



VANCOUVER ISLAND UNIVERSITY
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VANCOUVER ISLAND UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS
And Independent Auditors' Report thereon
MARCH 31, 2021

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 the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. 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:



Manley McLachlan
Board Chair



Marlene Kowalski
Chief Financial Officer and Vice President Administration



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Vancouver Island University, and
To the Minister of Advanced Education, Skills and Training, Province of British Columbia

Opinion

We have audited the consolidated financial statements of Vancouver Island University (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2021
- the consolidated statement of operations and accumulated operating surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2021 of the Entity 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 1(a) to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
May 27, 2021

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Financial Position

As at March 31, 2021, with comparative information for March 31, 2020

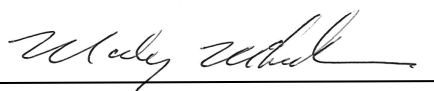
	2021	2020
		(recast - note 19)
Financial assets		
Cash and cash equivalents	\$ 25,822,443	\$ 25,514,057
Accounts receivable (note 3)	5,066,525	5,101,629
Inventories for resale	774,275	912,241
Portfolio investments (note 4)	33,667,561	37,036,985
Loan receivable (note 5)	636,728	460,383
	<u>65,967,532</u>	<u>69,025,295</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	27,998,176	25,514,120
Employee future benefits (note 7)	5,953,725	5,711,050
Deferred revenue (note 8)	24,286,848	19,096,583
Deferred contributions (note 9)	7,914,232	5,345,959
Deferred capital contributions (note 10)	164,568,219	165,781,752
	<u>230,721,200</u>	<u>221,449,464</u>
Net debt	(164,753,668)	(152,424,169)
Non-financial assets		
Tangible capital assets (note 11)	217,938,215	213,989,210
Restricted endowment investments (note 4)	4,018,389	4,018,389
Prepaid expenses	2,001,460	2,214,662
	<u>223,958,064</u>	<u>220,222,261</u>
Accumulated surplus	\$ 59,204,396	\$ 67,798,092
Accumulated surplus is comprised of:		
Accumulated operating surplus (note 12)	\$ 58,453,202	\$ 67,490,058
Accumulated remeasurement gains	751,194	308,034
	<u>\$ 59,204,396</u>	<u>\$ 67,798,092</u>

Contractual obligations (note 13)

Contingencies (note 14)

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 Deficit

For the year ended March 31, 2021, with comparative information for March 31, 2020

	Budget	2021	2020
	(Note 1(k))		(recast - note 19)
Revenue			
Province of British Columbia grants	\$ 64,298,175	\$ 73,353,062	\$ 67,968,920
Government of Canada grants	1,285,647	1,054,231	1,188,157
Other grants and contracts	6,661,513	5,635,825	5,897,072
Tuition and student fees	67,780,669	55,653,102	67,218,188
Sales of goods and services	10,224,463	2,766,504	8,456,981
Rental income	3,072,831	1,607,714	3,011,353
Revenue recognized from deferred capital contributions (note 10)	8,111,892	7,215,985	6,968,708
Investment income	1,177,443	1,470,233	1,678,395
Gifts, grants and bequests	476,743	686,093	877,994
Actuarial plan benefit continuation gain (note 7(a))	-	38,600	19,900
Gain on sale of tangible capital assets	-	5,191	15,141
Other	1,397,397	488,459	1,401,610
	<u>164,486,773</u>	<u>149,974,999</u>	<u>164,702,419</u>
Expenses			
	(note 16)		
Instruction and student support	150,178,471	148,208,973	152,271,351
Ancillary	14,308,302	10,802,882	14,718,226
	<u>164,486,773</u>	<u>159,011,855</u>	<u>166,989,577</u>
Annual deficit	-	(9,036,856)	(2,287,158)
Accumulated operating surplus, beginning of year	67,490,058	67,490,058	69,777,216
Accumulated operating surplus, end of year	<u>\$ 67,490,058</u>	<u>\$ 58,453,202</u>	<u>\$ 67,490,058</u>

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Changes in Net Debt

For the year ended March 31, 2021, with comparative information for March 31, 2020

