



VANCOUVER ISLAND UNIVERSITY  
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**VANCOUVER ISLAND UNIVERSITY**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2017**

## 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.

KPMG LLP, an independent firm of Chartered Professional 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:



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Allan Wiekenkamp, Board Chair



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Shelley Legin, Chief Financial Officer and Vice President Administration



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## **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, 2017, the consolidated statements of operations and accumulated operating surplus, changes in net debt, cash flows and remeasurement gains and losses 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 entity's preparation 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 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 consolidated 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 of Vancouver Island University as at March 31, 2017, are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to note 1(a) to 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.

*KPMG LLP*

Chartered Professional Accountants

May 25, 2017  
Victoria, Canada

# VANCOUVER ISLAND UNIVERSITY

## Consolidated Statement of Financial Position

As at March 31, 2017, with comparative information for March 31, 2016

	2017	2016
<b>Financial assets</b>		
Cash and cash equivalents	\$ 27,405,809	\$ 27,501,432
Accounts receivable (note 3)	3,449,286	4,186,325
Inventories for resale	1,116,692	1,184,170
Portfolio investments (note 4)	38,256,374	31,189,868
	<u>70,228,161</u>	<u>64,061,795</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	12,972,810	11,942,615
Employee future benefits (note 6)	13,483,650	13,089,562
Deferred revenue (note 7)	25,013,820	21,937,410
Deferred contributions (note 8)	3,448,726	4,227,841
Deferred capital contributions (note 9)	103,351,151	99,358,625
	<u>158,270,157</u>	<u>150,556,053</u>
Net debt	(88,041,996)	(86,494,258)
<b>Non-financial assets</b>		
Tangible capital assets (note 10)	149,774,821	149,070,902
Restricted endowment investments (note 4)	13,600,943	13,208,474
Prepaid expenses	2,021,756	2,049,062
	<u>165,397,520</u>	<u>164,328,438</u>
Accumulated surplus	\$ 77,355,524	\$ 77,834,180
Accumulated surplus is comprised of:		
Accumulated operating surplus (note 11)	\$ 76,483,271	\$ 77,232,189
Accumulated remeasurement gains	872,253	601,991
	<u>\$ 77,355,524</u>	<u>\$ 77,834,180</u>

Contractual obligations (note 12)

Contingencies (note 13)

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Board Chair



Chief Financial Officer and Vice President Administration

# VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Operations and Accumulated Operating Surplus

As at March 31, 2017, with comparative information for March 31, 2016

	Budget (note 1(k))	2017	2016
<b>Revenue</b>			
Province of British Columbia grants	\$ 57,567,996	\$ 61,699,256	\$ 60,946,959
Government of Canada grants	1,412,190	898,605	1,284,213
Other grants and contracts	3,188,384	2,682,192	2,527,741
Tuition and student fees	58,183,415	56,039,529	56,477,453
Sales of goods and services	8,519,114	8,275,520	8,280,894
Rental income	2,844,093	2,721,815	2,912,784
Investment income	1,309,746	1,562,859	1,866,719
Gifts, grants and bequests	683,000	1,575,564	1,033,935
Revenue recognized from deferred capital contributions (note 9)	4,711,132	5,284,173	4,884,273
Actuarial plan curtailment gain (note 6)	-	-	2,468,500
Loss on investments	-	(19,256)	(566)
Other	918,568	1,475,117	792,349
	<b>139,337,638</b>	<b>142,195,374</b>	<b>143,475,254</b>
<b>Expenses</b> (note 15)			
Instruction and student support	127,522,918	130,905,889	126,391,824
Ancillary	11,814,720	12,429,894	11,783,010
	<b>139,337,638</b>	<b>143,335,783</b>	<b>138,174,834</b>
Annual operating surplus (deficit)	-	(1,140,409)	5,300,420
Endowment contributions (note 14)	-	391,491	289,337
Annual surplus (deficit)	-	(748,918)	5,589,757
Accumulated operating surplus, beginning of year	77,232,189	77,232,189	71,642,432
Accumulated operating surplus, end of year	\$ 77,232,189	\$ 76,483,271	\$ 77,232,189

See accompanying notes to consolidated financial statements.

