



# **FINANCIAL STATEMENTS**

**YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012**

**University of Northern British Columbia**  
**Financial Statements**  
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# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## STATEMENT OF MANAGEMENT RESPONSIBILITY

The University of Northern British Columbia is responsible for the preparation of the financial statements and has prepared them in accordance with Section 23.1 of *the Budget Transparency and Accountability Act* of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it. The regulations require financial statements to be prepared in accordance with the standards of the Canadian Public Sector Accounting Board except that the contributions received or receivable by the University for the purpose of acquisition of tangible capital assets are accounted for as deferred capital contributions as described in note 2a of the financial statements. The financial statements present the financial position of the University as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

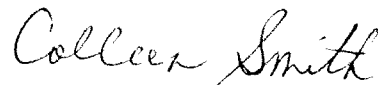
The Board of Governors carries out its responsibility for review of the financial statements and oversight of Management's performance of its financial reporting responsibilities principally through its Finance and Audit Committee. With the exception of employee group representatives, members of the Finance and Audit Committee are neither officers nor employees of the University.

The Committee meets with Management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Finance and Audit Committee, with and without the presence of Management.

The financial statements for the years ended March 31, 2013 and March 31, 2012 have been reported on by KPMG LLP. The Independent Auditor's Report outlines the scope of the examination and provides the firm's opinion on the fairness of presentation of the information in the statements.



Eileen Bray, CMA, MBA  
Vice President, Administration & Finance



Colleen Smith, CA  
Director, Finance & Budgets

May 16, 2013



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of the University of Northern British Columbia

To the Minister of the Ministry of Advanced Education, Innovation and Technology, Province of British Columbia

We have audited the accompanying financial statements of the University of Northern British Columbia ("University") which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, remeasurement gain and loss, changes in net debt and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes comprising a summary of significant accounting policies and other explanatory information.

### *Management Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



*Opinion*

In our opinion, the financial statements of the University of Northern British Columbia as at March 31, 2013, March 31, 2012 and April 1, 2011, and for the years ended March 31, 2013 and March 31, 2012, are prepared, in all material aspects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

*Emphasis of Matter*

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

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 single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

May 22, 2013

Prince George, Canada

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011 (in thousands of dollars)

		March 31, 2013	March 31, 2012	April 1, 2011
<b>Financial assets</b>				
Cash and cash equivalents	(Note 4)	\$ 29,259	\$ 28,960	\$ 30,482
Short-term investments	(Note 5)	\$ 26,577	\$ 22,510	\$ 17,628
Accounts receivable		3,104	3,635	6,626
Inventories for resale		691	616	484
Portfolio investments	(Note 6)	9,988	7,437	7,412
		69,619	63,158	62,632
<b>Liabilities</b>				
Accounts payable and accrued liabilities	(Note 7)	8,767	8,551	11,356
Deferred revenue		785	1,125	2,870
Deferred contributions	(Note 9)	20,029	19,880	20,898
Deferred capital contributions	(Note 10)	178,931	185,221	191,422
Long-term debt, net of sinking fund	(Note 11)	3,030	3,710	4,699
		211,542	218,487	231,245
Net debt		(141,923)	(155,329)	(168,613)
<b>Non-financial assets</b>				
Tangible capital assets	(Note 12)	223,990	231,167	237,384
Inventories held for use		89	96	111
Endowment investments	(Note 6)	41,921	38,540	39,828
Prepaid expenses		1,587	2,005	1,707
		267,587	271,808	279,030
Accumulated surplus	(Note 14)	\$ 125,664	\$ 116,479	\$ 110,417

**Commitments** (Note 16)

See accompanying notes to financial statements.