	Budget note 1(k)	2021	2020 (recast - note 19)
Annual deficit	\$ -	\$ (9,036,856)	\$ (2,287,158)
Acquisition of tangible capital assets	-	(14,545,563)	(13,635,511)
Amortization of tangible capital assets	11,441,421	10,596,558	10,239,030
Proceeds on sale of tangible capital assets	-	5,191	15,141
Gain on sale of tangible capital assets	-	(5,191)	(15,141)
	11,441,421	(3,949,005)	(3,396,481)
Utilization (acquisition) of prepaid expense	-	213,202	(108,277)
Net effect of remeasurement gains	-	443,160	25,831
	-	656,362	(82,446)
Decrease (increase) in net debt	11,441,421	(12,329,499)	(5,766,085)
Net debt, beginning of year	(152,424,169)	(152,424,169)	(146,658,084)
Net debt, end of year	\$ (140,982,748)	\$ (164,753,668)	\$ (152,424,169)

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Cash Flows

For the year ended March 31, 2021, with comparative information for March 31, 2020

	2021	2020 (recast - note 19)
Cash provided by (used in):		
Operations:		
Annual deficit	\$ (9,036,856)	\$ (2,287,158)
Items not involving cash:		
Amortization of tangible capital assets	10,596,558	10,239,030
Revenue recognized from deferred capital contributions	(7,215,985)	(6,968,708)
Change in employee future benefits	242,675	(84,879)
Gain on sale of tangible capital assets	(5,191)	(15,141)
Change in non-cash operating working capital:		
Decrease in accounts receivable	35,104	7,047,657
Decrease (increase) in prepaid expenses	213,202	(108,277)
Decrease in inventories for resale	137,966	59,804
Increase in accounts payable and accrued liabilities	2,484,056	1,736,135
Increase (decrease) in deferred contributions	2,568,273	(1,010,079)
Increase (decrease) in deferred revenue	5,190,265	(4,654,816)
	5,210,067	3,953,568
Capital activities:		
Cash used to acquire tangible capital assets	(14,545,563)	(13,635,511)
Proceeds on sale of tangible capital assets	5,191	15,141
	(14,540,372)	(13,620,370)
Financing activities:		
Loan receivable	(176,345)	(310,281)
Receipt of deferred capital contributions	6,002,452	6,402,317
	5,826,107	6,092,036
Investing activities:		
Net sale (purchase) of investments	3,812,584	(8,036,043)
Net change in cash and cash equivalents	308,386	(11,610,809)
Cash and cash equivalents, beginning of year	25,514,057	37,124,866
Cash and cash equivalents, end of year	\$ 25,822,443	\$ 25,514,057

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31, 2021, with comparative information for March 31, 2020

	2021	2020
		(recast - note 19)
Unrealized gains (losses) attributed to:		
Long term bonds	\$ 153,430	\$ 150,976
Equity investments	289,730	(125,145)
Net remeasurement gains for the year	443,160	25,831
Accumulated remeasurement gains, beginning of year	308,034	282,203
Accumulated remeasurement gains, end of year	\$ 751,194	\$ 308,034

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

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.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and measures taken by various governments to contain the virus have affected economic activity. The University has taken a number of measures to monitor and mitigate the effects of COVID-19, as follows:

- Ancillary Operations have been reduced resulting in reduced revenues and expenditures.
- Educational offerings have been adapted to offer blended, on-line and face-to-face modes of delivery.
- Phased return to campus plans have been developed in response to guidelines issued by the Provincial Health Officer.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak on financial markets as well as the effectiveness of government and central bank responses, remains unclear at this time. Management will continue to monitor and adapt as the University sees fit.

1. Significant accounting policies

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

(a) Basis of accounting

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.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

1. Significant accounting policies (continued)

(a) Basis of accounting (continued)

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.

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 consolidated financial statements include the accounts of the University, and its controlled entities: The International High School at Vancouver Island University Association and The High School at Vancouver Island University Association – (collectively “the High Schools”), Vancouver Island University Initiatives Corporation (“VIUIC”) and Vancouver Island University Initiatives Trust (“VIUIT”).

The High Schools are registered charities incorporated under the Societies Act (British Columbia). They jointly operate a private high school for local and international students. The High Schools’ fiscal year-end of June 30, 2020 have been consolidated into these financial statements. No material transactions or events have occurred between July 1, 2020 and March 31, 2021.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

1. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

VIUIC is incorporated under the Business Corporations Act of the Province of British Columbia and is 100% owned by the University. Its sole purpose is to act as trustee of VIUIT- an entity in the startup stage with as of yet no significant transactions. VIUIC's fiscal year-end of Dec 31, 2020 has been consolidated into these financial statements. No material transactions or events have occurred between Jan 1, 2021 and March 31, 2021.

