



# **FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2014**

**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, 2014 and the results of its operations and its cash flows for the year ended March 31, 2014.

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.

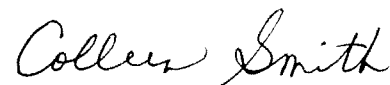
The Board of Governors carries out its responsibility for review of the financial statements and oversight of Management's performance of its financial reporting responsibilities principally through its Finance and Audit Committee. With the exception of employee group representatives, members of the 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 year ended March 31, 2014 has 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 14, 2014



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Governors of the University of Northern British Columbia

To the Minister of the Ministry of Advanced Education, Province of British Columbia

We have audited the accompanying financial statements of the University of Northern British Columbia ("University") which comprise the statement of financial position as at March 31, 2014 and the statement of operations, remeasurement gain and loss, changes in net debt and cash flows for the year then ended, 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 misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit 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, 2014, and for the year then ended, 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, long, horizontal stroke that tapers at both ends, serving as a decorative underline.

Chartered Accountants

May 29, 2014

Prince George, Canada

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Statement of Financial Position

March 31, 2014, with comparative figures for 2013 (in thousands of dollars)

		2014	2013
<b>Financial assets</b>			
Cash and cash equivalents	(Note 3)	\$ 23,757	\$ 29,259
Short-term investments	(Note 4)	26,193	26,577
Accounts receivable		2,170	3,104
Inventories for resale		763	691
Portfolio investments	(Note 5)	23,514	9,988
		<u>76,397</u>	<u>69,619</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	(Note 6)	7,756	8,767
Deferred revenue		586	785
Deferred contributions	(Note 8)	26,099	20,029
Deferred capital contributions	(Note 9)	172,816	178,931
Long-term debt, net of sinking fund	(Note 10)	1,374	3,030
		<u>208,631</u>	<u>211,542</u>
Net debt		(132,234)	(141,923)
<b>Non-financial assets</b>			
Tangible capital assets	(Note 11)	218,249	223,990
Inventories held for use		98	89
Endowment investments	(Note 5)	43,719	41,921
Prepaid expenses		1,283	1,587
		<u>263,349</u>	<u>267,587</u>
Accumulated surplus	(Note 13)	\$ 131,115	\$ 125,664
<b>Commitments</b>	(Note 15)		

See accompanying notes to financial statements.

On behalf of the Board of Governors:

Chair, Board of Governors

President

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Statement of Operations and Accumulated Surplus

Year ended March 31, 2014, with comparative figures for 2013 (in thousands of dollars)

	Budget (Note 18)	2014	2013
<b>Revenue:</b>			
Government grants			
Provincial government	\$ 47,524	\$ 49,348	\$ 49,597
Federal government	1,366	7,586	7,913
Tuition fees	18,854	18,935	19,308
Other fees	1,257	1,402	1,422
Sales of goods and services	6,268	9,892	8,778
Gifts, bequests, non-government grants and contracts	6,248	11,904	9,719
Investment income	315	3,032	3,303
External cost recovery and other income	131	497	333
Revenue recognized from deferred capital contributions	-	6,570	6,947
	<u>81,963</u>	<u>109,166</u>	<u>107,320</u>
<b>Expenses:</b>			
Ancillary operations	8,673	9,391	8,492
Facility operations and maintenance	1,994	11,507	12,344
Instruction	42,103	40,138	37,465
Institutional support	25,775	30,314	29,040
Sponsored research	-	7,813	8,157
Specific purpose	-	6,335	5,071
	<u>78,545</u>	<u>105,498</u>	<u>100,569</u>
Annual operating surplus before restricted contributions	3,418	3,668	6,751
Net restricted endowment contributions	-	1,783	2,434
Annual surplus	3,418	5,451	9,185
Accumulated surplus, beginning of year	125,664	125,664	116,479
Accumulated surplus, end of year	<u>\$ 129,082</u>	<u>\$ 131,115</u>	<u>\$ 125,664</u>

See accompanying notes to financial statements.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Statement of Changes in Net Debt

Year ended March 31, 2014, with comparative figures for 2013 (in thousands of dollars)

	Budget (Note 18)	2014 Total	2013 Total
Annual surplus	\$ 3,418	\$ 5,451	\$ 9,185
Acquisition of tangible capital assets	-	(3,332)	(2,102)
Write down of tangible capital assets	-	239	-
Amortization of tangible capital assets	-	8,834	9,279
	-	5,741	7,177
Consumption of inventories held for use	-	89	96
Acquisition of inventories held for use	-	(98)	(89)
Consumption of prepaid expenses	-	1,587	2,005
Acquisition of prepaid expenses	-	(1,283)	(1,587)
Acquisition of endowment investments	-	(1,798)	(3,381)
	-	(1,503)	(2,956)
	3,418	9,689	13,406
Decrease in net debt	3,418	9,689	13,406
Net debt, beginning of year	(141,923)	(141,923)	(155,329)
Net debt, end of year	\$ (138,505)	\$ (132,234)	\$ (141,923)

See accompanying notes to financial statements.



# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Statement of Cash Flows

Year ended March 31, 2014, with comparative figures for 2013 (in thousands of dollars)

	2014	2013
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Annual surplus	\$ 5,451	\$ 9,185
Items not involving cash:		
Amortization of tangible capital assets	8,834	9,279
Revenue recognized from deferred capital contributions	(6,570)	(6,947)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	934	531
Decrease (increase) in prepaid expenses	304	418
Decrease (increase) in inventories held for use	(9)	7
Decrease (increase) in inventories held for sale	(72)	(75)
Increase (decrease) in accounts payable and accrued liabilities	(1,011)	216
Decrease in deferred revenue	(199)	(340)
<b>Net change in cash from operating activities</b>	<b>7,662</b>	<b>12,274</b>
<b>Capital activities:</b>		
Cash used to acquire tangible capital assets	(3,332)	(2,102)
<b>Net change in cash from capital activities</b>	<b>(3,332)</b>	<b>(2,102)</b>
<b>Financing activities:</b>		
Cash used (restricted) for repayment of long-term debt	1,107	(357)
Repayment of long-term debt	(2,761)	(323)
<b>Net change in cash from financing activities</b>	<b>(1,654)</b>	<b>(680)</b>
<b>Investing activities:</b>		
Capital contributions	692	657
(Increase) decrease in short-term investments	384	(4,067)
Deferred contributions	6,070	149
Increase in endowment investments	(1,798)	(3,381)
Purchase of portfolio investments	(13,526)	(2,551)
<b>Net change in cash from investing activities</b>	<b>(8,178)</b>	<b>(9,193)</b>
<b>Net change in cash</b>	<b>(5,502)</b>	<b>299</b>
<b>Cash, beginning of year</b>	<b>29,259</b>	<b>28,960</b>
<b>Cash, end of year</b>	<b>\$ 23,757</b>	<b>\$ 29,259</b>

Cash is comprised of cash and cash equivalents

See accompanying notes to financial statements.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Year ended March 31, 2014 (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

Year ended March 31, 2014 (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

Year ended March 31, 2014 (in thousands of dollars)

---

## 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

Year ended March 31, 2014 (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

Year ended March 31, 2014 (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.

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

Year ended March 31, 2014 (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 18 and have been derived from the 2013/14 General Operating and Ancillary Fund budgets approved by the Board of Governors of UNBC on March 23, 2013.

### 3. Cash and cash equivalents

	2014	2013
Restricted cash	\$ -	\$ 1,200
Unrestricted cash and GICs	23,757	28,059
	<u>\$ 23,757</u>	<u>\$ 29,259</u>

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

### 4. Short-term investments

	2014	2013
Term Deposits, GIC, T-bills	\$ 12,850	\$ 13,450
Municipal Financing Authority - bond fund	7,843	7,687
Municipal Financing Authority - money market fund	5,500	5,440
	<u>\$ 26,193</u>	<u>\$ 26,577</u>

### 5. Financial instruments

Financial assets and liabilities recorded at fair value are comprised of the components noted below. Money market, fixed income and equity amounts are managed in pooled balanced funds by Letko Brosseau & Associates Inc. and Gryphon Investment Counsel Inc. Mortgages are managed in an open-ended mutual fund unit trust by Trez Capital Inc. and private debt is held in a limited partnership, Wellington Financial Fund IV, managed by Wellington Financial.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2014 (in thousands of dollars)

## 5. Financial instruments (continued)

	Fair Value Hierarchy	2014	2013
<b>Financial assets:</b>			
Portfolio investments, quoted at fair value - operating:			
Mortgages	Level 2	\$ 5,000	\$ -
Private debt	Level 3	1,643	1,451
		<u>6,643</u>	<u>1,451</u>
Portfolio investments quoted at fair value - restricted:			
Money market	Level 1	911	376
Fixed income	Level 1	5,416	2,655
Equity	Level 1	10,544	5,506
		<u>16,871</u>	<u>8,357</u>
Total portfolio investments		<u>23,514</u>	<u>9,988</u>
<b>Non-financial assets:</b>			
Restricted endowment investments quoted at fair value:			
Money market	Level 1	2,345	1,845
Fixed income	Level 1	1,394	13,037
Equity	Level 1	39,981	27,039
		<u>43,719</u>	<u>41,921</u>
Total restricted endowment investments		<u>43,719</u>	<u>41,921</u>
Total financial instruments		<u>\$ 67,233</u>	<u>\$ 51,909</u>