On behalf of the Board of Governors:

\_\_\_\_\_  
 Chair, Board of Governors

\_\_\_\_\_  
 President

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Statements of Operations and Accumulated Surplus

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

	Budget	2013	2012
<b>Revenue:</b>			
Government grants			
Provincial government	\$ 47,450	\$ 49,597	\$ 49,279
Federal government	1,733	7,913	8,097
Tuition fees	19,195	19,308	18,762
Other fees	1,245	1,422	1,305
Sales of goods and services	7,912	8,778	8,928
Gifts, bequests and non-government grants and contracts	5,651	9,719	10,665
Investment income	260	3,303	373
External cost recovery and other income	31	333	347
Revenue recognized from deferred capital contributions	-	6,947	7,544
	<b>83,477</b>	<b>107,320</b>	<b>105,300</b>
<b>Expenses:</b>			
Ancillary operations	8,254	8,492	7,835
Facility operations and maintenance	4,571	13,942	13,509
Instruction	38,247	36,550	36,159
Institutional support	26,861	27,797	28,393
Sponsored research	-	8,717	9,477
Specific purpose	-	5,071	4,087
	<b>77,933</b>	<b>100,569</b>	<b>99,460</b>
Annual operating surplus before restricted contributions	5,544	6,751	5,840
Net restricted endowment contributions	-	2,434	222
Annual surplus	5,544	9,185	6,062
Accumulated surplus, beginning of year	116,479	116,479	110,417
Accumulated surplus, end of year	\$ 122,023	\$ 125,664	\$ 116,479

See accompanying notes to financial statements.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Statements of Changes in Net Debt

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

	Budget	2013 Total	2012 Total
Annual surplus	\$ 5,544	\$ 9,185	\$ 6,062
Acquisition of tangible capital assets		(2,102)	(3,581)
Amortization of tangible capital assets		9,279	9,798
		7,177	6,217
Consumption of inventories held for use		7	15
Consumption of prepaid expense		418	-
Acquisition of prepaid expense		-	(298)
Reduction in endowment investments		-	1,288
Acquisition of endowment investments		(3,381)	-
		(2,956)	1,005
	5,544	13,406	13,284
Decrease in net debt	5,544	13,406	13,284
Net debt, beginning of year	(155,329)	(155,329)	(168,613)
Net debt, end of year	\$ (149,785)	\$ (141,923)	\$ (155,329)

See accompanying notes to financial statements.



# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Statements of Cash Flows

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

	2013	2012
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Annual surplus	\$ 9,185	\$ 6,062
Items not involving cash:		
Amortization of tangible capital assets	9,279	9,798
Revenue recognized from deferred capital contributions	(6,947)	(7,544)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	531	2,991
Decrease (increase) in prepaid expenses	418	(298)
Decrease (increase) in inventories held for use	7	15
Decrease (increase) in inventories held for sale	(75)	(132)
Increase (decrease) in accounts payable and accrued liabilities	216	(2,805)
Decrease in deferred revenue	(340)	(1,745)
<b>Net change in cash from operating activities</b>	<b>12,274</b>	<b>6,342</b>
<b>Capital activities:</b>		
Cash used to acquire tangible capital assets	(2,102)	(3,581)
<b>Net change in cash from capital activities</b>	<b>(2,102)</b>	<b>(3,581)</b>
<b>Financing activities:</b>		
Cash restricted for repayment of long-term debt	(357)	(666)
Repayment of long-term debt	(323)	(323)
<b>Net change in cash from financing activities</b>	<b>(680)</b>	<b>(989)</b>
<b>Investing activities:</b>		
Capital contributions	657	1,343
Increase in short-term investments	(4,067)	(4,882)
Deferred contributions	149	(1,018)
(Increase) decrease in endowment investments	(3,381)	1,288
Purchase of portfolio investments	(2,551)	(25)
<b>Net change in cash from investing activities</b>	<b>(9,193)</b>	<b>(3,294)</b>
<b>Net change in cash</b>	<b>299</b>	<b>(1,522)</b>
<b>Cash, beginning of year</b>	<b>28,960</b>	<b>30,482</b>
<b>Cash, end of year</b>	<b>\$ 29,259</b>	<b>\$ 28,960</b>

Cash is comprised of cash and cash equivalents

See accompanying notes to financial statements.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

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### 1. Authority and Purpose

The University of Northern British Columbia (UNBC or the University) operates under the authority of the *University Act* of British Columbia. UNBC is a comprehensive research university dedicated to improving the quality of life in its region, and beyond, by attaining the highest standards of undergraduate and graduate teaching, learning, and research. The University is governed by a 15 member Board of Governors, eight of whom are appointed by the Government of British Columbia, including two on the recommendation of the UNBC Alumni Association. The academic governance of the University is vested in the Senate. UNBC is a registered charity and is therefore exempt from taxes under Section 149 of the *Income Tax Act*. The University receives a significant portion of its revenues from the Province of British Columbia.

