



Consolidated Financial Statements Year Ended March 31, 2015



University of Northern British Columbia

Consolidated Financial Statements

Table of Contents

STATEMENT OF MANAGEMENT RESPONSIBILITY	1
REPORT OF THE AUDITOR	2 - 3
AUDITED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Changes in Net Debt	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 23

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

STATEMENT OF MANAGEMENT RESPONSIBILITY

The University of Northern British Columbia is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with Section 23.1 of *the Budget Transparency and Accountability Act* of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it. The regulations require financial statements to be prepared in accordance with the standards of the Canadian Public Sector Accounting Board except that the contributions received or receivable by the University for the purpose of acquisition of tangible capital assets are accounted for as deferred capital contributions as described in note 2a of the consolidated financial statements. The consolidated financial statements present the financial position of the University as at March 31, 2015 and the results of its operations and its cash flows for the year ended March 31, 2015.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of consolidated financial statements.

The Board of Governors carries out its responsibility for review of the consolidated financial statements and oversight of Management's performance of its financial reporting responsibilities principally through its Finance and Audit Committee. With the exception of employee group representatives, members of the Finance and Audit Committee are neither officers nor employees of the University.

The Committee meets with Management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Finance and Audit Committee, with and without the presence of Management.

The consolidated financial statements for the year ended March 31, 2015 have been reported on by KPMG LLP. The Independent Auditor's Report outlines the scope of the examination and provides the firm's opinion on the fairness of presentation of the information in the statements.



Dr. Daniel Weeks
President & Vice-Chancellor



Colleen Smith, CA
Director, Finance & Budgets

May 20, 2015



KPMG LLP
Chartered Accountants
400 - 177 Victoria Street
Prince George BC V2L 5R8

Telephone (250) 563-7151
Telefax (250) 563-5693
Internet www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Governors of the University of Northern British Columbia

To the Minister of Advanced Education, Province of British Columbia

We have audited the accompanying consolidated financial statements of the University of Northern British Columbia ("University") which comprise the consolidated statement of financial position as at March 31, 2015, the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements of the University of Northern British Columbia as at March 31, 2015 and for the year then ended are prepared, in all material aspects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Accountants

May 30, 2015

Prince George, Canada

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Consolidated Statement of Financial Position

March 31, 2015, with comparative figures for 2014 (in thousands of dollars)

		2015	2014
Financial assets			
Cash and cash equivalents		\$ 31,456	\$ 23,757
Short-term investments	(Note 4)	24,513	26,193
Accounts receivable		3,216	2,170
Inventories for resale		728	763
Portfolio investments	(Note 5)	19,851	23,514
		<u>79,764</u>	<u>76,397</u>
Liabilities			
Accounts payable and accrued liabilities	(Note 6)	9,448	7,756
Deferred revenue		855	586
Deferred contributions	(Note 8)	30,197	26,099
Deferred capital contributions	(Note 9)	169,914	172,816
Long-term debt, net of sinking fund	(Note 10)	5	1,374
		<u>210,419</u>	<u>208,631</u>
Net debt		(130,655)	(132,234)
Non-financial assets			
Tangible capital assets	(Note 11)	216,474	218,249
Inventories held for use		92	98
Endowment investments	(Notes 5 and 14)	47,382	43,719
Prepaid expenses		1,822	1,283
		<u>265,770</u>	<u>263,349</u>
Accumulated surplus	(Note 13)	\$ 135,115	\$ 131,115

See accompanying notes to financial statements.

On behalf of the Board of Governors:

 Chair, Board of Governors

 President

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2015, with comparative figures for 2014 (in thousands of dollars)

