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# Consolidated Financial Statements

## Year Ended March 31, 2016

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# University of Northern British Columbia

## Consolidated Financial Statements

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# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## STATEMENT OF MANAGEMENT RESPONSIBILITY

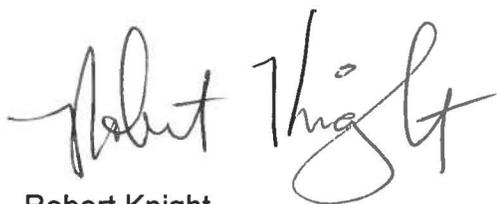
The University of Northern British Columbia is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with Section 23.1 of *the Budget Transparency and Accountability Act* of the Province of British Columbia and the Restricted Contribution Regulation 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 consolidated financial statements. The consolidated financial statements present the financial position of the University as at March 31, 2016 and the results of its operations and its cash flows for the year ended March 31, 2016.

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 consolidated financial statements.

The Board of Governors carries out its responsibility for review of the consolidated 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 consolidated financial statements for the year ended March 31, 2016 have been reported on by KPMG LLP. The Independent Auditor's Report outlines the scope of the examination and provides the firm's opinion on the fairness of presentation of the information in the statements.



Robert Knight  
Vice President, Finance & Business Operations



Colleen Smith, CPA, CA  
Director, Finance & Budgets

May 16, 2016



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## **INDEPENDENT AUDITORS' REPORT**

To the Members of the Board of Governors of the University of Northern British Columbia, and  
To the Minister of Advanced Education, Province of British Columbia

We have audited the accompanying consolidated financial statements of the University of Northern British Columbia (the "University") which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of operations, 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 Consolidated Financial Statements*

Management is responsible for the preparation of these consolidated 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 consolidated 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 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements of the University of Northern British Columbia as at March 31, 2016 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 consolidated financial statements, which describes the basis of accounting and the 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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

May 26, 2016

Prince George, Canada

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Consolidated Statement of Financial Position

March 31, 2016, with comparative figures for 2015 (in thousands of dollars)

		2016	2015
<b>Financial assets</b>			
Cash and cash equivalents		\$ 27,020	\$ 31,456
Short-term investments	(Note 3)	25,134	24,513
Accounts receivable		2,603	3,216
Inventories for resale		724	728
Portfolio investments	(Note 4)	14,982	19,851
Sinking fund, net of long-term debt	(Note 9)	22	-
		<u>70,485</u>	<u>79,764</u>
<b>Financial Liabilities</b>			
Accounts payable and accrued liabilities	(Note 5)	9,703	9,448
Deferred revenue		597	855
Deferred contributions	(Note 7)	23,873	30,197
Deferred capital contributions	(Note 8)	165,226	169,914
Long-term debt, net of sinking fund	(Note 9)	-	5
		<u>199,399</u>	<u>210,419</u>
Net debt		(128,914)	(130,655)
<b>Non-financial assets</b>			
Tangible capital assets	(Note 10)	211,624	216,474
Inventories held for use		90	92
Endowment investments	(Notes 4 and 13)	49,340	47,382
Prepaid expenses		1,465	1,822
		<u>262,519</u>	<u>265,770</u>
Accumulated surplus	(Note 12)	\$ 133,605	\$ 135,115

See accompanying notes to consolidated financial statements.

On behalf of the Board of Governors:

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

\_\_\_\_\_  
President

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2016, with comparative figures for 2015 (in thousands of dollars)

	Budget (Note 16)	2016	2015
<b>Revenue:</b>			
Government grants			
Provincial government	\$ 48,194	\$ 50,314	\$ 48,818
Federal government	1,145	5,230	5,307
Tuition fees	20,781	17,456	18,822
Other fees	1,247	1,341	1,343
Sales of goods and services	7,748	8,839	9,678
Gifts, bequests, non-government grants and contracts	6,099	10,689	11,640
Investment income	515	2,639	2,635
External cost recovery and other income	217	702	550
Revenue recognized from deferred capital contributions	-	6,649	6,589
	<b>85,946</b>	<b>103,859</b>	<b>105,382</b>
<b>Expenses:</b>			
Ancillary operations	10,119	7,940	7,814
Facility operations and maintenance	2,171	12,262	12,519
Instruction	40,725	42,140	40,107
Institutional support	30,726	32,492	31,346
Sponsored research	-	6,328	6,941
Specific purpose	-	6,164	6,318
	<b>83,741</b>	<b>107,326</b>	<b>105,045</b>
Annual operating surplus/(deficit) before restricted contributions	2,205	(3,467)	337
Net restricted endowment contributions	-	1,957	3,663
Annual surplus (deficit)	2,205	(1,510)	4,000
Accumulated surplus, beginning of year	135,115	135,115	131,115
Accumulated surplus, end of year	\$ 137,320	\$ 133,605	\$ 135,115