The VIUIT was established on August 1, 2018 as a vehicle to undertake business ventures that are planned to generate income. VIUIT is a taxable business trust and must pay income taxes on any taxable income not allocated to beneficiaries. The beneficiaries of VIUIT are the University and the Vancouver Island University Foundation. Activity in VIUIT ceased in 2020 but may subsequently resume at a later date.

(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. Operating government 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.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred.

Other 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 and amortized over the remaining useful life of the related tangible capital assets.

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 statement of operations 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.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

1. Significant accounting policies (continued)

(c) Revenue recognition

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.

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 method 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 except gains and losses associated with event driven benefits which are recognized immediately.

(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.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

1. Significant accounting policies (continued)

(g) Non-financial assets (continued)

(i) Tangible capital assets

Tangible capital asset acquisitions are initially 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 - 60
Library books	10
Site improvements	5 - 20
Computing equipment and software	5 - 18
Furniture and equipment	5 - 15
Vehicles	5
Leasehold improvements	Term of Lease

Work in progress is not amortized until the asset is available for productive use. Land use rights are not recognized as assets in these financial statements. Works of art and historic treasures are not recognized as assets in these financial statements.

(h) Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities 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 and Accumulated Operating Surplus.

(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. Areas requiring the use of management estimates include the impairment of assets (provisions are made for slow moving and obsolete inventory), provision for doubtful accounts, amortization period for tangible capital assets and deferred capital contributions, and actuarial assumptions for employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in future years. As adjustments to estimates become necessary they are reported in earnings in the period in which they become known.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

1. Significant accounting policies (continued)

(j) Financial instruments

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

- (i) Fair value category: Cash and cash equivalents are recorded at fair value due to the short term nature of the instrument. Investments that are managed and evaluated as a group and derivative instruments are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Operating 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 Operating Surplus when the financial asset is derecognized due to disposal or impairment.
 - (a) Accounts receivable are measured at amortized cost using the effective interest method.
 - (b) Accounts payable and accrued liabilities are measured at amortized cost. Any gains, losses or interest expense is recorded on the Statement of Operations and Accumulated Operating 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 2020-2021 Consolidated Resource Plan approved by the Board of Governors of the University on March 26, 2020. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Financial Debt.

2. Financial instruments

(a) Fair value of financial instruments

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

- (i) Cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

2. Financial instruments (continued)

(a) Fair value of financial instruments

- (ii) 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.

(b) 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, 2021. 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.

(c) 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:

(i) 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.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

2. Financial instruments (continued)

(c) Risk management policy (continued)

(ii) 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 \$59,222,797 (2020 - \$63,540,547).

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 \$10,132 (2020 - \$203,680).

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.

(iii) 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.

(iv) 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.

(v) 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. Additional exposure due to COVID-19 is unknown.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

3. Accounts receivable

	2021	2020 (recast – note 19)
Trade accounts receivable	\$ 2,919,149	\$ 3,667,334
Due from Federal government	5,247	25,649
Due from Provincial government	1,486,382	1,119,335
Due from other government organizations	655,747	289,311
	\$ 5,066,525	\$ 5,101,629

4. Investments

	2021	2020 (recast – note 19)
Cash and cash equivalents	\$ 78,730	\$ 314,916
Bonds and fixed term instruments – at fair value	21,016,821	25,621,201
Pooled funds – at fair value	16,590,399	15,119,257
	\$ 37,685,950	\$ 41,055,374
Classified as:		
Portfolio investments	\$ 33,667,561	\$ 37,036,985
Restricted endowment investments	4,018,389	4,018,389
	\$ 37,685,950	\$ 41,055,374

Fixed term investments mature between Dec 2021 and May 2028 (2020 – Nov 2020 and May 2028) and have a total maturity/face value of \$20,192,000 (2020 - \$22,755,870). Interest rates range between 0.50% and 4.89% (2020 - 1.15% and 4.89%).