# VANCOUVER ISLAND UNIVERSITY

## Consolidated Statement of Changes in Net Debt

As at March 31, 2017, with comparative information for March 31, 2016

	Budget (note 1(k))	2017	2016
Annual surplus (deficit)	\$ -	\$ (748,918)	\$ 5,589,757
Acquisition of tangible capital assets	-	(9,359,648)	(8,606,513)
Write-off of tangible capital assets	-	-	137,113
Amortization of tangible capital assets	-	8,655,729	8,147,061
	-	(703,919)	(322,339)
Acquisition of prepaid expense	-	27,306	246,071
Net restricted endowment contributions	-	(392,469)	(308,645)
Net effect of remeasurement gains	-	270,262	(388,121)
	-	(94,901)	(450,695)
Decrease (increase) in net debt	-	(1,547,738)	4,816,723
Net debt, beginning of year	(86,494,258)	(86,494,258)	(91,310,981)
Net debt, end of year	\$ (86,494,258)	\$ (88,041,996)	\$ (86,494,258)

See accompanying notes to consolidated financial statements.

# VANCOUVER ISLAND UNIVERSITY

## Consolidated Statement of Cash Flows

As at March 31, 2017, with comparative information for March 31, 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Annual operating surplus (deficit)	\$ (1,140,409)	\$ 5,300,420
Items not involving cash:		
Amortization of tangible capital assets	8,655,729	8,147,061
Write-off of tangible capital assets	-	137,113
Revenue recognized from deferred capital contributions	(5,284,173)	(4,884,273)
Change in employee future benefits	394,088	(2,227,461)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	737,039	(522,688)
Decrease in prepaid expenses	27,306	246,071
Decrease in inventories for resale	67,478	45,020
Increase in accounts payable and accrued liabilities	1,030,195	290,695
Decrease in deferred contributions	(779,115)	(772,795)
Increase (decrease) in deferred revenue	3,076,410	(1,617,512)
	6,784,548	4,141,651
Capital activities:		
Cash used to acquire tangible capital assets	(9,359,648)	(8,606,513)
Financing activities:		
Increase in endowments	391,491	289,337
Received deferred capital contributions	9,276,699	5,365,908
	9,668,190	5,655,245
Investing activities:		
Net purchase of investments	(7,188,713)	(616,877)
Net change in cash	(95,623)	573,506
Cash and cash equivalents, beginning of year	27,501,432	26,927,926
Cash and cash equivalents, end of year	\$ 27,405,809	\$ 27,501,432

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, 2017, with comparative information for March 31, 2016

	2017	2016
Unrealized gains (losses) attributed to:		
Long term bonds	\$ 12,156	\$ (107,494)
Equity investments	253,932	(274,264)
Foreign currency translation	-	(5,000)
	<u>266,088</u>	<u>(386,758)</u>
Amounts reclassified to the statement of operations:		
Equity investments	(826)	566
Foreign currency translation	5,000	(1,929)
	<u>4,174</u>	<u>(1,363)</u>
Net remeasurement gains (losses) for the year	270,262	(388,121)
Accumulated remeasurement gains, beginning of year	601,991	990,112
Accumulated remeasurement gains, end of year	<u>\$ 872,253</u>	<u>\$ 601,991</u>

See accompanying notes to consolidated financial statements.

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

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Vancouver Island University (the "University") is a post-secondary educational institution incorporated under the University Act. 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

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

### a. Basis of accounting

#### Budget Transparency and Accountability Act

These 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 certain 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.

The issued regulations require all taxpayer supported organizations in the school, University, college and hospital sectors to adopt Canadian public sector accounting standards without any PS4200 elections, effective their first fiscal year commencing after January 1, 2012.

The regulations require that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions, 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 taxpayer supported organizations, these contributions include government transfers and externally restricted contributions.

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

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## 1. Significant accounting policies (continued)

### *Public sector accounting standards*

The accounting policy requirements under the Regulations are significantly different from the requirements of Canadian public sector accounting standards which require that:

(i) 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 certain eligibility criteria have been met, and

(ii) Externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified.

As a result, revenue recognized in the Consolidated Statement of Operations and certain related deferred capital contributions, would be recorded differently under Canadian public sector accounting standards.

### b. Basis of consolidation

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

The Foundation is a registered charity incorporated under the Society Act (British Columbia). The main purposes of the Foundation are 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, 2016 have been consolidated into these financial statements. No material transactions or events have occurred between July 1, 2016 and March 31, 2017.

Milner Gardens manages donated funds and operate fundraising events specifically in support of Milner Gardens.

### 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.

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

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## 1. Significant accounting policies (continued)

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.

As discussed above, contributions restricted for the purpose of acquiring or developing a depreciable tangible capital asset are recorded as deferred capital 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 remaining useful life of the related capital assets on the same basis as the related cost.

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 endowment contributions is deferred until used 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.

### e. Inventories for resale

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

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

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## 1. Significant accounting policies (continued)

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.

Vacation entitlements earned by employees for future use are valued at the fiscal year end and accrued as a liability.