See accompanying notes to consolidated financial statements.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Consolidated Statement of Changes in Net Debt

Year ended March 31, 2016, with comparative figures for 2015 (in thousands of dollars)

	Budget (Note 16)	2016 Total	2015 Total
Annual surplus/(deficit)	\$ 2,205	\$ (1,510)	\$ 4,000
Acquisition of tangible capital assets	-	(4,172)	(7,113)
Amortization of tangible capital assets	-	9,022	8,888
	-	4,850	1,775
Consumption of inventories held for use	-	92	98
Acquisition of inventories held for use	-	(90)	(92)
Consumption of prepaid expenses	-	1,822	1,283
Acquisition of prepaid expenses	-	(1,465)	(1,822)
Acquisition of endowment investments	-	(1,958)	(3,663)
	-	(1,599)	(4,196)
	2,205	1,741	1,579
Decrease in net debt	2,205	1,741	1,579
Net debt, beginning of year	(130,655)	(130,655)	(132,234)
Net debt, end of year	\$ (128,450)	\$ (128,914)	\$ (130,655)

See accompanying notes to consolidated financial statements.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

## Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative figures for 2015 (in thousands of dollars)

	2016	2015
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Annual surplus/(deficit)	\$ (1,510)	\$ 4,000
Items not involving cash:		
Amortization of tangible capital assets	9,022	8,888
Revenue recognized from deferred capital contributions	(6,649)	(6,589)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	613	(1,046)
Decrease (increase) in prepaid expenses	357	(539)
Decrease in inventories held for use	2	6
Decrease in inventories held for sale	4	35
Increase in accounts payable and accrued liabilities	255	1,692
Increase (decrease) in deferred revenue	(258)	269
<b>Net change in cash from operating activities</b>	<b>1,836</b>	<b>6,716</b>
<b>Capital activities:</b>		
Cash used to acquire tangible capital assets	(4,172)	(7,114)
<b>Net change in cash from capital activities</b>	<b>(4,172)</b>	<b>(7,114)</b>
<b>Financing activities:</b>		
Cash used (restricted) for repayment of long-term debt	(27)	3,132
Repayment of long-term debt		(4,500)
<b>Net change in cash from financing activities</b>	<b>(27)</b>	<b>(1,368)</b>
<b>Investing activities:</b>		
Capital contributions	1,961	3,687
(Increase) decrease in short-term investments	(621)	1,680
Deferred contributions	(6,324)	4,098
Increase in endowment investments	(1,958)	(3,663)
Purchase of portfolio investments	4,869	3,663
<b>Net change in cash from investing activities</b>	<b>(2,073)</b>	<b>9,465</b>
<b>Net change in cash</b>	<b>(4,436)</b>	<b>7,699</b>
<b>Cash, beginning of year</b>	<b>31,456</b>	<b>23,757</b>
<b>Cash, end of year</b>	<b>\$ 27,020</b>	<b>\$ 31,456</b>

Cash is comprised of cash and cash equivalents

See accompanying notes to consolidated financial statements.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (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 consolidated 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 consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

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

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 Consolidated Financial Statements

Year ended March 31, 2016 (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 accumulated surplus and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

### (b) Basis of consolidation

- (i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of organizations which are controlled by UNBC. UNBC Investment Trust is a for-profit entity controlled by the University, whose primary purpose is to manage certain investment assets of the endowment fund; it is included in the financial statements on a fully consolidated basis.