	Budget (Note 17)	2015	2014
Revenue:			
Government grants			
Provincial government	\$ 47,045	\$ 48,818	\$ 49,348
Federal government	1,241	5,307	7,586
Tuition fees	19,387	18,822	18,935
Other fees	1,228	1,343	1,402
Sales of goods and services	6,060	9,678	9,892
Gifts, bequests, non-government grants and contracts	5,652	11,640	11,904
Investment income	315	2,635	3,032
External cost recovery and other income	400	550	497
Revenue recognized from deferred capital contributions	-	6,589	6,570
	81,328	105,382	109,166
Expenses:			
Ancillary operations	6,533	7,814	9,391
Facility operations and maintenance	2,045	12,519	11,507
Instruction	40,390	40,107	40,138
Institutional support	28,901	31,346	30,314
Sponsored research	-	6,941	7,813
Specific purpose	-	6,318	6,335
	77,869	105,045	105,498
Annual operating surplus before restricted contributions	3,459	337	3,668
Net restricted endowment contributions	-	3,663	1,783
Annual surplus	3,459	4,000	5,451
Accumulated surplus, beginning of year	131,115	131,115	125,664
Accumulated surplus, end of year	\$ 134,574	\$ 135,115	\$ 131,115

See accompanying notes to financial statements.

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2015, with comparative figures for 2014 (in thousands of dollars)

	Budget (Note 17)	2015 Total	2014 Total
Annual surplus	\$ 3,459	\$ 4,000	\$ 5,451
Acquisition of tangible capital assets	-	(7,113)	(3,332)
Write down of tangible capital assets	-	-	239
Amortization of tangible capital assets	-	8,888	8,834
	-	1,775	5,741
Consumption of inventories held for use	-	98	89
Acquisition of inventories held for use	-	(92)	(98)
Consumption of prepaid expenses	-	1,283	1,587
Acquisition of prepaid expenses	-	(1,822)	(1,283)
Acquisition of endowment investments	-	(3,663)	(1,798)
	-	(4,196)	(1,503)
	3,459	1,579	9,689
Decrease in net debt	3,459	1,579	9,689
Net debt, beginning of year	(132,234)	(132,234)	(141,923)
Net debt, end of year	\$ (128,775)	\$ (130,655)	\$ (132,234)

See accompanying notes to financial statements.

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative figures for 2014 (in thousands of dollars)

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 4,000	\$ 5,451
Items not involving cash:		
Amortization of tangible capital assets	8,888	8,834
Revenue recognized from deferred capital contributions	(6,589)	(6,570)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(1,046)	934
Decrease (increase) in prepaid expenses	(539)	304
Decrease (increase) in inventories held for use	6	(9)
Decrease (increase) in inventories held for sale	35	(72)
Increase (decrease) in accounts payable and accrued liabilities	1,692	(1,011)
Decrease in deferred revenue	269	(199)
Net change in cash from operating activities	6,716	7,662
Capital activities:		
Cash used to acquire tangible capital assets	(7,114)	(3,332)
Net change in cash from capital activities	(7,114)	(3,332)
Financing activities:		
Cash used (restricted) for repayment of long-term debt	3,132	1,107
Repayment of long-term debt	(4,500)	(2,761)
Net change in cash from financing activities	(1,368)	(1,654)
Investing activities:		
Capital contributions	3,687	692
(Increase) decrease in short-term investments	1,680	384
Deferred contributions	4,098	6,070
Increase in endowment investments	(3,663)	(1,798)
Purchase of portfolio investments	3,663	(13,526)
Net change in cash from investing activities	9,465	(8,178)
Net change in cash	7,699	(5,502)
Cash, beginning of year	23,757	29,259
Cash, end of year	\$ 31,456	\$ 23,757

Cash is comprised of cash and cash equivalents

See accompanying notes to financial statements.

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

1. Authority and Purpose

The University of Northern British Columbia (UNBC or the University) operates under the authority of the *University Act* of British Columbia. UNBC is a comprehensive research university dedicated to improving the quality of life in its region, and beyond, by attaining the highest standards of undergraduate and graduate teaching, learning, and research. The University is governed by a 15 member Board of Governors, eight of whom are appointed by the Government of British Columbia, including two on the recommendation of the UNBC Alumni Association. The academic governance of the University is vested in the Senate. UNBC is a registered charity and is therefore exempt from taxes under Section 149 of the *Income Tax Act*. The University receives a significant portion of its revenues from the Province of British Columbia.

