Financial Statements of

UNIVERSITY OF THE FRASER VALLEY

For the year ended March 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the University of the Fraser Valley, and
To the Minister of Advanced Education, Province of British Columbia

We have audited the accompanying financial statements of the University of the Fraser Valley, which comprise the statement of financial position as at March 31, 2014, the statements of operations and accumulated surplus, 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's 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 entity's preparation 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 entity'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 the Fraser Valley as at March 31, 2014 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

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

KPMG LLP

Chartered Accountants

June 20, 2014

Abbotsford, British Columbia

University of the Fraser Valley

Statement of Financial Position

As at March 31, 2014, with comparative information for 2013

		2014		2013
Financial assets				
Cash and cash equivalents	$	14,127,905	$	14,799,424
Accounts receivable (Note 5)		2,610,501		2,437,521
Inventories held for resale		1,736,410		1,601,198
Investments (Note 3)		17,676,749		16,700,970
Investment in government business enterprise (Note 4)		181,786		155,141
		36,333,351		35,694,254
Liabilities				
Accounts payable and accrued liabilities (Note 6)		10,645,265		10,298,736
Deferred revenue (Note 7)		12,577,673		10,839,209
Deferred capital contributions (Note 8)		99,183,658		98,806,003
Long-term debt (Note 9)		11,802,277		12,175,584
Obligations under capital lease (Note 10)		23,371		133,241
		134,232,244		132,252,773
Net debt		(97,898,893)		(96,558,519)
Non-financial assets				
Tangible capital assets (Note 12)		162,486,617		159,657,136
Prepaid expenses		396,409		287,279
Investments - endowments (Note 15)		8,186,905		7,879,299
		171,069,931		167,823,714
Accumulated surplus(Note 14)	$	73,171,038	$	71,265,195
Contractual obligations (Note 16)				
Contingent liabilities (Note 17)				

Approved by:

Chairman of the Board

Chief Financial Officer

See accompanying notes to the financial statements.

University of the Fraser Valley

Statement of Operations and Accumulated Surplus

For the year ended March 31, 2014, with comparative information for 2013

	2014 Budget (Note 2.j)	2014	2013
Revenue			
Province of British Columbia	$ 55,965,123	$ 57,529,912	$ 57,259,117
Tuition and student fees	41,039,443	40,453,861	38,665,802
Sales of goods and services	6,896,447	6,717,014	7,144,724
Amortization of deferred capital contributions (Note 8)	5,300,000	5,826,746	6,619,102
Other revenue	1,427,154	2,004,546	2,008,949
Donations, non-government grants and contracts	1,876,800	1,613,045	1,578,196
Government of Canada	405,100	558,286	576,963
Investment income	495,000	557,891	538,730
Contributed tangible capital asset (Note 12.a)	-	-	333,890
Income from government business enterprise (Note 4)	-	26,645	155,141
	113,405,067	115,287,946	114,880,614
Expenses (Note 19)			
Instruction and Support	107,808,703	107,850,848	107,750,356
Ancillary	5,596,364	5,777,812	6,261,314
	113,405,067	113,628,660	114,011,670
Annual surplus from operations	-	1,659,286	868,944
Other income (expenses)			
Endowment donations (Note 15)	-	307,606	298,869
Gain on sale of tangible capital assets	-	536,764	-
Contribution to the Province of British Columbia	-	(597,813)	-
	-	246,557	298,869
Annual Surplus	-	1,905,843	1,167,813
Accumulated surplus, beginning of year	71,265,195	71,265,195	70,097,382
Accumulated surplus, end of year	$ 71,265,195	$ 73,171,038	$ 71,265,195

See accompanying notes to the financial statements.