- (ii) Trusts under administration

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

### (c) Cash and cash equivalents

Cash and cash equivalents include cash, money-market securities and investments with terms to maturity of three months or less at date of purchase and are cashable on demand.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

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

### (d) Short-term investments

Short-term investments consist of highly liquid money-market and bond securities and other investments with terms to maturity of greater than three months to one year at date of purchase.

### (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, cash equivalents and short term investments. 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. Accounts 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 accounts 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 is not capitalized whenever external debt is issued to finance the construction of tangible

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

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

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
Capital renovations	20 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 consolidated 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.

(h) Revenue recognition

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

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.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

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

- (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.

### (i) Use of estimates

The preparation of the consolidated 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.

### (j) 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 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.

### (k) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

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

- (i) an environmental standard exists
- (ii) contamination exceeds the environmental standard
- (iii) the organization is directly responsible or accepts responsibility for the liability
- (iv) future economic benefits will be given up, and
- (v) a reasonable estimate of the liability can be made.

### (l) Asset retirement obligation

The University recognizes asset retirement obligations in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

### (m) Budget figures

Budget figures are provided for the operating and ancillary funds only. They have been provided for comparative purposes in Note 16 and have been derived from the 2015/16 General Operating and Ancillary Fund budgets approved by the Board of Governors of UNBC on May 30, 2015.

## 3. Short-term investments

	2016	2015
Term Deposits, GIC, T-bills	\$ 11,285	\$ 10,820
Municipal Financing Authority - bond fund	8,246	8,138
Municipal Financing Authority - money market fund	5,603	5,555
	\$ 25,134	\$ 24,513

## 4. Financial instruments

Financial assets and liabilities recorded at fair value are comprised of the following: 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 held in an open-ended mutual fund unit trust as well as Trez Capital Fund V and managed by Trez Capital Inc.; private equities are held in a limited partnership, Clairvest Equity Partners V, managed by Clairvest Group Inc.; private debt is held in limited partnerships, Wellington Financial Fund IV and Fund V, managed by Wellington Financial; and real estate is held in a limited partnership, Bentall Kennedy Prime Canadian Property Fund, managed by Bentall Kennedy (Canada) Limited Partnership.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

## 4. Financial Instruments (continued)

	Fair Value		
	Hierarchy	2016	2015
Financial assets:			
Portfolio investments quoted at fair value - restricted:			
Money market	Level 1	539	1,390
Fixed income	Level 1	3,521	4,707
Equity	Level 1	8,766	11,918
Mortgages	Level 2	1,018	1,293
Real Estate	Level 3	405	-
Private debt	Level 3	523	471
Private equity	Level 3	210	72
		<u>14,982</u>	<u>19,851</u>
Total portfolio investments		<u>14,982</u>	<u>19,851</u>
Non-financial assets:			
Restricted endowment investments quoted at fair value:			
Money market	Level 1	1,777	3,316
Fixed income	Level 1	11,595	11,240
Equity	Level 1	28,861	28,446
Mortgages	Level 2	3,356	3,084
Real Estate	Level 3	1,332	-
Private debt	Level 3	1,728	173
Private equity	Level 3	691	1,123
		<u>49,340</u>	<u>47,382</u>
Total financial instruments		<u>\$ 64,322</u>	<u>\$ 67,233</u>

## 5. Accounts payable and accrued liabilities

	2016		2015	
Accounts payable and accrued liabilities	\$	5,326	\$	5,821
Salaries and benefits payable		3,553		2,930
Accrued vacation pay		824		697
	\$	<u>9,703</u>	\$	<u>9,448</u>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

## 6. 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 \$3,748 (2015 - \$3,495) to the plan.

## 7. 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:

				2016	2015
	Capital	Research	Specific Purpose	Total	Total
Balance, beginning of year	\$ 630	7,141	22,426	30,197	26,099
Contributions received during the year		6,371	7,319	13,690	15,741
Revenue recognized from deferred contributions	(9)	(6,981)	(12,106)	(19,096)	(10,338)
Transfers to deferred capital contributions		(462)	(456)	(918)	(1,305)
Balance, end of year	\$ 621	\$ 6,069	\$ 17,183	\$ 23,873	\$ 30,197