2. Summary of significant accounting policies

The consolidated financial statements of the University are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the University are as follows:

(a) Basis of accounting:

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

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

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections effective their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

2. Summary of significant accounting policies (continued)

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

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

(b) Basis of consolidation

- (i) Consolidated entities

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

- (ii) Trusts under administration

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

(c) Cash and cash equivalents

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

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

2. Summary of significant accounting policies (continued)

(d) Short-term investments

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

(e) Financial instruments

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

Fair value category: Portfolio instruments that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Other financial instruments which the University has designated to be recorded at fair value include cash, cash equivalents and short term investments. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses. Unrealized gains and losses on endowment investments where earnings are restricted as to use are recorded as deferred contributions and recognized in revenue when disposed and when the related expenses are incurred.

Cost category: Realized gains, losses and interest expense are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Amounts receivable, accounts payable and accrued liabilities are measured at cost. Any gains, losses or expense is recorded in the annual surplus (deficit) depending on the nature of the financial asset or liability that gave rise to the gain, loss or expense. Valuation allowances are made when collection is in doubt. Interest is accrued on amounts receivable to the extent it is deemed collectible.

(f) Inventories for resale

Inventories held for resale, including books, clothing, office and paper supplies, food and other items for retail sale are recorded at the lower of cost and net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated selling price less any costs to sell.

(g) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is not capitalized whenever external debt is issued to finance the construction of tangible

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

2. Summary of significant accounting policies (continued)

capital assets. Donated assets are recorded at fair value at the date of transfer. In unusual circumstances where fair value cannot be reasonably determined, the tangible capital asset would be recognized at nominal value. The cost of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value:

Asset	Rate
Buildings and site services	50 years
Capital renovations	20 years
Library materials	10 years
Equipment and furnishings	8 years
Computers	3 years

Assets under construction are not amortized until the asset is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to the University's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

(ii) Works of art and historic assets

Works of art and historic assets are not recorded as assets in these financial statements.

(iii) Inventories held for use

Inventories held for use such as office, stationery and lab supplies distributed to various departments are recorded at cost.

Cost includes the original purchase cost, plus shipping and applicable duties.

(g) Revenue recognition

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

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

Restricted donations and grants are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

2. Summary of significant accounting policies (continued)

- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.
- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as endowment contributions on the statement of operations for the portion to be held in perpetuity and as deferred contributions for any restricted investment income earned thereon.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and writedowns on investments where the loss in value is determined to be other-than-temporary.

(h) Use of estimates

The preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the determination of fair value of financial instruments, the useful life of tangible capital assets for amortization and the related amortization of deferred capital contributions. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(i) Foreign currency translation

The University's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the date of the statement of financial position. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or date of the statement of financial position is recognized in the statement of remeasurement gains and losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the statement of remeasurement gains and losses and the exchange gain or loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the statement of operations and accumulated surplus.

(j) Budget figures

Budget figures are provided for the operating and ancillary funds only. They have been provided for comparative purposes in Note 17 and have been derived from the 2014/15 General Operating and Ancillary Fund budgets approved by the Board of Governors of UNBC on March 29, 2014.

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

3. Change in accounting policy

The University adopted Public Sector Accounting Board Standard *PS 3260 Liability for Contaminated Sites* effective April 1, 2014. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The University adopted this standard on a retroactive basis; however, there were no adjustments as a result of the adoption of this standard.

4. Short-term investments

	2015	2014
Term Deposits, GIC, T-bills	\$ 10,820	\$ 12,850
Municipal Financing Authority - bond fund	8,138	7,843
Municipal Financing Authority - money market fund	5,555	5,500
	<u>\$ 24,513</u>	<u>\$ 26,193</u>

5. Financial instruments

Financial assets and liabilities recorded at fair value are comprised of the following: Money market, fixed income and equity amounts are managed in pooled balanced funds by Letko Brosseau & Associates Inc. and Gryphon Investment Counsel Inc. Mortgages are held in an open-ended mutual fund unit trust as well as Trez Capital Fund V and managed by Trez Capital Inc.; private equities are held in a limited partnership, Clairvest Equity Partners V, managed by Clairvest Group Inc.; and private debt is held in a limited partnership, Wellington Financial Fund IV, managed by Wellington Financial.