## 6. Accounts payable and accrued liabilities

	2014	2013
Accounts payable and accrued liabilities	\$ 4,821	\$ 6,195
Salaries and benefits payable	2,326	1,837
Accrued vacation pay	609	735
	<u>\$ 7,756</u>	<u>\$ 8,767</u>

## 7. 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 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 \$3,568 (2013 - \$3,376) to the plan.



# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Year ended March 31, 2014 (in thousands of dollars)

### 8. 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:

				2014	2013
	Capital	Research	Specific Purpose	Total	Total
Balance, beginning of year	\$ 745	\$ 6,954	\$ 12,330	\$ 20,029	\$ 19,880
Contributions received during the year	242	10,892	19,634	30,768	19,746
Revenue recognized from deferred contributions	(252)	(10,362)	(13,393)	(24,007)	(18,940)
Transfers to deferred capital contributions	(6)	(597)	(88)	(691)	(657)
Balance, end of year	\$ 729	\$ 6,887	\$ 18,483	\$ 26,099	\$ 20,029

### 9. Deferred capital contributions

Contributions that are restricted for capital 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:

	2014	2013
Balance, beginning of year	\$ 178,931	\$ 185,221
Contributions received during the year	455	657
Revenue recognized from deferred capital contributions	(6,570)	(6,947)
Balance, end of year	\$ 172,816	\$ 178,931

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Year ended March 31, 2014 (in thousands of dollars)

### 10. Long-term debt

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

	2014	2013
Province of British Columbia (Section 58 of the <i>University Act</i> )	\$ 7,500	\$ 14,800
Sinking fund asset	(6,126)	(11,770)
Balance, end of year	\$ 1,374	\$ 3,030

	2014	2013
Interest expense for the year on outstanding debt	\$ 1,013	\$ 1,324

During the year, \$7,300 of debt was retired, utilizing accumulated sinking funds in the amount of \$5,739.

#### 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:

2015	164
2016	67
2017	67
2018	67
2019	67
Thereafter	67
	<u>\$ 499</u>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Year ended March 31, 2014 (in thousands of dollars)

### 11. Tangible capital assets

2014	Balance at			Balance at
Cost	March 31,	Additions	Disposals	March 31,
	2013			2014
Land	\$ 6,656	\$ -	\$ -	\$ 6,656
Buildings and site improvements	272,924	-	-	272,924
Furniture and equipment	43,541	1,682	-	45,223
Computers	34,142	1,380	(2)	35,522
Library holdings	26,020	270	-	26,290
Assets under construction	237	-	(237)	-
<b>Total</b>	<b>\$ 383,520</b>	<b>\$ 3,332</b>	<b>\$ (239)</b>	<b>\$ 386,613</b>

2014	Balance at		Amortization	Balance at
Accumulated	March 31,	Disposals	Expense	March 31,
amortization	2013			2014
Land	\$ -	\$ -	\$ -	\$ -
Buildings and site improvements	(67,314)	-	(5,460)	(72,774)
Furniture and equipment	(37,306)	-	(1,459)	(38,765)
Computers	(32,788)	-	(989)	(33,777)
Library holdings	(22,122)	-	(926)	(23,046)
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ (159,530)</b>	<b>\$ -</b>	<b>\$ (8,834)</b>	<b>\$ (168,364)</b>

2013	Balance at			Balance at
Cost	March 31,	Additions	Disposals	March 31,
	2012			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>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Year ended March 31, 2014 (in thousands of dollars)

### 11. Tangible capital assets (continued)

2013 Accumulated amortization	Balance at March 31, 2012	Disposals 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, 2013	Net book value March 31, 2014
Land	\$ 6,656	\$ 6,656
Buildings and site improvements	205,610	200,150
Furniture and equipment	6,235	6,458
Computers	1,354	1,743
Library holdings	3,898	3,242
Assets under construction	237	-
<b>Total</b>	<b>\$ 223,990</b>	<b>\$ 218,249</b>

#### (a) Assets under construction

Assets under construction having a value of \$NIL (2013 - \$237) are not amortized. Amortization of these assets commences when the asset is put into service; if it is determined that the costs no longer represent cost of an ongoing project, they are expensed in the statement of operations.