5. Loan receivable

The University has entered into a capital financing loan agreement with VIUIT. The interest rate is calculated yearly, not in advance and adjusted annually on the anniversary date. For the year ending March 31, 2021, the loan bore interest at 2.70% per annum (Bank of Canada prime lending rate plus 0.25% per annum) (2020 – 3.20% (Bank of Canada prime lending rate plus 0.25% per annum)). No interim payments are required. The loan is unsecured, drawn to a maximum of \$1,000,000, and is repayable March 11, 2024. \$610,000 (2020 - \$450,000) has been drawn against this agreement.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

6. Accounts payable and accrued liabilities

	2021	2020 (recast – note 19)
Accounts payables and accrued liabilities	\$ 10,774,829	\$ 10,104,423
Salaries and benefits payable	8,008,720	7,850,607
Accrued vacation pay	9,214,627	7,559,090
	\$ 27,998,176	\$ 25,514,120

7. Employee future benefits

(a) Termination benefits, and compensated absences

Employees 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.

	2021	2020
Accrued benefit obligation, beginning of year	\$ 4,857,000	\$ 4,955,100
Unamortized actuarial gains, beginning of year	854,050	840,829
	5,711,050	5,795,929
Current service cost	542,429	642,446
Interest cost	175,800	155,000
Benefits paid	(351,549)	(778,342)
Gain on event driven liabilities	(38,600)	(19,900)
Amortization of actuarial gain	(85,405)	(84,083)
Accrued benefit liability, end of year	\$ 5,953,725	\$ 5,711,050

Accrued benefit liability, end of year consists of:

	2021	2020
Accrued liability, end of year	\$ 6,630,774	\$ 4,857,000
Unamortized actuarial (loss) gain, end of year	(677,049)	854,050
Accrued benefit liability, end of year	\$ 5,953,725	\$ 5,711,050

Actuarial gains and losses are amortized over 10 years (2020 – 10 years), being the expected average remaining service life of the employees. The total net expense recorded in the financial statements in respect of obligations under this plan amounts to \$594,224 (2020 – \$693,463).

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

7. Employee future benefits (continued)

(a) Termination benefits, and compensated absences (continued)

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

	2021	2020
Discount rate for termination benefits	2.60%	3.50%
Expected future inflation rate	2.20%	2.20%

(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, 2019, the College Pension Plan has about 15,000 active members, and approximately 9,000 retired members. As at December 31, 2019, the Municipal Pension Plan has about 213,000 active members, including approximately 6,000 from colleges and universities.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2018, indicated a \$303 million surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The University paid \$8,821,389 (2020 - \$8,548,824) for employer contributions to the plans in fiscal 2020-21.

The next valuation for the College Pension Plan will be as at August 31, 2021, with results available in 2022. The next valuation for the Municipal Pension Plan will be December 31, 2021, with results available in 2022.

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 each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

8. Deferred revenue

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

	2021	2020 (recast – note 19)
Tuition	\$ 16,862,136	\$ 14,126,491
Grant and contract service funding	7,213,686	4,938,636
Other	211,026	31,456
	\$ 24,286,848	\$ 19,096,583

9. Deferred contributions

Deferred 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:

	2021	2020
Balance, beginning of year	\$ 5,345,959	\$ 6,356,038
Contributions received during the year	15,957,070	13,396,976
Revenue recognized from deferred contributions	(13,388,797)	(14,407,055)
Balance, end of year	\$ 7,914,232	\$ 5,345,959

10. Deferred capital contributions

Contributions restricted for the purpose of acquiring or developing depreciable tangible capital assets are recorded as deferred capital contributions. Amounts are recognized into revenue over the useful life of the related tangible capital asset. Treasury Board provided direction on accounting treatment as disclosed in note 1. Changes in the deferred capital contributions balance are as follows:

	2021	2020
Balance, beginning of year	\$ 165,781,752	\$ 166,348,143
Contributions received during the year – cash	6,002,452	6,402,317
Revenue recognized from deferred capital contributions	(7,215,985)	(6,968,708)
Balance, end of year	\$ 164,568,219	\$ 165,781,752

Deferred capital contributions as at March 31, 2021 include \$5,179,135 (2020 - \$5,795,620) of contributions used to purchase assets that have yet to commence being amortized and contributions that have yet to be spent of \$2,690,161 (2020 - \$4,239,911).