### 2. Summary of significant accounting policies

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

#### (a) Basis of accounting:

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

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

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

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

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

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### 2. Summary of significant accounting policies (continued)

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

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

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

#### (b) Basis of consolidation

Trusts under administration

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

#### (c) Cash and cash equivalents

Cash and cash equivalents include cash, money-market securities and other investments with terms to maturity of three months or less at date of purchase. Cash equivalents are cashable on demand and are recorded at cost based on the transaction price on the trade date. All interest income, gains and losses are recognized in the period in which they arise.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

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### 2. Summary of significant accounting policies (continued)

#### (d) Short-term investments

Short-term investments consist of highly liquid money-market and bond securities and other investments with terms to maturity of four months to one year at date of purchase. Short-term investments are recorded at cost based on the transaction price on the trade date. All interest income, gains and losses are recognized in the period in which they arise.

#### (e) Financial instruments

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

**Fair value category:** Portfolio instruments that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Other financial instruments which the University has designated to be recorded at fair value include cash and cash equivalents. 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 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 Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses. Unrealized gains and losses on endowment investments where earnings are restricted as to use are recorded as deferred contributions and recognized in revenue when disposed and when the related expenses are incurred.

**Cost category:** Realized gains, losses and interest expense are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Amounts receivable, accounts payable and accrued liabilities are measured at cost. Any gains, losses or expense is recorded in the annual surplus (deficit) depending on the nature of the financial asset or liability that gave rise to the gain, loss or expense. Valuation allowances are made when collection is in doubt. Interest is accrued on amounts receivable to the extent it is deemed collectible.

#### (f) Inventories for resale

Inventories held for resale, including books, clothing, office and paper supplies, food and other items for retail sale are recorded at the lower of cost and net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated selling price less any costs to sell.

#### (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. Interest

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

### 2. Summary of significant accounting policies (continued)

(i) Tangible capital assets (continued)

is not capitalized whenever external debt is issued to finance the construction of tangible capital assets. Donated assets are recorded at fair value at the date of transfer. In unusual circumstances where fair value cannot be reasonably determined, the tangible capital asset would be recognized at nominal value. The cost of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value:

Asset	Rate
Buildings and site services	50 years
Library materials	10 years
Equipment and furnishings	8 years
Computers	3 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 the University's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

(ii) Works of art and historic assets

Works of art and historic assets are not recorded as assets in these financial statements.

(iii) Inventories held for use

Inventories held for use such as office, stationery and lab supplies distributed to various departments are recorded at cost.

Cost includes the original purchase cost, plus shipping and applicable duties.

(g) **Revenue recognition**

Tuition and student fees and sales of goods and services are reported as revenue in the period to which they apply when the liability to refund has expired.

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

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

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## 2. Summary of significant accounting policies (continued)

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

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.
- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as endowment contributions on the statement of operations for the portion to be held in perpetuity and as deferred contributions for any restricted investment income earned thereon.
- (iv) Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and writedowns on investments where the loss in value is determined to be other-than-temporary.

### (h) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the determination of fair value of financial instruments, the useful life of tangible capital assets for amortization and the related amortization of deferred capital contributions. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

### (i) Foreign currency translation

The University's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the date of the statement of financial position. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or date of the statement of financial position is recognized in the statement of remeasurement gains and losses. In the period of settlement, the related cumulative remeasurement gain/loss is

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

### 2. Summary of significant accounting policies (continued)

reversed in the 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 statement of operations and accumulated surplus.

#### (j) Budget figures

Budget figures are provided for the operating and ancillary funds only. They have been provided for comparative purposes in Note 19 and have been derived from the 2012/13 General Operating and Ancillary Fund budgets approved by the Board of Governors of UNBC on March 24, 2012.

