



VANCOUVER ISLAND UNIVERSITY
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VANCOUVER ISLAND UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

VANCOUVER ISLAND UNIVERSITY

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Statement of Administrative Responsibility for Financial Statements

Administrative management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Treasury Board Regulation 198/2011. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

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

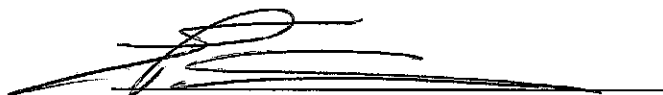
The Board of Governors carries out its responsibility for review of the financial statements principally through its Audit Committee. The members of the Audit Committee include employees of the University. The Audit Committee meets with management and with the external auditors to discuss the results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

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Board to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Audit Committee and management to discuss their audit findings.

On behalf of the University:



Ann Scott, Board Chair



Pat Eagar, Vice President Administration & Finance

Independent Auditors' Report

To the Board of Governors of Vancouver Island University and the Minister of Advanced Education:

We have audited the accompanying consolidated financial statements of Vancouver Island University, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of changes in net debt, operations and accumulated surplus, cash flows and remeasurement gains and losses for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and presentation of these consolidated financial statements in accordance with the financial reporting framework specified in Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and Treasury Board Regulation 198/2011, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 of 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 the auditors' 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, the auditor considers internal control relevant to the entity's preparation and 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 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present the financial position of Vancouver Island University as at March 31, 2014 and the results of its operations, changes in net debt, cash flows and remeasurement gains and losses for the years then ended in compliance with, in all material respects, the financial reporting framework specified in Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and Treasury Board Regulation 198/2011.

Nanaimo, British Columbia

May 13, 2014

MNP LLP

Chartered Accountants

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Financial Position

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

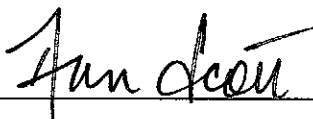
	2014	2013 <i>(restated-note 18)</i>
Financial assets		
Cash and cash equivalents	\$ 21,522,244	\$ 36,599,546
Accounts receivable	3,866,733	3,192,613
Inventories for resale	1,185,778	1,237,225
Investments	40,108,320	35,365,066
Interest Rate Swap Derivative	-	100,140
	<u>66,683,075</u>	<u>76,494,590</u>
Financial Liabilities		
Accounts payable and accrued liabilities	9,649,534	10,491,021
Employee future benefits	11,465,866	11,007,275
Deferred revenue	19,788,147	16,292,775
Deferred contributions	3,488,409	4,376,524
Deferred capital contributions	100,782,686	103,130,900
Debt	-	13,078,328
	<u>145,174,642</u>	<u>158,376,823</u>
Net financial assets (debt)	<u>(78,491,567)</u>	<u>(81,882,233)</u>
Non-financial assets		
Tangible capital assets	150,230,300	151,591,877
Prepaid expenses	1,622,520	1,237,075
	<u>151,852,820</u>	<u>152,828,952</u>
Accumulated surplus	<u>\$ 73,361,253</u>	<u>\$ 70,946,719</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	72,813,578	71,171,748
Accumulated remeasurement gains (losses)	547,675	(225,029)
	<u>\$ 73,361,253</u>	<u>\$ 70,946,719</u>

Contractual obligations (note 14)

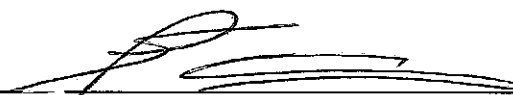
Contingencies (note 15)