University of the Fraser Valley

Statement of Changes in Net Debt

For the year ended March 31, 2014, with comparative information for 2013

	2014 Budget (Note 2.j)	2014	2013
Annual Surplus	$ -	$ 1,905,843	$ 1,167,813
Acquisition of tangible capital assets	-	(10,072,397)	(8,910,458)
Contributed tangible capital asset(Note 12.a)	-	(772,061)	(865,000)
Gain on sale of tangible capital assets	-	(536,764)	-
Proceeds on sale of tangible capital assets	-	597,813	-
Amortization of tangible capital assets	8,112,000	7,953,928	8,220,565
	8,112,000	(2,829,481)	(1,554,893)
Acquisition of prepaid expenses	-	(396,409)	(287,279)
Use of prepaid expense	-	287,279	329,512
	-	(109,130)	42,233
	8,112,000	(1,032,768)	(344,847)
Endowment donations	-	(307,606)	(298,869)
Increase in net debt	8,112,000	(1,340,374)	(643,716)
Net debt, beginning of year	(96,558,519)	(96,558,519)	(95,914,803)
Net debt, end of year	$ (88,446,519)	$ (97,898,893)	$ (96,558,519)

See accompanying notes to the financial statements.

University of the Fraser Valley

Statement of Cash Flows

For the year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities		
Annual surplus	$ 1,905,843	$ 1,167,813
Items not involving cash		
Amortization of tangible capital assets	7,953,928	8,220,565
Amortization of deferred capital contributions	(5,826,746)	(6,619,102)
Income from government business enterprise	(26,645)	(155,141)
Contributed tangible capital asset	(772,061)	(865,000)
Gain on sale of tangible capital assets	(536,764)	-
Change in non-cash operating working capital	1,667,671	(2,123,763)
Net change in cash from operating activities	4,365,226	(374,628)
Investing activities		
(Increase) decrease in investments - non endowment	(975,779)	5,212,274
Increase in investments - endowment	(307,606)	(671,280)
Net change in cash from investing activities	(1,283,385)	4,540,994
Capital activities		
Acquisition of tangible capital assets	(10,072,397)	(8,910,458)
Proceeds on sale of tangible capital assets	597,813	-
Net change in cash from capital activities	(9,474,584)	(8,910,458)
Financing activities		
Repayment of long-term debt	(373,307)	(354,684)
Deferred contributions received	6,204,401	4,747,827
Repayment of obligations under capital lease	(109,870)	(99,693)
Net change in cash from financing activities	5,721,224	4,293,450
Net change in cash and cash equivalents	(671,519)	(450,642)
Cash and cash equivalents, beginning of year	14,799,424	15,250,066
Cash and cash equivalents, end of year	$ 14,127,905	$ 14,799,424

See accompanying notes to the financial statements.

1. Authority and purpose

The University of the Fraser Valley (the "University") is a special purpose teaching university, partially funded by the Province of British Columbia, which operates under the authority of the University Act of British Columbia. The University is governed by a Board of Governors, the majority of which are appointed by the Province of British Columbia. The University is also a registered charity and is exempt from income taxes under section 149 of the *Income Tax Act*.

2. Significant accounting policies

(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:

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 recognitions 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 in deferred revenue and recognized as 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 198/2011 are significantly different from the requirements of Canadian public sector 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 standard PS3410.

2. Significant accounting policies (continued)

(a) Basis of accounting (continued)

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

(b) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) Financial instruments

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

(i) Fair value category: Includes portfolio investments that are quoted in an active market and derivative instruments reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets would be recognized in the Statement of Re-measurement Gains and Losses until such time that the financial asset is de-recognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus. Unrealized gains and losses on endowment investments where earnings are restricted as to use are recorded as deferred revenue and recognized in revenue when disposed and when the related expenses are incurred.

(ii) Cost category: Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

(d) Investments

Investments, non-endowment, are comprised of money market securities and other investments with terms that are capable of liquidation. Investments are recorded at cost plus any accrued interest to date. All interest income and realized gains and losses are recognized in the period in which they arise.

(e) Inventories held for resale

Inventories held for resale are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated proceeds from sale less any costs incurred to sell. Inventories are written down to net realizable value when the cost of inventories is estimated not to be recoverable. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of write down previously recorded is reversed.

2. Significant accounting policies (continued)

(f) 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 is not capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost of the tangible capital assets are 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	Basis	Rate
Buildings	Straight-line	20-60 years
Furniture and equipment	Straight-line	2-5 years
Library books	Straight-line	10 years
Site improvements	Straight-line	10 years
Computer hardware and software	Straight-line	2-4 years
Leasehold improvements	Straight-line	Life of the lease

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. The net write-downs are accounted for as expenses in the Statement of Operations. Contributed tangible capital assets are recorded into revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonable determined, in which case they are recognized at nominal value.