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

11. Tangible capital assets

Cost	Balance at March 31, 2020	Additions & WIP Transfers	Disposals & Write-offs	Balance at March 31, 2021
Land	\$ 12,090,647	\$ -	\$ -	\$ 12,090,647
Buildings	266,328,577	7,684,286	-	274,012,863
Work In Progress ("WIP")	12,618,724	480,603	-	13,099,327
Site improvements	7,268,936	1,600,423	334,096	8,535,263
Leasehold improvements	502,290	-	-	502,290
Furniture and equipment	26,417,503	777,441	495,637	26,699,307
Computing equipment and software	8,589,282	3,813,689	458,261	11,944,710
Library books	1,922,503	165,588	181,224	1,906,867
Vehicles	1,489,548	23,533	93,525	1,419,556
	\$ 337,228,010	\$ 14,545,563	\$ 1,562,743	\$ 350,210,830

Accumulated amortization	Balance at March 31, 2020	Disposals and Write-offs	Amortization expense	Balance at March 31, 2021
Buildings	\$ 93,486,387	\$ -	\$ 6,761,916	\$ 100,248,303
Site improvements	5,670,327	334,096	202,853	5,539,084
Leasehold improvements	262,708	-	45,127	307,835
Furniture and equipment	16,742,837	495,637	2,196,935	18,444,135
Computing equipment and software	4,889,432	458,261	1,073,603	5,504,774
Library books	1,052,608	181,224	173,895	1,045,279
Vehicles	1,134,501	93,525	142,229	1,183,205
	\$ 123,238,800	\$ 1,562,743	\$ 10,596,558	\$ 132,272,615

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

11. Tangible capital assets (continued)

	Net book value March 31, 2021	Net book value March 31, 2020
Land	\$ 12,090,647	\$ 12,090,647
Buildings	173,764,560	172,842,190
Work In Progress	13,099,327	12,618,724
Site improvements	2,996,179	1,598,609
Leasehold Improvements	194,455	239,582
Furniture and equipment	8,255,172	9,674,666
Computing equipment and software	6,439,936	3,699,850
Library books	861,588	869,895
Vehicles	236,351	355,047
	<u>\$ 217,938,215</u>	<u>\$ 213,989,210</u>

(a) Contributed tangible capital assets

During the year there were no contributions of tangible capital assets (2020 - \$nil).

(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

During the year, fully amortized tangible capital assets with an original cost of \$1,562,743 (2020 - \$3,178,369) were written off. These writedowns were applied to fully depreciated tangible capital assets that have reached pre-established age thresholds set beyond their useful lives. No work in progress was written off (2020 - \$nil).

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, 2021

12. Accumulated operating surplus (deficit)

The accumulated operating surplus is comprised of the following:

	2021	2020 (recast – note 19)
Investment in tangible capital assets	\$ 56,060,157	\$ 52,447,369
Endowments (note 15)	4,018,389	4,018,389
Internally restricted	(951,539)	11,024,300
Unrestricted	(673,805)	-
	<u>\$ 58,453,202</u>	<u>\$ 67,490,058</u>

Internally restricted consists of: VIUIT \$(620,988) (2020 – \$(183,315)), the High Schools \$(330,551) (2020 – \$(388,698)), and VIU \$nil (2020 - \$11,596,313).

13. 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 \$8,852,750 in contractual obligations related to operations that extend beyond the 2020-21 fiscal year.

14. Contingencies

(a) Letters of credit

The University had a total of \$200,598 in letters of credit outstanding at March 31, 2021 for a bond posted on behalf of the High Schools to the Ministry of Finance. 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. Liabilities on any litigation are recognized in the consolidated financial statements when the outcome becomes reasonably determinable. With respect to unsettled claims at March 31, 2021, 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, 2021

15. 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 to support two BC Regional Innovation Chairs (Tourism and Sustainable Rural Development & Aboriginal and Early Childhood Education). Investments are managed by an external fund management company. On March 15, 2012, the University Board of Governors passed policy 42.11 granting full authority to the Foundation to manage the University's endowment funds consistent with the Foundation policy.

16. Expenses by object

The following is a summary of expenses by object:

	2021	2020 (recast – note 19)
Salaries and benefits	\$ 120,022,243	\$ 118,707,112
Fees and purchased services	10,720,078	12,845,313
Travel and training	453,504	3,488,407
Scholarships and bursaries	4,131,599	3,822,223
Equipment rental and maintenance	1,029,049	1,499,438
Utilities, insurance and taxes	2,807,238	3,095,934
Materials and supplies	6,954,063	8,933,488
Amortization of tangible capital assets	10,596,558	10,239,030
Cost of goods sold	2,297,523	4,358,632
	\$ 159,011,855	\$ 166,989,577

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.