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Board Chair



Vice-President Administration and Finance

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget <i>(note 1)</i>	2014	2013 <i>(restated-note 18)</i>
Revenue			
Province of British Columbia grants	\$ 56,895,468	\$ 61,039,421	\$ 59,821,620
Government of Canada grants	1,873,595	1,354,649	1,402,032
Other grants and contracts	4,149,426	3,869,069	3,389,740
Tuition and student fees	49,451,026	50,317,414	44,324,798
Sales of goods and services	8,680,910	7,715,758	7,198,874
Rental income	2,098,192	2,208,913	2,066,184
Investment income	1,080,640	1,781,094	1,343,339
Gifts, grants and bequests	987,117	290,931	679,994
Gain (loss) on interest rate swap derivative	-	(141,773)	(3,312)
Gain (loss) on investments	-	(630,287)	-
Revenue recognized from deferred capital contributions (note 10)	4,086,053	4,415,528	4,171,097
Other	1,389,756	919,904	915,376
	<u>130,692,183</u>	<u>133,140,621</u>	<u>125,309,742</u>
Expenses (note 17)			
Instruction & Student Support	118,249,666	117,794,173	108,790,299
Ancillary	12,442,517	14,234,565	11,587,921
	<u>130,692,183</u>	<u>132,028,738</u>	<u>120,378,220</u>
Annual operating surplus	-	1,111,883	4,931,522
Endowment contributions (note 16)	-	529,947	661,171
Annual surplus	-	1,641,830	5,592,693
Accumulated operating surplus, beginning of year	71,171,748	71,171,748	65,579,055
Accumulated operating surplus, end of year	<u>\$ 71,171,748</u>	<u>\$ 72,813,578</u>	<u>\$ 71,171,748</u>

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Changes in Net Debt

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

	Budget (note 1)	2014	2013 <i>(restated-note 18)</i>
Annual surplus	\$ -	\$ 1,641,830	\$ 5,592,693
Tangible capital assets:			
Acquisition of tangible capital assets	-	(5,958,593)	(7,880,201)
Amortization of tangible capital assets	7,029,277	7,320,170	7,327,559
	7,029,277	1,361,577	(552,642)
Prepaid expenses:			
Acquisition of prepaid expense	-	(385,445)	109,667
Changes in net remeasurement gains (losses)	-	772,704	(29,422)
Decrease in net debt	7,029,277	3,390,666	5,120,296
Net debt, beginning of year	(81,882,233)	(81,882,233)	(87,002,529)
Net debt, end of year	\$ (74,852,956)	\$ (78,491,567)	\$ (81,882,233)

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Cash Flows

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

	2014	2013 <i>(restated-note 18)</i>
Cash provided by (used in):		
Operations:		
Annual operating surplus	\$ 1,111,883	\$ 4,931,522
Items not involving cash:		
Amortization of tangible capital assets	7,320,170	7,327,559
Revenue recognized from deferred capital contributions	(4,415,528)	(4,171,097)
Change in employee future benefits	458,591	55,552
(Gain) loss on interest rate swap derivative	100,140	(2,155)
Unrealized (Gain) loss on endowment and other investments	772,704	(29,422)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(674,120)	591,178
Decrease (increase) in prepaid expenses	(385,445)	109,667
Decrease (increase) in inventories held for sale	51,447	(117,274)
Increase (decrease) in accounts payable and accrued liabilities	(841,487)	2,935,325
Increase (decrease) in deferred contributions	(888,115)	1,736,448
Increase (decrease) in deferred revenue	3,495,372	2,709,423
	<u>6,105,612</u>	<u>16,076,726</u>
Capital activities:		
Cash used to acquire tangible capital assets	(5,958,593)	(7,487,201)
Financing activities:		
Repayment of long-term debt	(13,078,328)	(751,456)
Increase in endowments	529,947	661,171
Proceeds from deferred capital contributions	2,067,314	5,712,249
	<u>(10,481,067)</u>	<u>5,621,964</u>
Investing activities:		
Net draw (purchase) of investments	(4,743,254)	(3,091,446)
Net change in cash	(15,077,302)	11,120,043
Cash, beginning of year	36,599,546	25,479,503
Cash, end of year	<u>\$ 21,522,244</u>	<u>\$ 36,599,546</u>

Cash is comprised of cash and cash equivalents.