(ii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as obligations under capital lease. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(g) Revenue recognition

Tuition and student fees and sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured. Unrestricted donations and grants are recorded as revenue when received or receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the University or the transfer of property is completed.

2. Significant accounting policies (continued)

(g) Revenue recognition (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 revenue 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 donations on the Statement of Operations for the portion to be held in perpetuity and as deferred revenue 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 write-downs on investments where the loss in value is determined to be other-than-temporary. Investment income excludes income from endowed investments.

(h) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. 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 balance sheet date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet date would be recognized in the Statement of Re-measurement Gains and Losses. In the period of settlement, the related cumulative re-measurement gain/loss would be reversed in the Statement of Re-measurement 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.

2. Significant accounting policies (continued)

(j) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2013/2014 Budget approved by the Board of Governors of the University on April 15, 2013. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

(k) Endowment Investments

Endowment investments quoted in an active market are reported at fair value. Investment income and unrealized gains and losses relating to the investments are reported as deferred revenue on the Statement of Financial Position.

(l) Expense functions

Expense functions have been identified based upon the functional lines of service provided by the University. The University’s services are provided by departments and their activities are reported by functional area in the Statement of Operations and Accumulated Surplus. The functional lines, along with the services they provide, are as follows:

i) Instruction and support: This function includes activities related to delivering education. This includes instruction, education administration, student support, general administration, and the cost of space, safety, and equipment.

ii) Ancillary: This function includes the activities of the ancillary operations. An ancillary operation is one that is generally outside of the normal functions of instruction and research, provides goods and services to students, staff or others, and that charges a fee directly related to the cost of providing the goods or services. Ancillary operations include parking, food services, and bookstores. Costs associated with this function include function-related contracts and general and financial administration and support costs.

(m) Investment in government business enterprises

Government business enterprises are accounted for by the modified equity method. Under this method, the University's investment in the business enterprise and its net income and other changes in equity are recorded. No adjustment is made to conform the accounting policies of the government business enterprise to those of the University other than, if other comprehensive income exists, it is accounted for as an adjustment to accumulated surplus of the University. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions between entities of assets that remain within the entities controlled by the University.

The following organization is a controlled government business enterprise and is accounted for by the modified equity method:

i) Indo Canadian Education Society, Chandigarh, India, a separate legal entity, administers and delivers business eduation to students in India using the University's Bachelor of Business curriculum.

3. Financial instruments

	2014	2013
Investments recorded at fair value		
Philips Hager North - UFV Endowment Fund	$ 6,697,536	$ 5,958,238
Philips Hager North - CCIBED* Endowment Fund	2,781,511	2,568,787
	9,479,047	8,527,025
Investments recorded at cost or amortized cost	16,384,607	16,053,244
	25,863,654	24,580,269
Principal portion of endowments	(8,186,905)	(7,879,299)
	$ 17,676,749	$ 16,700,970

Investments recorded at fair value are comprised of equity instruments quoted in an active market.

Investments recorded at cost or amortized cost are comprised of cashable securities with terms ranging from one to five years.

*CCIBED - Chair Canada India Business & Economic Development

4. Investment in government business enterprise

The University has controlling interest in the operations of the Indo Canadian Education Society located in Chandigarh, India. The financial information relating to the ongoing operations is detailed below.

The change in equity is as follows:

	2014	2013
Equity, beginning of year	$ 155,141	$ 146,736
Net earnings	26,645	8,405
Equity, end of year	$ 181,786	$ 155,141

Condensed financial information of the Indo Canadian Education Society is as follows:

	2014	2013
Statement of Financial Position		
Assets	$ 183,942	$ 170,216
Liabilities	(2,156)	(15,075)
Accumulated surplus	$ 181,786	$ 155,141

	2014	2013
Statement of Operations		
Revenue	$ 704,001	$ 127,476
Expenses	677,356	119,071
Annual Surplus	26,645	8,405
Accumulated surplus, beginning of year	155,141	146,736
Accumulated surplus, end of year	$ 181,786	$ 155,141

5. Accounts receivable

Included in the accounts receivable is Goods and Services Tax (GST) due from the Canada Revenue Agency in the amount of $191,317 (2013 - $341,102).