17. Contractual rights

The University has entered into a multi-year contract to partner in the delivery of services related to increasing the numbers of Indigenous youth enrolling in and completing tertiary education, and successfully transitioning to employment with a total contract value over 5 years of \$12,571,038. The contract commenced on Nov 8, 2018 and the final quarterly payment will be received on Jan 31, 2025.

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

18. Related party transactions

(a) Other Provincial entities

The University is related through common control to all Province of British Columbia ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(b) Vancouver Island University Foundation

The University has an “economic interest” in the Vancouver Island University Foundation (the “Foundation”). The fund balances and results of operations of the Foundation have not been included in these financial statements. The Foundation is incorporated under the Societies Act (British Columbia), is a registered charity and its purpose is to help the University with its student programs and services by developing strong ties to the communities and by raising funds. The University provides services of administration, personnel, supplies and facilities and equipment to the Foundation at no charge.

Included in scholarships and bursaries expense is \$3,315,601 (2020 - \$2,922,405) paid to the Foundation. The University received \$544,742 (2020 - \$774,401) in contributions from the Foundation. As at March 31, 2021, the University owed the Foundation \$525,121 (2020 – the Foundation owed the University \$681,247).

(c) Key management personnel

During the year ended March 31, 2021, there have been no material transactions between the University and its key management personnel, Board of Governors or their close family members.

19. Recast of comparative information:

During the year, the University determined that an adjustment was required in its comparative information to correct the accounting treatment of the Milner Gardens & Woodlands Society (the “Society”) in these consolidated financial statements as the Society is not controlled by the University. The derecognition of the Society from the consolidated financial statements has been recorded retroactively and accordingly, the 2020 comparative financial information has been recast as follows:

VANCOUVER ISLAND UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

19. Recast of comparative information (continued)

	As previously Stated	Adjustment	As recast
Consolidated Statement of Financial Position			
Financial assets			
Cash and cash equivalents	\$ 25,528,619	\$ (14,562)	\$ 25,514,057
Accounts receivable	5,101,754	(125)	5,101,629
Portfolio investments	38,205,639	(1,168,654)	37,036,985
		(1,183,341)	
Liabilities			
Accounts payable and accrued liabilities	25,515,620	(1,500)	25,514,120
Deferred revenue	19,098,433	(1,850)	19,096,583
		(3,350)	
Accumulated opening surplus	68,479,468	(985,587)	67,493,881
Accumulated rereasurement gains	498,615	(190,581)	308,034
	\$ 68,978,083	\$ (1,176,168)	\$ 67,801,915
Consolidated Statement of Operations and Accumulated Operating Surplus			
Revenue			
Investment income	\$ 1,680,504	\$ (2,109)	\$ 1,678,395
Gifts, grants and bequests	879,019	(1,025)	877,994
		(3,134)	
Expenses			
Ancillary	12,849,136	(3,823)	12,845,313
Annual deficit	(2,287,847)	689	(2,287,158)
Accumulated operating surplus, beginning of year	70,767,315	(990,099)	69,777,216
Accumulated operating surplus, end of year	\$ 68,479,468	\$ (989,410)	\$ 67,490,058
Consolidated Statement of Changes in Net Debt			
Annual deficit	\$ (2,287,847)	\$ 689	\$ (2,287,158)
Remeasurement gains (losses)	30,325	(4,494)	25,831
		(3,805)	
Net debt, beginning of year	(145,481,898)	(1,176,186)	(146,658,084)
Net debt, end of year	\$ (151,244,178)	\$ (1,179,991)	\$ (152,424,169)
Consolidated Statement of Cash Flows			
Cash from operating activities	\$ 3,948,603	\$ 4,965	\$ 3,953,568
Cash used in investing activities	(8,035,499)	(544)	(8,036,043)
		4,421	
Consolidated Statement of Remeasurement Gains and Losses			
Net rereasurement gains for the year	\$ 30,325	\$ (4,494)	\$ 25,831
Accumulated rereasurement gains, beginning of year	468,290	(186,087)	282,203
Accumulated rereasurement gains, end of year	\$ 498,615	\$ (190,581)	\$ 308,034