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

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

	2014	2013
Unrealized gains (losses) attributed to:		
Derivatives	\$ -	\$ 5,467
Long term bonds	(237,536)	(247,809)
Equity investments	343,925	213,505
Foreign currency translation	(4,272)	2,111
	102,117	(26,726)
Amounts reclassified to the statement of operations:		
Derivatives	41,633	-
Long term bonds	630,287	-
Equity investments	778	(630)
Foreign currency translation	(2,111)	(2,066)
	670,587	(2,696)
Net remeasurement gains (losses) for the year	772,704	(29,422)
Accumulated remeasurement gains, beginning of year	(225,029)	(195,607)
Accumulated remeasurement gains (losses), end of year	\$ 547,675	\$ (225,029)

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

Vancouver Island University (the "University") is a post-secondary educational institution incorporated under the amended University Act (Bill 34 was enacted on September 1, 2008). The University is a registered charity, governed by a Board of Governors, the majority of which are appointed by the Provincial Government of British Columbia. The University offers a broad range of program options including undergraduate and graduate degrees, career diplomas, and trades training at its Nanaimo, Cowichan, Parksville and Powell River campuses.

1. Significant Accounting Policies

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

a. Basis of accounting

In 2010, a directive was provided by the Province of British Columbia Treasury Board ("Treasury Board") through Government Organization Accounting Standards Regulation 257/2010 requiring the University to adopt Public Sector Accounting Board (PSAB) standards of the Canadian Institute of Chartered Accountants (CICA) without any PS4200 elections from their first fiscal year commencing after January 1, 2013.

In March 2011, PSAB released a new Public Sector Accounting Standard PS 3410 "Government Transfers". In November 2011, Treasury Board provided a directive through Restricted Contributions Regulation 198/2011 providing direction for the reporting of restricted contributions whether they are received or receivable by the University before or after this regulation was in effect. The Treasury Board direction on the accounting treatment of restricted contributions is as described in Note 1c.

These consolidated financial statements have been prepared in accordance with the financial reporting framework described above.

b. Basis of consolidation

The University has consolidated the assets, liabilities, revenues and expenses of all funds and certain controlled entities after the elimination of inter-entity transactions and balances. The consolidated financial statements include the accounts of the University, its wholly owned subsidiary, Western Student Housing Ltd. ("WSH"), and its controlled entities, Vancouver Island University Foundation (the "Foundation"), The International High School at Vancouver Island University Association (formerly Malaspina International High School) and The High School at Vancouver Island University Association (formerly Malaspina High School) – (collectively "the High Schools"), and Milner Gardens and Woodland Society ("Milner Gardens").

WSH manages real-estate holdings of the University used for student residences.

The Foundation is a registered charity incorporated under the Society Act (British Columbia). The main purpose of the Foundation is fundraising in order to further the interests of the University and administering the University's endowment funds.

The High Schools are registered charities incorporated under the Society Act (British Columbia). They jointly operate a private high school for local and international students. The High Schools' fiscal year-end of June 30, 2013 have been consolidated into these financial statements. No material transactions or events have occurred between July 1, 2013 and March 31, 2014.

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

1. Significant Accounting Policies (continued)

Milner Gardens manages donated funds and operate fundraising events specifically in support of Milner Gardens. The Society's fiscal year-end of March 31, 2013 has been consolidated into these financial statements. No material transactions or events have occurred between April 1, 2013 and March 31, 2014.

c. Revenue recognition

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

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

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

In accordance with Regulation 198/2011, contributions restricted for the purpose of acquiring or developing a depreciable tangible capital asset are recorded as deferred contributions until the amount is invested in tangible capital assets. If the tangible capital asset has a limited life, the amount invested is recorded as a deferred capital contribution and amortized over the useful life of the asset. Amortization of deferred capital contributions for tangible capital assets is recorded on a straight-line basis over the estimated life of the related asset and commences in the year of purchase or substantial completion of construction.