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2014	2013
Trades payable	$ 4,407,957	$ 3,958,477
Wages payable	125,747	315,137
Accrued vacation and overtime payable	6,111,561	6,025,122
	$ 10,645,265	$ 10,298,736

7. Deferred revenue

Deferred revenue is comprised of the following:

	2014	2013
Student award funding	$ 1,104,140	$ 1,011,996
Endowed funds - FMV adjustment	1,203,373	574,226
Student tuition fees	6,914,912	6,406,479
Special purpose and research	1,938,684	2,009,375
Provincial grant funding	1,416,564	837,133
	$ 12,577,673	$ 10,839,209

8. Deferred capital contributions

Changes in the deferred capital contributions balance are as follows:

	2014	2013
Balance, beginning of year	$ 98,806,003	$ 100,677,277
Contributions from the Province of British Columbia	4,480,369	3,661,873
Contributions from the Government of Canada	467,287	-
Contributed tangible capital asset (Note 12.a)	772,061	531,110
Contribution from other restricted resources	484,684	554,845
Amortization of deferred capital contributions	(5,826,746)	(6,619,102)
Balance, end of year	$ 99,183,658	$ 98,806,003

9. Long-term debt

Long-term debt, recorded at amortized cost, is held with BC Immigrant Investment Fund Ltd. (BCIIF), is unsecured, payable in quarterly installments of $284,304 including interest at 5.15%, and is due August 1, 2017. Interest on long-term debt in the amount of $616,724 (2013 - $635,505) is included in the Statement of Operations and Accumulated Surplus.

Anticipated annual principal repayments over the next three years and thereafter are as follows:

2015	$	396,260
2016		417,465
2017		438,562
2018		10,549,990
Total	$	11,802,277

10. Obligations under capital lease

Repayments of obligations under capital leases are due as follows:

		2014		2013
2014	$	-	$	111,454
2015		23,804		27,842
Total minimum lease payments		23,804		139,296
Less amounts representing interest at 6%		(433)		(6,055)
Present value of net minimum capital lease payments	$	23,371	$	133,241

Total interest on leases for the year was $4,263.

11. Commitment

The University has committed to capital expenditures related to the construction of a new building for the UFV Student Union Society. The expenditures, estimated to aggregate to $12,121,147 are expected to be complete in 2015. Of this amount $2,617,807 has already been spent and is included in the Assets under construction. The expenditures are funded through capital reserves and contributions from the UFV Student Union Society.

12. Tangible capital assets

		Land		Buildings		Furniture and equipment		Computer hardware and software		Leasehold improvements		Site improvements		Library books		Assets under construction		2014 Total
2014 Cost																		
Balance, beginning of year	$	9,817,132	$	182,840,379	$	32,707,884	$	12,208,000	$	1,619,974	$	7,743,530	$	9,302,142	$	2,284,670	$	258,523,711
Additions		-		1,480,754		789,838		523,741		-		961,542		336,465		6,752,118		10,844,458
Disposals		(61,049)		-		-		-		-		-		-		-		(61,049)
Balance, end of year		9,756,083		184,321,133		33,497,722		12,731,741		1,619,974		8,705,072		9,638,607		9,036,788		269,307,120
2014 Accumulated amortization																		
Balance, beginning of year		-		49,780,162		26,878,082		10,666,567		481,088		3,184,073		7,876,603		-		98,866,575
Amortization		-		4,329,949		1,622,486		796,061		130,158		774,522		300,752		-		7,953,928
Balance, end of year		-		54,110,111		28,500,568		11,462,628		611,246		3,958,595		8,177,355		-		106,820,503
2014 Net book value	$	9,756,083	$	130,211,022	$	4,997,154	$	1,269,113	$	1,008,728	$	4,746,477	$	1,461,252	$	9,036,788	$	162,486,617
2013 Net book value	$	9,817,132	$	133,060,217	$	5,829,802	$	1,541,433	$	1,138,886	$	4,559,457	$	1,425,539	$	2,284,670	$	159,657,136

(a) Contributed tangible capital assets

Additions to tangible capital assets include the following contributed tangible capital assets:

		2014		2013
Land	$	-	$	333,890
Building		772,061		531,110
	$	772,061	$	865,000

12. Tangible capital assets (continued)

(b) Assets under construction

Assets under construction having a value of $9,036,788 (2013 - $2,284,670) have not been amortized. Amortization of these assets will commence when the asset is put into service.