#### (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.

### 12. 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.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Year ended March 31, 2014 (in thousands of dollars)

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### 12. Financial risk management (continued)

Unless otherwise disclosed in these financial statements, the University is not subject to 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, short-term investments and accounts payable 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).

The classification of the University's instruments is indicated in Note 5.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Year ended March 31, 2014 (in thousands of dollars)

### 13. Accumulated surplus

Accumulated surplus is comprised of the following:

	2014	2013
Accumulated operating surplus	\$ 87,396	\$ 83,743
Endowments	43,719	41,921
	<u>\$ 131,115</u>	<u>\$ 125,664</u>

Accumulated operating surplus consists of the following individual fund surpluses:

	2014	2013
Invested in tangible capital assets		
Capital assets	\$ 218,249	\$ 223,990
Amounts financed by deferred capital contributions	(172,816)	(178,931)
Amount financed by long term debt (net of sinking fund)	(1,374)	(3,030)
	<u>44,059</u>	<u>42,029</u>
Appropriated for specific purposes		
General Operating		
Departmental carryforwards	5,054	3,239
Minor capital projects, equipment purchases and special projects	9,312	13,664
Professional development and internal research funds	4,395	3,296
	<u>18,761</u>	<u>20,199</u>
Ancillary Services	713	2,390
Capital	7,184	7,064
Specific Purpose	13,162	8,544
	<u>39,820</u>	<u>38,197</u>
Unrestricted surplus	<u>3,517</u>	<u>3,517</u>
Total accumulated operating surplus	<u>\$ 87,396</u>	<u>\$ 83,743</u>

General Operating appropriations are comprised of departmental amounts calculated under a policy which allows them to carry forward unspent amounts to future periods, as well as an allocation of unspent salary allocations under the authority of the Provost and the Vice President, Administration and Finance. 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.

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.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Year ended March 31, 2014 (in thousands of dollars)

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### 14. Endowments

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

	2014	2013
Balance, beginning of year	\$ 41,921	\$ 38,540
Contributions received during the year	385	95
Capitalized interest	850	2,339
Income reserve gain (loss) not adjusted to individual endowment principal balances	563	947
Balance, end of year	<u>\$ 43,719</u>	<u>\$ 41,921</u>

The balance shown does not include endowment principal with fair value of \$1,803 (2013 - \$1,624) and book value of \$1,681 (2013 - \$1,681) held by the Vancouver Foundation. The excluded principal is not owned or controlled by the University, but income from it is paid to the University to be used for specific purposes.

### 15. 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.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Year ended March 31, 2014 (in thousands of dollars)

### 16. Expenses by object

The following is a summary of expenses by object:

	2014	2013
Salaries and wages	\$ 51,844	\$ 49,493
Benefits	9,702	9,165
Travel and personnel costs	3,372	3,316
Operational supplies and expenses	10,298	9,260
Equipment, furnishings and rent	1,192	1,035
Professional and contracted services	8,013	7,623
Scholarships, fellowships and bursaries	2,916	2,399
Renovations, alterations and maintenance	3,250	2,998
Cost of goods sold	2,414	2,036
Interest	955	1,324
Utilities	2,708	2,641
Amortization of tangible capital assets	8,834	9,279
	<u>\$ 105,498</u>	<u>\$ 100,569</u>

### 17. Trust funds

At March 31, 2014 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 \$7,559 (2013 - \$7,168), under the administration of the University are as follows:

	2014	2013
Assets	\$ 9,005	\$ 7,545
Liabilities	(9,005)	(7,545)
Equity	\$ Nil	\$ Nil

### 18. 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.



# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Notes to Financial Statements

Year ended March 31, 2014 (in thousands of dollars)

- 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 2013/14 budgets for the Operating and Ancillary Funds were approved by the Board of Governors on March 23, 2013. These budgets, prepared on internal accounting basis, have been adjusted to more closely conform to PSAS standards in the table below.

	As Approved
Total revenue	\$ <u>83,941</u>
Total expenses	80,846
Total capital expenditures	408
Total interfund transfers	<u>2,687</u>
	<u>83,941</u>
Budgeted annual surplus	-
Eliminate interfund transfers	2,687
Eliminate capital expenditures and debt payments	<u>731</u>
Annual surplus for Operating Commitments	\$ <u>3,418</u>

### 19. Comparative figures

Certain of the prior year comparative figures have been reclassified to conform to the current year's presentation.