### 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, as shown below. Land is not amortized as it is deemed to have a permanent value:

Asset	Years
Buildings	5 - 40
Library books	10
Site Improvements	10 - 20
Computing equipment and software	5
Furniture and equipment	5 - 10
Vehicles	5
Leasehold improvements	Term of Lease

Work in progress is not amortized until the asset is available for productive use.

#### (a) Land use rights

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

#### (b) Works of art and historic treasures

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

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

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## 1. Significant accounting policies (continued)

### 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 denominated 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 Statement of Financial Position 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 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 revenue 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.

### 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.

(a) Accounts receivable and due from government/other government organizations are measured at amortized cost using the effective interest method.

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

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## 1. Significant accounting policies (continued)

(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 2016-2017 Consolidated Resource Plan approved by the Board of Governors of the University on March 24, 2016. 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
- The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 - Unadjusted quoted market prices in an active market for identical assets or liabilities,

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Bonds and fixed term instruments and pooled funds are classified as level 2 in the fair value hierarchy.

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

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## 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, 2017. 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 to mitigate risk related to financial instruments 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 risk include cash and cash equivalents, accounts receivable, and investments in other than equity investments. The maximum credit risk exposure is \$54,216,931 (2016 - \$49,494,713).

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

Total financial instruments that are past-due, but not considered to be impaired, are \$8,132 (2016 - \$71,096).

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 obligations.

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

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## 2. Financial instruments (continued)

### c. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows 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, 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 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.

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

## 3. Accounts receivable

	2017	2016
Trade accounts receivable	\$ 1,357,957	\$ 2,252,767
Due from Federal government	523,041	498,740
Due from Provincial government	1,382,671	1,202,152
Due from other government organizations	185,617	232,666
	\$ 3,449,286	\$ 4,186,325

## 4. Investments

	2017	2016
Cash and cash equivalents	\$ 1,336,234	\$ 1,240,955
Bonds and fixed term instruments – at fair value	24,226,850	18,989,799
Pooled funds – at fair value	26,294,233	24,167,588
	\$ 51,857,317	\$ 44,398,342
Classified as:		
Portfolio investments	\$ 38,256,374	\$ 31,189,868
Restricted endowment investments	13,600,943	13,208,474
	\$ 51,857,317	\$ 44,398,342

Fixed term investments mature between April 2017 – February 2025 and have a total maturity/face value of \$23,937,102 (2016 - \$19,258,981). Interest rates range between 1.4% and 5.0%.

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

## 5. Accounts payable and accrued liabilities

	2017	2016
Trade payables and accrued liabilities	\$ 7,409,309	\$ 6,758,286
Salaries and benefits payable	3,811,471	3,560,560
Payable to government agencies	1,752,030	1,623,769
	\$ 12,972,810	\$ 11,942,615

## 6. 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.

	2017	2016
Accrued benefit obligation, beginning of year	\$ 12,515,895	\$ 14,666,060
Unamortized actuarial gains, beginning of year	573,667	650,963
	13,089,562	15,317,023
Current service cost	813,899	894,921
Interest cost	156,200	223,100
Benefits paid	(477,679)	(1,015,321)
Gain loss on event driven liabilities	-	(2,468,500)
Amortization of actuarial (gain)	(57,366)	(65,106)
Increase (decrease) in vacation liability	(40,966)	203,445
Accrued benefit obligation, end of year	\$ 13,483,650	\$ 13,089,562

Accrued benefit obligation, end of year consists of:

Accrued liability, end of year	\$ 12,457,530	\$ 12,515,895
Unamortized actuarial gains, end of year	1,026,120	573,667
Accrued benefit obligation, end of year	\$ 13,483,650	\$ 13,089,562

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

## 6. Employee Future Benefits (continued)

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

	2017	2016
Discount rate for termination benefits	2.70%	2.70%
Expected future inflation rate	2.70%	2.70%

### b. Pension liability

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2016, the College Pension Plan has about 14,000 active members, and approximately 7,000 retired members. As at December 31, 2015, the Municipal Pension Plan has about 189,000 active members, including approximately 5,800 from colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2015, indicated a \$67 million surplus for basic pension benefits. The next valuation will be August 31, 2018, with results available in 2019. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits. The next valuation will be December 31, 2018, with results available in 2019.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for the plans in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The University paid \$7,113,531 (2016 - \$6,937,934) for employer contributions to the plan in fiscal 2017.