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

Endowment contributions are recognized in the period in which they are received or earned. Investment income earned on externally restricted contributions is deferred until needed for the specific purpose.

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

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

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

d. Cash and cash equivalents

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

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

1. Significant Accounting Policies (continued)

e. Inventories for resale

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

f. Employee future benefits

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

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

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 asset acquisitions 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. Donated assets are recorded at fair value as of the date of donation. Amortization of capital assets is recorded on a straight line basis over the estimated life of the asset, commencing with a half year amortization in the year of acquisition or substantial completion of construction, as shown below. Land is not amortized as it is deemed to have a permanent value:

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

1. Significant Accounting Policies (continued)

Asset	Years
Buildings	40
Library books	10
Site Improvements	10
Computing equipment & software	5
Furniture and equipment	5
Vehicles	5
Leasehold improvements	Term of Lease

Assets under construction are not amortized until the asset is available for productive use.

(a) Land use rights

Land use rights are not recognized as assets in the financial statements

(b) Works of art and historic treasures

Works of art and historic treasures are not recognized as assets in the financial statements

h. Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities in a foreign currency are translated using the exchange rates at the statement of financial position date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet date is recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the related cumulative remeasurement gain or loss is 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.

i. Use of estimates

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

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

1. Significant Accounting Policies (continued)

j. Financial instruments

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

- (i) Fair value category: Cash and cash equivalents are recorded at fair value due to the short term nature of the instrument. Investments that are managed and evaluated as a group and derivative instruments are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the 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.
- (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 are included in the cost of the related investments.
 - (a) Accounts receivable and due from government/other government organizations are measured at amortized cost using the effective interest method.
 - (b) Accounts payable and accrued liabilities are measured at amortized cost. Any gains, losses or interest expense is recorded on the Statement of Operations and Accumulated Surplus depending on the nature of the financial liability that gave rise to the gain, loss or expense

k. Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2013-2014 Consolidated Resource Plan approved by the Board of Governors of the University on March 28, 2013. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Financial Debt.

2. Financial Instruments

Fair Value of Financial Instruments

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

- Cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments
- Investments fair value is determined by published price quotations in an active market

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

2. Financial Instruments (continued)

Financial asset impairment

At each year-end date, the University is required to evaluate and record any other-than-temporary impairment of its financial assets, other than those carried at fair value. Accordingly, the University has compared the carrying value of each of these financial assets to its fair value as at March 31, 2014. No provision for impairment was recorded in the current year, as the fair value of all financial assets exceeded or did not differ significantly from their carrying value.

Risk Management Policy

The University, as part of its operations, has established objectives (i.e. hedging of risk exposures and avoidance of undue concentrations of risk) to mitigate credit risk as risk management objectives.

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

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

a. Foreign currency risk

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

b. Credit risk

Financial instruments that potentially subject the University to concentrations of credit include cash and cash equivalents, accounts receivable, and investments in other than equity investments. The maximum credit risk exposure is \$43,659,901 (2013 - \$56,624,412).

The University's credit exposure is limited due to the large customer base, regular monitoring of the receivables and it provides allowances for potentially uncollectable amounts.

Total financial instruments that are past-due, but not considered to be impaired, are \$97,182 (2013 - \$259,467).

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

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

2. Financial Instruments (continued)

c. Interest rate risk

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

d. Liquidity risk

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

e. Other price risk

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

3. Cash and cash equivalents

Vancouver Island University cash balances held on deposit in a single Chartered Bank are in excess of the \$100,000 insured by the Canadian Deposit Insurance Corporation. Foundation cash balances are held on deposit in a single Credit Union and are fully insured. Restricted cash balances are externally restricted for scholarships and bursaries or to support Milner Gardens.