### 3. Adoption of new financial reporting framework

Effective April 1, 2012, the University adopted the financial reporting framework described in note 2(a). These financial statements are the first financial statements for which the University has applied this financial reporting framework.

The impact of the adoption of this financial reporting framework on accumulated surplus at the date of transition and the comparative annual surplus is presented in Note 20. These accounting changes have been applied retroactively with restatement of prior periods subject to the requirements in *Section PS 2125: First Time Adoption by Government Organizations*, unless otherwise stated.

The University has elected to use the following exemptions allowed upon first-time adoption:

- Tangible capital asset impairment:
  - The University has elected to apply *Section PS 3150* on a prospective basis from the date of transition.

### 4. Cash and cash equivalents

	2013	2012
Restricted cash	\$ 1,200	\$ 1,166
Unrestricted cash and GICs	28,059	27,794
	<u>\$ 29,259</u>	<u>\$ 28,960</u>

Restricted cash is comprised of cash and GICs internally restricted for repayment of long-term debt.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

### 5. Short-term investments

	2013	2012
Term Deposits, GIC, T-bills	\$ 13,450	\$ 9,650
Municipal Financing Authority - bond fund	7,687	7,478
Municipal Financing Authority - money market fund	5,440	5,382
	<u>\$ 26,577</u>	<u>\$ 22,510</u>

### 6. Investments

Portfolio investments are managed by Letko Brosseau & Associates Inc, Gryphon Investment Counsel Inc. and Wellington Financial LP in pooled balanced funds, consisting of the following equity instruments that are quoted in an active market:

	2013	2012
Money market	\$ 2,959	\$ 1,563
Bond	15,573	14,115
Equity	33,377	30,299
	<u>\$ 51,909</u>	<u>\$ 45,977</u>

Portfolio investments are entirely related to the University's endowments. For financial statement presentation, the fund is disclosed in two amounts, as follows:

	2013	2012
Financial assets		
Portfolio investments, consisting of the restricted earnings available for payments required by donors	\$ 9,988	\$ 7,437
Non-financial assets		
Endowment investments, consisting of the original donation plus capitalized interest	41,921	38,540
	<u>\$ 51,909</u>	<u>\$ 45,977</u>

### 7. Accounts payable and accrued liabilities

	2013	2012
Accounts payable and accrued liabilities	\$ 6,195	\$ 6,555
Salaries and benefits payable	1,837	1,376
Accrued vacation pay	735	620
	<u>\$ 8,767</u>	<u>\$ 8,551</u>

### 8. Pension plan

The University has a defined contribution pension plan covering all permanent employees of the University. The pension plan is a separate legal entity with its own Board of Trustees. Sun Life of Canada was appointed to provide custodial services for plan members. Investment management services are provided by several fund managers including Phillips, Hager & North Investment



# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

### 8. Pension plan (continued)

Management Ltd., Sun Life Assurance, Beutel Goodman, BlackRock Asset Management Canada Ltd., Connor Clark & Lunn Investment Management Ltd., McLean Budden, Hexavest Inc. and CI Investments Inc. Plan members individually select their investment vehicles from those available which include bond, balanced, money market, equity and global funds, and guaranteed term deposits (1, 3, and 5 year).

The University expenses the contribution amounts made to the plan in each year. During the year, the University contributed \$3,376 (2012 - \$3,271) to the plan.

### 9. Deferred contributions

Deferred contributions are comprised of funds restricted for research, capital acquisitions and other specific purposes. Changes in deferred contributions balances are as follows:

				2013	2012
	Capital	Research	Specific Purpose	Total	Total
Balance, beginning of year	\$ 1,100	\$ 7,701	\$ 11,079	\$ 19,880	\$ 20,898
Contributions received during the year	583	8,234	10,929	19,746	20,817
Revenue recognized from deferred contributions	(698)	(8,605)	(9,637)	(18,940)	(18,652)
Transfers to deferred capital contributions	(240)	(376)	(41)	(657)	(1,768)
Fair value adjustment	-	-	-	-	(1,415)
Balance, end of year	\$ 745	\$ 6,954	\$ 12,330	\$ 20,029	\$ 19,880