13. Financial risk management

The University has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

The Board of Governors ensures that the University has identified its major risks and ensures that management monitors and controls them.

(a) Credit risk

Credit risk is the risk of financial loss to the University if a party to a financial instrument fails to meet its contractual obligations. Such risk arises principally from certain financial assets held by the University consisting of cash and cash equivalents, accounts receivable and investments.

Accounts receivable: Management believes risk with respect to accounts receivable is limited. Student accounts receivable is a large population of limited amounts where the University has the ability to stop further enrolments and granting of transcripts until payment is made. Other receivables and tax recoveries are generally with governments and other credit-worthy institutions.

Investments: The University has an Investment Policy to ensure funds are managed appropriately in order to balance preservation of capital, liquidity requirements and returns. The University retains an external investment firm to manage endowed funds in accordance with its investment policy utilizing diverse agreed upon investment strategies primarily in active trading markets.

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the University’s income. The University cash and cash equivalents and investments include amounts on deposit with financial institutions that earn interest at market rates. The University manages its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day to day basis. Fluctuation in market rates of interest does not have a significant effect on the University`s cash and cash equivalents and investments.

The primary objective of the University with respect to its investment of endowed funds is to ensure the security of principal amounts while achieving a satisfactory investment return.

13. Financial risk management (continued)

(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 meets its liquidity risk requirements by continually monitoring actual and forecasted cash flows and aniticipating investment and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

(d) Fair value of financial instruments

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

(i) Cash and cash equivalents, accounts receivable, investments - non endowment and accounts payables and accrued liabilities - the carrying amounts approximate fair value because of the short maturity of these instruments.

The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

(ii) 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)

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The University's instruments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in financial instruments 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:

	2014	2013
Unrestricted	$ 4,874,627	$ 4,373,351
Internally restriced	27,295,026	31,748,362
Investment in tangible capital assets	32,814,480	27,264,183
Endowments	8,186,905	7,879,299
Accumulated surplus	$ 73,171,038	$ 71,265,195

15. Endowments

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

	2014	2013
Balance, beginning of year	$ 7,879,299	$ 7,580,430
Contributions received during the year	307,606	298,869
Balance, end of year	$ 8,186,905	$ 7,879,299

16. Contractual obligations

The nature of the University's activities can result in multi-year contracts and obligations whereby the University will be committed to make future payments.

Significant contractual obligations related to operations that can be reasonably estimated are as follows:

	2015	2016	2017	2018	2019
Long-term lease commitments	$ 155,523	$ 154,336	$ 82,772	$ 337,602	$ 337,602

17. Contingent liabilities

The University may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of operations. In the event that any such claims or litigation are resolved against the University, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of the University. The University has accrued for claims for which the amounts are known or can reasonably be estimated. The outcome of other claims is undeterminable at this time and accordingly no provision has been made for these claims.

18. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

19. Expenses by object

The following is a summary of expenses by object:

	2014	2013
Salaries and wages	$ 65,612,018	$ 64,586,985
Employee benefits	16,737,942	16,753,229
Amortization of tangible capital assets	7,953,928	8,220,565
Contracted services	4,745,763	4,964,695
Supplies and books	3,423,787	3,508,814
Cost of goods sold	3,177,242	3,560,530
Other operating expenses	3,089,339	2,836,730
Travel and conferences	2,810,443	2,548,717
Utilities	1,880,618	1,845,519
Minor renovations and repairs	1,210,065	2,084,094
Scholarships and bursaries	1,161,753	1,274,010
Rentals and leases	632,812	636,612
Interest	616,724	635,505
Printing and advertising	445,149	438,925
Minor equipment and supplies	131,077	116,740
	$ 113,628,660	$ 114,011,670

20. Pension plans

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed pension plans. The board of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are based on a formula. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has about 179,000 active members, with approximately 5,700 from colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012 indicated a $105 million funding deficit for basic pension benefits. The next valuation will be as at August 31, 2015 with results available in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012 indicated a $1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because each Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plans.

The University paid and expensed $1,410,250 (2013 - $1,314,685) for employer contributions to the Municipal Pension Plan and $4,280,142 (2013 - $4,004,178) to the College Pension Plan in fiscal 2014.