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

5. Financial Instruments (continued)

	Fair Value		
	Hierarchy	2015	2014
Financial assets:			
Portfolio investments, quoted at fair value - operating:			
Mortgages	Level 2	\$ -	\$ 5,000
Private debt	Level 3	-	1,643
		<u>-</u>	<u>6,643</u>
Restricted Portfolio investments, quoted at fair value:			
Money market	Level 1	1,390	911
Fixed income	Level 1	4,707	5,416
Equity	Level 1	11,918	10,544
Mortgages	Level 2	1,293	-
Private equity	Level 3	72	-
Private debt	Level 3	471	-
		<u>19,851</u>	<u>16,871</u>
Total portfolio investments		<u>19,851</u>	<u>23,514</u>
Non-financial assets:			
Restricted endowment investments, quoted at fair value:			
Money market	Level 1	3,316	2,345
Fixed income	Level 1	11,240	1,394
Equity	Level 1	28,446	39,981
Mortgages	Level 2	3,084	-
Private equity	Level 3	173	-
Private debt	Level 3	1,123	-
		<u>47,382</u>	<u>43,719</u>
Total financial instruments		<u>\$ 67,233</u>	<u>\$ 67,233</u>

6. Accounts payable and accrued liabilities

	2015	2014
Accounts payable and accrued liabilities	\$ 5,821	\$ 4,821
Salaries and benefits payable	2,930	2,326
Accrued vacation pay	697	609
	<u>\$ 9,448</u>	<u>\$ 7,756</u>

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

7. Pension plan

The University has a defined contribution pension plan covering all permanent employees of the University. The pension plan is a separate legal entity with its own Board of Trustees. Sun Life of Canada was appointed to provide custodial services for plan members. Investment management services are provided by several fund managers including Phillips, Hager & North Investment Management Ltd., Sun Life Assurance, Beutel Goodman, BlackRock Asset Management Canada Ltd., Connor Clark & Lunn Investment Management Ltd., McLean Budden, Hexavest Inc. and CI Investments Inc. Plan members individually select their investment vehicles from those available which include bond, balanced, money market, equity and global funds, and guaranteed term deposits (1, 3, and 5 year).

The University expenses the contribution amounts made to the plan in each year. During the year, the University contributed \$3,495 (2014 - \$3,568) to the plan.

8. Deferred contributions

Deferred contributions are comprised of funds restricted for research, capital acquisitions and other specific purposes. Changes in deferred contributions balances are as follows:

	Capital	Research	Specific Purpose	2015 Total	2014 Total
Balance, beginning of year	\$ 729	\$ 6,887	\$ 18,483	\$ 26,099	\$ 20,029
Contributions received during the year		10,028	5,713	15,741	30,768
Revenue recognized from deferred contributions	(99)	(8,623)	(1,616)	(10,338)	(24,007)
Transfers to deferred capital contributions		(1,151)	(154)	(1,305)	(691)
Balance, end of year	\$ 630	\$ 7,141	\$ 22,426	\$ 30,197	\$ 26,099

9. Deferred capital contributions

Contributions that are restricted for capital are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. Treasury Board provided direction on accounting treatment as disclosed in note 2. Changes in the deferred capital contributions balance are as follows:

	2015	2014
Balance, beginning of year	\$ 172,816	\$ 178,931
Contributions received during the year	3,687	455
Revenue recognized from deferred capital contributions	(6,589)	(6,570)
Balance, end of year	\$ 169,914	\$ 172,816

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

10. Long-term debt

Long-term debt reported on the statement of financial position is measured at amortized cost and is as follows:

	2015	2014
Province of British Columbia (Section 58 of the <i>University Act</i>), bearing interest at 9%, maturing June 2019	\$ 3,000	\$ 7,500
Sinking fund asset	(2,995)	(6,126)
Balance, end of year	\$ 5	\$ 1,374
	2015	2014
Interest expense for the year on outstanding debt	\$ 487	\$ 1,013

During the year, \$4,500 of debt was retired, utilizing accumulated sinking funds in the amount of \$3,550.