### 10. Deferred capital contributions

Contributions for capital that meet the definition of a liability are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. Treasury Board provided direction on accounting treatment as disclosed in note 2. Changes in the deferred capital contributions balance are as follows:

	2013	2012
Balance, beginning of year	\$ 185,221	\$ 191,422
Contributions received during the year	657	1,343
Revenue recognized from deferred capital contributions	(6,947)	(7,544)
Balance, end of year	\$ 178,931	\$ 185,221

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

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### 11. Long-term debt

Long-term debt reported on the statement of financial position is measured at amortized cost and is as follows:

	<u>2013</u>		<u>2012</u>	
Province of British Columbia (Section 58 of the <i>University Act</i> )	\$	14,800	\$	14,800
Sinking fund asset		(11,770)		(11,090)
Balance, end of year	\$	<u>3,030</u>	\$	<u>3,710</u>

	<u>2013</u>		<u>2012</u>	
Interest expense for the year on outstanding debt	\$	1,324	\$	1,324

### Sinking fund instalments

Aggregate payments for the next five fiscal years and thereafter to meet sinking fund instalments on externally restricted sinking funds for debentures are:

2014	\$ 323
2015	164
2016	67
2017	67
2018	67
Thereafter	134
	<u>\$ 822</u>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

### 12. Tangible capital assets

Cost	Balance at March 31, 2012	Additions	Disposals	Balance at March 31, 2013
Land	\$ 6,656	\$ -	\$ -	\$ 6,656
Buildings and site improvements	272,924	-	-	272,924
Furniture and equipment	42,771	770	-	43,541
Computers	33,178	964	-	34,142
Library holdings	25,652	368	-	26,020
Assets under construction	237	-	-	237
<b>Total</b>	<b>\$ 381,418</b>	<b>\$ 2,102</b>	<b>\$ -</b>	<b>\$ 383,520</b>

Accumulated amortization	Balance at March 31, 2012	Disposals	Amortization Expense	Balance at March 31, 2013
Land	\$ -	\$ -	\$ -	\$ -
Buildings and site improvements	(61,854)	-	(5,460)	(67,314)
Furniture and equipment	(35,621)	-	(1,685)	(37,306)
Computers	(31,696)	-	(1,092)	(32,788)
Library holdings	(21,080)	-	(1,042)	(22,122)
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ (150,251)</b>	<b>\$ -</b>	<b>\$ (9,279)</b>	<b>\$ (159,530)</b>

	Net book value March 31, 2012	Net book value March 31, 2013
Land	\$ 6,656	\$ 6,656
Buildings and site improvements	211,070	205,610
Furniture and equipment	7,150	6,235
Computers	1,482	1,354
Library holdings	4,572	3,898
Assets under construction	237	237
<b>Total</b>	<b>\$ 231,167</b>	<b>\$ 223,990</b>

Cost	Balance at March 31, 2011	Additions	Disposals	Balance at March 31, 2012
Land	\$ 6,656	\$ -	\$ -	\$ 6,656
Buildings and site improvements	272,508	416	-	272,924
Furniture and equipment	40,971	1,800	-	42,771
Computers	32,530	648	-	33,178
Library holdings	24,935	717	-	25,652
Assets under construction	237	416	(416)	237
<b>Total</b>	<b>\$ 377,837</b>	<b>\$ 3,997</b>	<b>\$ (416)</b>	<b>\$ 381,418</b>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

### 12. Tangible capital assets (continued)

Accumulated amortization	Balance at March 31, 2011	Disposals	Amortization expense	Balance at March 31, 2012
Land	\$ -	\$ -	\$ -	\$ -
Buildings and site improvements	(56,397)	-	(5,457)	(61,854)
Furniture and equipment	(33,762)	-	(1,859)	(35,621)
Computers	(30,347)	-	(1,349)	(31,696)
Library holdings	(19,947)	-	(1,133)	(21,080)
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ (140,455)</b>	<b>\$ -</b>	<b>\$ (9,798)</b>	<b>\$ (150,251)</b>

	Net book value March 31, 2011	Net book value March 31, 2012
Land	\$ 6,656	\$ 6,656
Buildings and site improvements	216,111	211,070
Furniture and equipment	7,209	7,150
Computers	2,183	1,482
Library holdings	4,988	4,572
Assets under construction	237	237
<b>Total</b>	<b>\$ 237,384</b>	<b>\$ 231,165</b>

(a) Assets under construction

Assets under construction having a value of \$237 (2012 - \$237) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(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.