## 7. 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.

	2017	2016
Tuition	\$ 13,056,726	\$ 11,999,754
Donations	7,603,913	6,684,940
Grant and contract service funding	3,971,492	2,968,861
Other	381,689	283,855
	\$ 25,013,820	\$ 21,937,410

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

## 8. 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:

	2017		2016	
Balance, beginning of year	\$	4,227,841	\$	5,000,636
Contributions received during the year		3,448,726		4,281,626
Revenue recognized from deferred contributions		(4,227,841)		(5,054,421)
Balance, end of year	\$	3,448,726	\$	4,227,841

## 9. 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:

	2017		2016	
Balance, beginning of year	\$	99,358,625	\$	98,876,990
Contributions received during the year - cash		9,276,699		5,365,908
Revenue recognized from deferred capital contributions		(5,284,173)		(4,884,273)
Balance, end of year	\$	103,351,151	\$	99,358,625

At March 31, 2017 \$6,481,507 (2016 - \$701,399) in deferred capital contributions were included in deferred capital contributions where assets have not yet been completed and placed in service.

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

## 10. Tangible capital assets

Cost	Balance at March 31, 2016	Additions & WIP Transfers In	Write-offs & WIP Transfers Out	Balance at March 31, 2017
Land	\$ 12,401,247	\$ -	\$ -	\$ 12,401,247
Buildings	196,349,881	2,374,506	-	198,724,387
Work In Progress ("WIP")	153,807	3,689,112	30,725	3,812,194
Site improvements	7,165,943	494,988	244,006	7,416,925
Leasehold improvements	400,236	-	-	400,236
Furniture and equipment	24,335,954	2,352,138	3,431,400	23,256,692
Computing equipment and software	8,272,956	49,923	1,133,446	7,189,433
Library books	2,620,374	151,990	390,482	2,381,882
Vehicles	872,818	277,716	-	1,150,534
	\$ 252,573,216	\$ 9,390,373	\$ 5,230,059	\$ 256,733,530

Accumulated amortization	Balance at March 31, 2016	Write-offs	Amortization expense	Balance at March 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Buildings	71,583,407	-	4,886,351	76,469,758
Work In Progress	-	-	-	-
Site improvements	6,253,565	244,006	126,481	6,136,040
Leasehold improvements	100,060	-	40,024	140,084
Furniture and equipment	17,589,297	3,431,400	2,497,509	16,655,406
Computing equipment and software	5,759,580	1,133,446	752,228	5,378,362
Library books	1,652,266	390,482	213,580	1,475,364
Vehicles	564,139	-	139,556	703,695
	\$ 103,502,314	\$ 5,199,334	\$ 8,655,729	\$ 106,958,709

# VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

## 10. Tangible capital assets (continued)

	Net book value March 31, 2017	Net book value March 31, 2016
Land	\$ 12,401,247	\$ 12,401,247
Buildings	122,254,629	124,766,475
Work In Progress	3,812,194	153,807
Site improvements	1,280,885	912,378
Leasehold Improvements	260,152	300,176
Furniture and equipment	6,601,286	6,746,656
Computing equipment and software	1,811,071	2,513,376
Library books	906,518	968,108
Vehicles	446,839	308,679
	\$ 149,774,821	\$ 149,070,902

(a) Contributed tangible capital assets

There were no contributed tangible capital asset additions to land, buildings, or equipment in 2017 or 2016.

(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.

(c) Write-off of tangible capital assets

The write-off of tangible capital assets during the year was for assets with an original cost of \$5,199,334 (2016 - \$4,044,036). 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 on 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, 2017

## 11. Accumulated operating surplus

The accumulated operating surplus is comprised of the following:

	2017	2016
Investment in tangible capital assets	\$ 49,092,982	\$ 50,259,868
Endowments (note 14)	13,600,943	13,208,474
Internally restricted surplus	13,789,346	13,763,847
	\$ 76,483,271	\$ 77,232,189

## 12. 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 \$49,858,208 in contractual obligations related to operations that extend beyond the 2016-17 fiscal year.

## 13. Contingencies

### a. Letters of credit:

The University had a total of \$543,338 in letters of credit outstanding at March 31, 2017 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, 2017, 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, 2017

## 14. 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:

	2017	2016
Balance, beginning of year	\$ 13,208,474	\$ 12,899,829
Contributions received	391,491	289,337
Capitalized interest	978	19,308
	\$ 13,600,943	\$ 13,208,474

## 15. Expenses by object

The following is a summary of expenses by object:

	2017	2016
Salaries & benefits	\$ 99,774,576	\$ 97,401,645
Fees & purchased services	10,995,386	10,615,693
Travel & training	2,936,830	2,905,176
Scholarships & bursaries	3,714,560	3,028,941
Equipment rental & maintenance	1,618,043	1,554,672
Utilities, insurance & taxes	3,047,648	2,851,378
Materials & supplies	8,021,439	7,561,155
Amortization of capital assets	8,655,729	8,147,061
Cost of goods sold	4,571,572	4,109,113
	\$ 143,335,783	\$ 138,174,834

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, 2017

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## 16. Comparative figures

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