## 8. 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:

		2016	2015
Balance, beginning of year	\$	169,914	\$ 172,816
Contributions received during the year		1,961	3,687
Revenue recognized from deferred capital contributions		(6,649)	(6,589)
Balance, end of year	\$	165,226	\$ 169,914

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

## 9. Sinking fund, net of long-term debt

Sinking fund, net of long-term debt, reported on the statement of financial position is measured at amortized cost and is as follows:

	2016	2015
Sinking fund asset	\$ 3,022	\$ 2,995
Province of British Columbia (Section 58 of the <i>University Act</i> ), bearing interest at 9%, maturing June 2019	(3,000)	(3,000)
Balance, end of year	\$ 22	\$ (5)
	2016	2015
Interest expense for the year on outstanding debt	\$ 273	\$ 487

### Sinking fund instalments

The debt is a 25 year debenture with a 20 year sinking fund; obligations for sinking fund instalments have been completely fulfilled.

## 10. Tangible capital assets

2016 Cost	Balance at March 31, 2015	Additions	Disposals/ Transfers	Balance at March 31, 2016
Land	\$ 6,656	\$ 125	\$ -	\$ 6,781
Buildings and site improvements	275,063	-	105	275,168
Furniture and equipment	48,857	2,321	-	51,178
Computers	36,268	949	(16)	37,201
Library holdings	26,512	228	-	26,740
Assets under construction	370	549	(105)	814
<b>Total</b>	<b>\$ 393,726</b>	<b>\$ 4,172</b>	<b>\$ (16)</b>	<b>\$ 397,882</b>

2016 Accumulated amortization	Balance at March 31, 2015	Disposals	Amortization expense	Balance at March 31, 2016
Land	\$ -	\$ -	\$ -	\$ -
Buildings and site improvements	(78,273)	-	(5,541)	(83,814)
Furniture and equipment	(40,342)	-	(1,764)	(42,106)
Computers	(34,791)	16	(1,027)	(35,802)
Library holdings	(23,846)	-	(690)	(24,536)
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ (177,252)</b>	<b>\$ 16</b>	<b>\$ (9,022)</b>	<b>\$ (186,258)</b>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

## 10. Tangible capital assets (continued)

	Net book value		Net book value	
	March 31, 2015		March 31, 2016	
Land	\$	6,656	\$	6,781
Buildings and site improvements		196,790		191,354
Capital renovations		-		-
Furniture and equipment		8,515		9,072
Computers		1,477		1,399
Library holdings		2,666		2,204
Assets under construction		370		814
<b>Total</b>	<b>\$</b>	<b>216,474</b>	<b>\$</b>	<b>211,624</b>

2015 Cost	Balance at March 31, 2014	Additions	Disposals/Transfers	Balance at March 31, 2015
Land	\$ 6,656	\$ -	\$ -	\$ 6,656
Buildings and site improvements	272,924	2,139	-	275,063
Furniture and equipment	45,223	3,634	-	48,857
Computers	35,520	748	-	36,268
Library holdings	26,290	222	-	26,512
Assets under construction	-	370	-	370
<b>Total</b>	<b>\$ 386,613</b>	<b>\$ 7,113</b>	<b>\$ -</b>	<b>\$ 393,726</b>

2015 Accumulated amortization	Balance at March 31, 2014	Disposals	Amortization expense	Balance at March 31, 2015
Land	\$ -	\$ -	\$ -	\$ -
Buildings and site improvements	(72,774)	-	(5,499)	(78,273)
Furniture and equipment	(38,765)	-	(1,577)	(40,342)
Computers	(33,777)	-	(1,014)	(34,791)
Library holdings	(23,048)	-	(798)	(23,846)
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ (168,364)</b>	<b>\$ -</b>	<b>\$ (8,888)</b>	<b>\$ (177,252)</b>

	Net book value		Net book value	
	March 31, 2014		March 31, 2015	
Land	\$	6,656	\$	6,656
Buildings and site improvements		200,150		196,790
Capital renovations		-		-
Furniture and equipment		6,458		8,515
Computers		1,743		1,477
Library holdings		3,242		2,666
Assets under construction		-		370
<b>Total</b>	<b>\$</b>	<b>218,249</b>	<b>\$</b>	<b>216,474</b>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

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## 10. Tangible capital assets (continued)

### (a) Assets under construction

Assets under construction having a value of \$814 (2015 - \$370) 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 the 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.