	2014	2013 (restated-note 18)
Restricted cash	\$ 1,720,398	\$ 1,327,817
Unrestricted cash and demand deposits	19,801,846	35,271,729
Balance, end of year	\$ 21,522,244	\$ 36,599,546

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

4. Accounts receivable

	2014	2013
Trade accounts receivable	\$ 2,397,491	\$ 2,112,920
Due from Federal government	356,204	397,219
Due from Provincial government	609,528	422,510
Due from Other government organizations	503,510	259,964
Balance, end of year	\$ 3,866,733	\$ 3,192,613

5. Investments

	2014	2013 (restated-note 18)
Endowment	\$ 12,197,041	\$ 11,667,094
Investments	26,911,279	22,697,972
Internally restricted investments	1,000,000	1,000,000
Balance, end of year	\$ 40,108,320	\$ 35,365,066

Fixed term investments mature between June 2014 - June 2018 and have a total maturity/face value of \$18,959,001 (2013 - \$16,419,725). Interest rates range between 2.05% and 4.8%.

6. Accounts payable and accrued liabilities

	2014	2013 (restated-note 18)
Trade payables and accrued liabilities	\$ 5,832,087	\$ 6,552,962
Salaries and benefits payable	2,280,110	2,126,060
Payable to other government agencies	1,537,337	1,811,999
	\$ 9,649,534	\$ 10,491,021

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

7. Employee future benefits

a. Vacation, termination benefits, and compensated absences

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

	2014	2013
Accrued benefit obligation, beginning of year	\$ 10,548,325	\$ 10,589,462
Unamortized actuarial gains (losses), beginning of year	458,950	362,261
	11,007,275	10,951,723
Current service cost	404,367	399,821
Interest cost	226,485	224,031
Benefits paid	(478,959)	(453,085)
Amortization of actuarial (gain) loss	(45,895)	(36,226)
Increase (decrease) in vacation liability	352,593	(78,989)
Accrued benefit obligation, end of year	\$ 11,465,866	\$ 11,007,275

Accrued benefit obligation, end of year consists of:

Accrued liability, end of year	\$ 10,966,770	\$ 10,548,325
Unamortized actuarial gains (losses), end of year	499,096	458,950
Accrued benefit obligation, end of year	\$ 11,465,866	\$ 11,007,275

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

	2014	2013
Discount rate for termination benefits	5.80%	5.80%
Discount rate for compensated absences	3.75	3.75
Expected future inflation rates	2.00	2.00
Expected wage and salary increases	2.75	2.75

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

7. Employee future benefits (continued)

b. Pension liability

The University and its employees contribute to College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of 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 senior administration and instructional staff and approximately 6,000 retired members. The Municipal Pension Plan has about 179,000 active members, with approximately 5,700 from post-secondary institutes.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012 indicated a \$105 million 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 billion 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 the 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 Plan.

The University paid \$6,305,257 (2013 - \$5,738,328) for employer contributions to the Plans during the fiscal year.

8. Deferred revenue

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

	2014	2013 (restated-note 18)
Tuition	\$ 12,541,261	\$ 11,456,610
Donations	4,511,423	2,882,233
Grant and contract service funding	2,487,507	1,713,715
Other	247,956	240,217
	<u>\$ 19,788,147</u>	<u>\$ 16,292,775</u>

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

9. Deferred contributions

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

	2014	2013
Balance, beginning of year	\$ 4,376,524	\$ 2,640,076
Contributions received during the year	3,482,436	4,772,594
Revenue recognized from deferred contributions	(4,370,551)	(3,036,146)
Balance, end of year	\$ 3,488,409	\$ 4,376,524

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 1. Changes in the deferred capital contributions balance are as follows:

	2014	2013
Deferred contributions, beginning of year	\$ 103,130,900	\$ 101,196,748
Contributions received during the year - cash	2,067,314	5,712,249
Contributions received during the year – in-kind	-	393,000
Revenue recognized from deferred capital contributions	(4,415,528)	(4,171,097)
Deferred contributions, end of year	\$ 100,782,686	\$ 103,130,900