Sinking fund instalments

The debt is a 25 year debenture with a 20 year sinking fund; obligations for sinking fund instalments were completely fulfilled during the year.

11. Tangible capital assets

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

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

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

11. Tangible capital assets (continued)

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

2014 Cost	Balance at			Balance at	
	March 31, 2013	Additions	Disposals	March 31, 2014	
Land	\$ 6,656	\$ -	\$ -	\$ 6,656	
Buildings and site improvements	272,924	-	-	272,924	
Furniture and equipment	43,541	1,682	-	45,223	
Computers	34,142	1,380	(2)	35,520	
Library holdings	26,020	270	-	26,290	
Assets under construction	237	-	(237)	-	
Total	\$ 383,520	\$ 3,332	\$ (239)	\$ 386,613	

2014 Accumulated amortization	Balance at			Amortization		Balance at	
	March 31, 2013	Disposals	expense	March 31, 2014			
Land	\$ -	\$ -	\$ -	\$ -			
Buildings and site improvements	(67,314)	-	(5,460)	(72,774)			
Furniture and equipment	(37,306)	-	(1,459)	(38,765)			
Computers	(32,788)	-	(989)	(33,777)			
Library holdings	(22,122)	-	(926)	(23,048)			
Assets under construction	-	-	-	-			
Total	\$ (159,530)	\$ -	\$ (8,834)	\$ (168,364)			

	Net book value		Net book value	
	March 31, 2013		March 31, 2014	
Land	\$	6,656	\$	6,656
Buildings and site improvements		205,610		200,150
Furniture and equipment		6,235		6,458
Computers		1,354		1,743
Library holdings		3,898		3,242
Assets under construction		237		-
Total	\$	223,990	\$	218,249

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

11. Tangible capital assets (continued)

(a) Assets under construction

Assets under construction having a value of \$370 (2014 - \$NIL) are not amortized. Amortization of these assets commences when the asset is put into service; if it is determined that the costs no longer represent cost of an ongoing project, they are expensed in the statement of operations.

(b) Works of art and historical treasures

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

12. Financial risk management

UNBC has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. The Board of Governors, through management, ensures that the University has processes in place to identify and monitor major risks.

(a) Credit risk

Credit risk is the risk of financial loss to the University if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the University consisting of cash, short-term investments, amounts receivable and investments.

Unless otherwise disclosed in these consolidated financial statements, the University is not subject to significant credit risk associated with its financial instruments. The maximum credit risk for the University's financial assets is the carrying value of the asset.

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the University's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

It is management's opinion that the University is not exposed to significant market or interest rate risk arising from its financial instruments.

(c) Liquidity risk

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they become due.

The University manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

12. Financial risk management (continued)

normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation.

(d) Fair value of financial instruments

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

- (i) Cash and cash equivalents and short-term investments are measured in the statement of financial position at fair value. Their carrying values approximate fair value due to the relatively short term to maturity of these instruments.
- (ii) The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:
 - Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
 - Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
 - Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of the University's instruments is indicated in Note 5.

13. Accumulated surplus

Accumulated surplus is comprised of the following:

	2015	2014
Accumulated operating surplus	\$ 87,733	\$ 87,396
Endowments	47,382	43,719
	<u>\$ 135,115</u>	<u>\$ 131,115</u>

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

13. Accumulated surplus (continued)

Accumulated operating surplus consists of the following individual fund surpluses:

	2015	2014
Invested in tangible capital assets		
Capital assets	\$ 216,474	\$ 218,249
Amounts financed by deferred capital contributions	(169,941)	(172,816)
Amount financed by long term debt (net of sinking fund)	(5)	(1,374)
	<u>46,528</u>	<u>44,059</u>
Appropriated for specific purposes		
General Operating		
Departmental carryforwards	5,891	5,054
Minor capital projects, equipment purchases and special projects	8,573	9,312
Professional development and internal research funds	4,926	4,395
	<u>19,390</u>	<u>18,761</u>
Ancillary Services	1,176	713
Capital	5,410	7,184
Specific Purpose	11,712	13,162
	<u>37,688</u>	<u>39,820</u>
Unrestricted surplus	<u>3,517</u>	<u>3,517</u>
Total accumulated operating surplus	<u>\$ 87,733</u>	<u>\$ 87,396</u>

General Operating appropriations are comprised of departmental amounts calculated under a policy which allows them to carry forward unspent amounts to future periods, as well as an allocation of unspent salary allocations under the authority of the Provost and the Vice President, Administration and Finance. It also includes allocations for one time projects, minor capital projects and new equipment purchases and funds set aside for individuals covered under various employment handbooks for professional development and research.