## 11. 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, accounts receivable and investments.

Unless otherwise disclosed in these consolidated 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

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

## 11. Financial risk management (continued)

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) The carrying value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short term nature. These financial instruments are classified as level 2 in the fair value hierarchy as, while prices are available, there is no active market for 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 4.

## 12. Accumulated surplus

Accumulated surplus is comprised of the following:

	2016	2015
Accumulated operating surplus	\$ 84,265	\$ 87,733
Endowments	49,340	47,382
	<u>\$ 133,605</u>	<u>\$ 135,115</u>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

## 12. Accumulated surplus (continued)

Accumulated operating surplus consists of the following individual fund surpluses:

	2016	2015
Invested in tangible capital assets		
Capital assets	\$ 211,624	\$ 216,474
Amounts financed by deferred capital contributions	(165,226)	(169,941)
Amount financed by long term debt (net of sinking fund)	-	(5)
	<u>46,398</u>	<u>46,528</u>
Appropriated for specific purposes		
General Operating		
Departmental carryforwards	4,902	5,891
Minor capital projects, equipment purchases and special projects	10,096	8,573
Professional development and internal research funds	4,002	4,926
	<u>19,000</u>	<u>19,390</u>
Ancillary Services	107	1,176
Capital	4,769	5,410
Specific Purpose	10,474	11,712
	<u>34,328</u>	<u>37,688</u>
Unrestricted surplus	<u>3,517</u>	<u>3,517</u>
Total accumulated operating surplus	<u>\$ 84,265</u>	<u>\$ 87,733</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, Finance and Business Operations. 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 Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

## 13. Endowments

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

	2016	2015
Balance, beginning of year	\$ 47,382	\$ 43,719
Contributions received during the year	749	2,454
Capitalized interest	947	874
Transfers from specific purpose funds	261	335
Balance, end of year	\$ 49,340	\$ 47,382

The balance shown does not include endowment principal with fair value of \$1,945 (2015 - \$1,991) and book value of \$1,681 (2015 - \$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.

## 14. Expenses by object

The following is a summary of expenses by object:

	2016	2015
Salaries and wages	\$ 54,865	\$ 52,585
Benefits	10,508	9,738
Travel and personnel costs	3,317	3,276
Operational supplies and expenses	10,132	10,653
Equipment, furnishings and rent	1,331	1,877
Professional and contracted services	7,476	6,681
Scholarships, fellowships and bursaries	3,279	3,240
Renovations, alterations and maintenance	2,924	2,722
Cost of goods sold	1,723	2,333
Interest	273	354
Utilities	2,476	2,698
Amortization of tangible capital assets	9,022	8,888
	\$ 107,326	\$ 105,045

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

## 15. Trust funds

At March 31, 2016 the University held funds in trust on behalf of the Northern Medical Programs Trust which are not included in these consolidated financial statements. Trust fund balances, having a book value of \$7,840 (2015 - \$7,562) and fair value of \$9,218 (2015 - \$9,827) are administered by the University.

## 16. 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 Changes in Net Debt.
- Externally funded Specific Purpose and Sponsored Research funds are financially managed on an individual basis based on the contract or agreement in place relating to the revenue.
- Ancillary Funds are financially managed pursuant to annual operating budgets approved by the Board of Governors.

The 2015/16 budgets for the Operating and Ancillary Funds were approved by the Board of Governors on May 30, 2015. These budgets, prepared on internal accounting basis, have been adjusted to more closely conform to PSAS standards in the table below.

	<u>As</u> <u>Approved</u>
Total revenue	\$ <u>85,946</u>
Total expenses	83,741
Total capital expenditures	450
Total interfund transfers	<u>1,755</u>
	<u>85,946</u>
Budgeted annual surplus	-
Eliminate interfund transfers	(1,755)
Eliminate capital expenditures and debt payments	<u>(450)</u>
Annual surplus for Operating Commitments	\$ <u>2,205</u>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2016 (in thousands of dollars)

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## 17. Comparative figures

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