplus is comprised of the following:

	2023	2022 (restated – note 2)
Investment in tangible capital assets	\$ 47,885,330	\$ 49,489,897
Endowments (note 18)	4,018,389	4,018,389
Internally restricted	(1,421,374)	(1,037,078)
Unrestricted	(14,198,366)	(4,501,304)
	\$ 36,283,979	\$ 47,969,904

Internally restricted consists of: VIUIT \$(687,621) (2022 - \$(642,442)), VIUIC \$(10) (2022 - \$(10)), and the High Schools \$(733,743) (2022 - \$(394,626)).

16. Contractual obligations

The nature of the University's activities can result in multiyear contracts and obligations whereby the University will be committed to make future payments. Currently the University has \$17,842,734 in contractual obligations related to operations that extend beyond the 2022-23 fiscal year.

17. Contingencies

(a) Letters of credit

The University had a total of \$146,313 in letters of credit outstanding at March 31, 2023 for a bond posted on behalf of the High Schools to the Ministry of Finance. These letters of credit can be drawn upon to refund tuition to students if the High Schools fail to provide or complete the related academic program. No provision has been made for this contingency in the consolidated financial statements.

(b) Legal claims

The nature of the University's activities is such that there is usually litigation pending or in process at any time. Liabilities on any litigation are recognized in the consolidated financial statements when the outcome becomes reasonably determinable. With respect to unsettled claims at March 31, 2023, management believes the University has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the University's financial position.

18. Endowments

Endowments form part of the accumulated surplus balance and consist of externally restricted donations, the principal of which is required to be maintained in perpetuity. The endowment fund balance is restricted to support two BC Regional Innovation Chairs (Tourism and Sustainable Rural Development & Aboriginal and Early Childhood Education). Investments are managed by an external fund management company. On March 15, 2012, the University Board of Governors passed policy 42.11 granting full authority to the Foundation to manage the University's endowment funds consistent with the Foundation policy.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

19. Expenses by object

The following is a summary of expenses by object:

	2023	2022 (restated – note 2)
Salaries and benefits	\$ 133,357,202	\$ 121,747,349
Fees and purchased services	18,157,170	16,505,849
Travel and training	2,337,013	1,044,307
Scholarships and bursaries	4,521,848	5,081,709
Grants and contributions	277,119	541,199
Equipment rental and maintenance	1,740,408	1,440,309
Utilities, insurance and taxes	3,330,923	3,392,559
Materials and supplies	3,889,878	3,227,396
Amortization of tangible capital assets	12,350,290	11,378,980
Cost of goods sold	3,756,046	3,244,526
Accretion expense (note 2)	148,066	143,569
Interest on leased tangible capital assets	46,581	-
	\$ 183,912,544	\$ 167,747,752

Under the University Act, the University has been designated a special purpose teaching university. As such, the University's primary purpose is the delivery of educational services. Segmented reporting has not been provided as it would not provide additional material information to users of the consolidated financial statements.

20. Contractual rights

The University has entered into a multi-year contract to partner in the delivery of services related to increasing the numbers of Indigenous youth enrolling in and completing tertiary education, and successfully transitioning to employment with a total contract value over 7 years of \$12,571,038. The contract commenced on November 8, 2018 and the final quarterly payment will be received on January 31, 2025.

21. Related party transactions

(a) Other Provincial entities

The University is related through common control to all Province of British Columbia ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2023

21. Related party transactions (continued)

(b) Vancouver Island University Foundation

The University has an economic interest in the Vancouver Island University Foundation (the "Foundation"). The fund balances and results of operations of the Foundation have not been included in these consolidated financial statements. The Foundation is incorporated under the Societies Act (British Columbia), is a registered charity and its purpose is to help the University with its student programs and services by developing strong ties to the communities and by raising funds. The University provides services of administration, personnel, supplies and facilities and equipment to the Foundation at no charge.

Included in grants and contributions expense is \$277,119 (2022 - \$541,199) paid to the Foundation. The University received \$2,692,323 (2022 - \$2,140,039) in contributions from the Foundation. As at March 31, 2023, the Foundation owed the University \$1,277,100 (2022 - \$1,411,000). These amounts are payable on demand.

(c) Key management personnel

During the year ended March 31, 2023, there have been no material transactions between the University and its key management personnel, Board of Governors, or their close family members.

22. Comparative figures

Certain comparative figures have been reclassified to conform to current year presentation.