Ancillary Services represents accumulated funds held for the ongoing operations of ancillaries such as the Bookstore, Conference Services, Continuing Education and Vending.

Capital represents funds held for specific capital projects and the Capital Equipment Replacement Reserve.

Specific Purpose are funds that are restricted internally for specific activities and use, such as conference fees, library fines and reserves.

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

14. Endowments

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

	2015	2014
Balance, beginning of year	\$ 43,719	\$ 41,921
Contributions received during the year	2,454	385
Capitalized interest	874	850
Transfers from specific purpose funds	335	
Income reserve gain (loss) not adjusted to individual endowment principal balances	-	563
Balance, end of year	\$ 47,382	\$ 43,719

The balance shown does not include endowment principal with fair value of \$1,991 (2014 - \$1,803) and book value of \$1,681 (2014 - \$1,681) held by the Vancouver Foundation. The excluded principal is not owned or controlled by the University, but income from it is paid to the University to be used for specific purposes.

15. Expenses by object

The following is a summary of expenses by object:

	2015	2014
Salaries and wages	\$ 52,585	\$ 51,844
Benefits	9,738	9,702
Travel and personnel costs	3,276	3,372
Operational supplies and expenses	10,653	10,298
Equipment, furnishings and rent	1,877	1,192
Professional and contracted services	6,681	8,013
Scholarships, fellowships and bursaries	3,240	2,916
Renovations, alterations and maintenance	2,722	3,250
Cost of goods sold	2,333	2,414
Interest	354	955
Utilities	2,698	2,708
Amortization of tangible capital assets	8,888	8,834
	\$ 105,045	\$ 105,498

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

16. Trust funds

At March 31, 2015 the University held funds in trust on behalf of the Northern Medical Programs Trust which are not included in these consolidated financial statements. Trust fund balances, having a book value of \$7,562 (2014 - \$7,559) and fair value of \$9,827 (2014 - \$9,005) are administered by the University.

17. Budget

The University administers each of its types of funds from a financial perspective in a manner relevant to the nature of the operations of the fund.

- The Operating Fund, consisting of the General Operating Fund, including the Northern Medical Program, is managed pursuant to an annual operating budget approved by the Board of Governors. The budget included for the Northern Medical Program is part of the overall Medical Program Expansion budget approved by the Distributed Program Planning Committee, of which UNBC is a member.
- The Capital Fund is financially managed based on a project by project basis, with funding derived from various sources. Projects are approved individually and may span several reporting periods; therefore, capital budget figures are not available for inclusion on the Statement of Net Debt.
- Externally funded Specific Purpose and Sponsored Research funds are financially managed on an individual basis based on the contract or agreement in place relating to the revenue.
- Ancillary Funds are financially managed pursuant to annual operating budgets approved by the Board of Governors.

The 2014/15 budgets for the Operating and Ancillary Funds were approved by the Board of Governors on March 29, 2014. These budgets, prepared on internal accounting basis, have been adjusted to more closely conform to PSAS standards in the table below.

	<u>As</u> <u>Approved</u>
Total revenue	\$ <u>81,328</u>
Total expenses	77,869
Total capital expenditures	321
Total interfund transfers	<u>3,138</u>
	<u>81,328</u>
Budgeted annual surplus	-
Eliminate interfund transfers	(3,138)
Eliminate capital expenditures and debt payments	<u>(321)</u>
Annual surplus for Operating Commitments	\$ <u>3,459</u>

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2015 (in thousands of dollars)

18. Comparative figures

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