### 13. Financial risk management

UNBC has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. The Board of Governors, through management, ensures that the University has processes in place to identify and monitor major risks.

(a) Credit risk

Credit risk is the risk of financial loss to the University if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the University consisting of cash, short-term investments, amounts receivable and investments.

Unless otherwise disclosed in these financial statements, the University is not subject to

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

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### 13. Financial risk management (continued)

significant credit risk associated with its financial instruments. The maximum credit risk for the University's financial assets is the carrying value of the asset.

#### (b) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the University's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

It is management's opinion that the University is not exposed to significant market or interest rate risk arising from its financial instruments.

#### (c) Liquidity risk

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

The University manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation.

#### (d) Fair value of financial instruments

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

- (i) Cash and cash equivalents, accounts receivable, portfolio and endowment investments and accounts payables and accrued liabilities are measured in the statement of financial position at fair value. Their carrying values approximate fair value due to the relatively short term to maturity of these instruments.
- (ii) 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).

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

### 13. Financial risk management (continued)

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

### 14. Accumulated surplus

Accumulated surplus is comprised of the following:

	2013	2012
Accumulated operating surplus	\$ 83,743	\$ 77,939
Endowment	41,921	38,540
	<u>\$ 125,664</u>	<u>\$ 116,479</u>

Accumulated operating surplus consists of the following individual fund surpluses:

	2013	2012
Invested in tangible capital assets		
Capital assets	\$ 223,990	\$ 231,167
Amounts financed by deferred capital contributions	(178,931)	(185,221)
Amount financed by long term debt (net of sinking fund)	(3,030)	(3,710)
	<u>42,029</u>	<u>42,236</u>
Appropriated for specific purposes		
General Operating		
Departmental carryforwards	3,239	3,150
Minor capital projects, equipment purchases and special projects	13,664	11,456
Professional development and internal research funds	3,296	2,868
	<u>20,199</u>	<u>17,474</u>
Ancillary Services	2,390	1,957
Capital	7,064	5,672
Specific Purpose	8,544	7,083
	<u>38,197</u>	<u>32,186</u>
Unrestricted surplus	<u>3,517</u>	<u>3,517</u>
Total accumulated operating surplus	<u>\$ 83,743</u>	<u>\$ 77,939</u>

General Operating appropriations are comprised of departmental amounts calculated under a policy which allows them to carry forward unspent amounts to future periods. It also includes allocations for one time projects, minor capital projects and new equipment purchases and funds set aside for individuals covered under various employment handbooks for professional development and research.

Ancillary Services represents accumulated funds held for the ongoing operations of ancillaries such as the Bookstore, Conference Services, Continuing Education and Vending.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

### 14. Accumulated surplus (continued)

Capital represents funds held for specific capital projects and the Capital Equipment Replacement Reserve.

Specific Purpose are funds that are restricted internally for specific activities and use, such as conference fees, library fines and reserves.

### 15. Endowments

Endowment contributions form part of accumulated surplus. Changes to the endowment balances are as follows:

	2013	2012
Balance, beginning of year	\$ 38,540	\$ 39,828
Contributions received during the year	95	222
Capitalized interest	2,339	-
Income reserve gain (loss) not adjusted to individual endowment principal balances	947	(1,510)
Balance, end of year	\$ 41,921	\$ 38,540

### 16. Commitments

The University has entered in to a contract to purchase bio-fuel of approximately \$350 per year for a three year period, which began Fall 2010. The University has the option to renew the contract for two, one year extensions.