11. Debt

	2014	2013
Royal Bank of Canada Term loan with blended quarterly payments bearing interest fixed at 6.31% through an interest rate swap, due August 2030.	\$ -	\$ 11,074,000
Royal Bank of Canada Term loan with blended monthly payments bearing interest fixed at 5.79% through an interest rate swap, due February 2017.	-	1,958,000
Accrued interest	-	46,328
	\$ -	\$ 13,078,328
Interest expense for the year on debt	\$ 3,691,202	\$ 868,020

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

12. Tangible capital assets

Cost	Balance at March 31, 2013	Additions & WIP Transfers In	Writedowns & WIP Transfers Out	Balance at March 31, 2014
Land	\$ 12,401,247	\$ -	\$ -	\$ 12,401,247
Buildings	188,672,814	2,692,577	-	191,365,391
Work In Progress ("WIP")	495,780	38,388	415,690	118,478
Site improvements	7,192,003	-	88,122	7,103,881
Leasehold improvements	-	400,236	-	400,236
Furniture and equipment	23,233,413	1,862,493	2,628,587	22,467,319
Computing equipment and software	7,545,961	1,155,053	806,241	7,894,773
Library books	3,178,966	159,752	489,507	2,849,211
Vehicles	524,913	65,785	-	590,698
	\$ 243,245,097	\$ 6,374,284	\$ 4,428,147	\$ 245,191,234

Accumulated amortization	Balance at March 31, 2013	Writedowns	Amortization expense	Balance at March 31, 2014
Land	\$ -	\$ -	\$ -	\$ -
Buildings	57,278,429	-	4,747,359	62,025,788
Work In Progress	-	-	-	-
Site improvements	6,786,189	88,122	179,754	6,877,821
Leasehold improvements	-	-	20,012	20,012
Furniture and equipment	18,434,475	2,628,587	1,624,392	17,430,280
Computing equipment and software	6,947,983	806,241	375,615	6,517,357
Library books	2,009,383	489,507	261,476	1,781,352
Vehicles	196,761	-	111,563	308,324
	\$ 91,653,220	\$ 4,012,457	\$ 7,320,171	\$ 94,960,934

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

12. Tangible Capital Assets (continued)

	Net book value March 31, 2014	Net book value March 31, 2013
Land	\$ 12,401,247	\$ 12,401,247
Buildings	129,339,603	131,394,385
Work In Progress	118,478	495,780
Site improvements	226,060	405,814
Leasehold Improvements	380,224	-
Furniture and equipment	5,037,039	4,798,938
Computing equipment and software	1,377,416	597,978
Library books	1,067,859	1,169,583
Vehicles	282,374	328,152
	\$ 150,230,300	\$ 151,591,877

(a) Contributed tangible capital assets

Additions to land, buildings, and equipment include the following contributed tangible capital assets:

	2014	2013
Equipment	\$ -	\$ 393,000
	\$ -	\$ 393,000

(b) Works of art and historical treasures

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

(c) Writedown of tangible capital assets

The writedown of tangible capital assets during the year was \$4,012,457 (2013 - \$4,177,624). Writedowns were only applied to fully depreciated tangible capital assets that have reached pre-established age thresholds set beyond their useful lives.

The University has no direct insurance coverage against loss of any of its capital assets except vehicles. The insurance on University property is the responsibility of the Province of British Columbia. Claims for loss are submitted to the Province of British Columbia for consideration for compensation.

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

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

13. Accumulated operating surplus

The accumulated operating surplus is comprised of the following:

	2014	2013 (restated-note 18)
Investment in tangible capital assets	\$ 49,447,614	\$ 35,524,422
Endowments (note 16)	12,197,041	11,667,094
Internally restricted surplus	9,991,852	17,379,756
Unrestricted surplus	1,177,071	6,600,476
Total accumulated operating surplus	\$ 72,813,578	\$ 71,171,748

14. Contractual obligations

The nature of the University's activities can result in multiyear contracts and obligations whereby the University will be committed to make future payments. Currently the University has no significant contractual obligations related to operations that extend beyond the 2014-15 fiscal year.

15. Contingencies

a. Letters of credit:

The University had a total of \$648,315 in letters of credit outstanding at March 31, 2014 for a bond posted on behalf of the High Schools to the Ministry of Finance and Corporate Relations. These letters of credit can be drawn upon to refund tuition to students if the High Schools fail to provide or complete the related academic program. No provision has been made for this contingency in the financial statements.

b. Legal claims:

The nature of the University's activities is such that there is usually litigation pending or in process at any time. With respect to unsettled claims at March 31, 2014, management believes the University has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the University's financial position.

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

16. Endowments

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

Endowments included as part of accumulated surplus is as follows:

	2014	2013 (restated-note 18)
Balance, beginning of year	\$ 11,667,094	\$ 11,005,923
Contributions	529,947	661,171
Balance, end of year	\$ 12,197,041	\$ 11,667,094

17. Expenses by object

The following is a summary of expenses by object:

	2014	2013 (restated-note 18)
Salaries & benefits	\$ 92,113,788	\$ 85,860,134
Fees & purchased services	8,783,547	8,303,819
Travel & training	2,762,696	2,329,246
Scholarships & bursaries	1,986,231	1,758,554
Equipment rental & maintenance	1,576,063	1,325,926
Utilities, insurance & taxes	2,853,270	2,545,051
Materials & supplies	6,921,919	6,025,683
Amortization of capital assets	7,320,170	7,327,559
Cost of goods sold	4,019,852	4,034,228
Interest on debt	3,691,202	868,020
	\$ 132,028,738	\$ 120,378,220

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

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

18. Prior Year Adjustments

There were four prior period adjustments related to the University's, wholly owned subsidiary, and two of its controlled entities. Adjustments flow through to the University through the consolidation process. A summary of the net impact of these prior period adjustments to the University's consolidated financial statements is presented below.

Foundation

Clarification from a donor resulted in the reclassification of a gift. The gift was originally included in deferred revenue as it was classified as a scholarship gift (which had not been distributed) but has now been reclassified as an endowment contribution. This change resulted in a \$510,398 increase in the 2013 Accumulated Operating Surplus.

Funding raised from the Foundation Golf Tournament Event was reclassified from externally restricted to internally restricted as donations received during the event do not have external restrictions placed upon them. The impact of the change is that revenue collected from the event is recognized in the year received versus being deferred. This change resulted in a \$1,197 decrease in the 2013 Accumulated Operating Surplus.

Milner Gardens

A refinement in the consolidation process highlighted an overstatement of reported cash and revenue due to the estimates used in the consolidation of Milner's operations. Adjustments have been made to fully reflect the 2012/13 audited Milner results of operation. This change resulted in a \$292,835 decrease in the 2013 Accumulated Operating Surplus.

WSH

Security deposits have been reclassified from deferred revenue to accounts payable to more appropriately reflect the nature of the liability. This change resulted in no change in the 2013 Accumulated Operating Surplus.

Net Impact of Prior Period Adjustments

	2013
<hr/>	
Consolidated Statement of Financial Position	
Decrease in Cash and cash equivalents	\$ (322,297)
Increase in Investments	29,963
Increase in Accounts payable and accrued liabilities	76,501
Decrease in Deferred revenue	(585,201)
<i>Increase in Accumulated operating surplus</i>	<i>\$ 216,366</i>
Consolidated Statement of Operations and Accumulated Surplus	
Decrease in Gifts, grants, and bequests	(361,674)
Increase in Endowment contributions	510,398
Increase in Investment income	34,533
Increase in Ancillary expenses	15,145
<i>Increase in Annual surplus</i>	<i>\$ 168,112</i>
Increase in Opening surplus	48,254
<i>Increase in Closing surplus</i>	<i>\$ 216,366</i>

VANCOUVER ISLAND UNIVERSITY

Notes to consolidated financial statements
Year Ended March 31, 2014

19. Comparative Figures

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