### 17. Expenses by object

The following is a summary of expenses by object:

	2013	2012
Salaries and wages	\$ 49,493	\$ 49,466
Benefits	9,165	9,113
Travel and personnel costs	3,316	3,498
Operational supplies and expenses	9,260	7,825
Equipment, furnishings and rent	1,035	974
Professional and contracted services	7,623	7,789
Scholarships, fellowships and bursaries	2,399	2,645
Renovations, alterations and maintenance	2,998	2,155
Cost of goods sold	2,036	2,279
Interest	1,324	1,327
Utilities	2,641	2,591
Amortization of tangible capital assets	9,279	9,798
	\$ 100,569	\$ 99,460

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

### 18. Trust funds

At March 31, 2013 the University held funds in trust on behalf of the Northern Medical Programs Trust which are not included in these financial statements. Trust fund balances, having a book value of \$7,168 (2012 - \$6,705), under the administration of the University are as follows:

	2013	2012
Assets	\$ 7,545	\$ 6,801
Liabilities	(7,545)	(6,801)
Equity	\$ Nil	\$ Nil

### 19. Budget

The University administers each of its types of funds from a financial perspective in a manner relevant to the nature of the operations of the fund.

- The Operating Fund, consisting of the General Operating Fund, including the Northern Medical Program, is managed pursuant to an annual operating budget approved by the Board of Governors. The budget included for the Northern Medical Program is part of the overall Medical Program Expansion budget approved by the Distributed Program Planning Committee, of which UNBC is a member.
- The Capital Fund is financially managed based on a project by project basis, with funding derived from various sources. Projects are approved individually and may span several reporting periods; therefore, capital budget figures are not available for inclusion on the Statement of Net Debt.
- Externally funded Specific Purpose and Sponsored Research funds are financially managed on an individual basis based on the contract or agreement in place relating to the revenue.
- Ancillary Funds are financially managed pursuant to annual operating budgets approved by the Board of Governors.

The 2012/13 budgets for the Operating and Ancillary Funds were approved by the Board of Governors on March 24, 2012. These budgets, prepared on internal accounting basis, have been adjusted to more closely conform to PSAS standards in the table below.



# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

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## 19. Budget (continued)

	As Approved
Total revenue	\$ <u>83,477</u>
Total expenses	77,933
Total capital expenditures	472
Total interfund transfers	<u>4,955</u>
	<u>83,360</u>
Budgeted annual surplus	117
Eliminate interfund transfers	4,955
Eliminate capital expenditures	<u>472</u>
Annual surplus for Operating Commitments	\$ <u>5,544</u>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012 (in thousands of dollars)

## 20. Conversion to Amended Public Sector Accounting Standards (Amended PSAS)

Category previously stated	2012 previously stated	Adjustments	Category restated	2012 restated
<b>Assets</b>			<b>Financial assets</b>	
Cash and cash equivalents	31,073	20,397	Cash and cash equivalents	51,470
Temporary investments	20,397	(20,397)	-	-
Accounts receivable	3,285	350	Accounts receivable	3,635
Donations receivable	100	(100)	-	-
Inventories	712	(96)	Inventories for sale	616
Donations receivable (non-current)	250	(250)	-	-
Investments	45,977	(38,540)	Portfolio investments	7,437
Sinking fund	11,090	(11,090)		
			<b>Non-financial assets</b>	
Capital assets	231,167	-	Tangible capital assets	231,167
-		96	Inventories held for use	96
-		38,540	Endowment investments	38,540
Prepaid expenses	2,005	-	Prepaid expenses	2,005
	346,056	(11,090)		334,966
<b>Liabilities and net assets</b>			<b>Liabilities</b>	
Accounts payable and accrued liabilities	8,537	14	Accounts payable and accrued liabilities	8,551
Unearned revenue	1,125	-	Deferred revenue	1,125
Construction holdback payable	14	(14)	-	-
Current portion of long term debt	323	(323)	-	-
Deferred contributions	19,880	-	Deferred contributions	19,880
Long term debt	14,477	(10,767)	Long term debt	3,710
Unamortized deferred capital contributions	185,221		Deferred capital contributions	185,221
Endowments	38,540	(38,540)	-	-
Investment in capital assets	42,236	(42,236)	-	-
Appropriated for specific purpose	32,186	(32,186)	-	-
Unrestricted net assets	3,517	(3,517)	-	-
-	-	116,479	Accumulated operating surplus	116,479
	346,056	(11,090)		334,966