

## **BOARD OF GOVERNORS**

### **SPECIAL PUBLIC SESSION AGENDA**

Monday, June 5, 2023

Zoom Only

4:30 – 5:00 PM

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**Members** – Darlene McIntosh (Chancellor), Amanda Alexander, Allison Beswick, Dakota Den Duyf, Kyndra Farrell, Joyce Henley, Joel McKay, Trevor Morrison, Phil Mullins, Geoff Payne, Michael Reed – VICE-CHAIR, Gregory Stewart, Todd Whitcombe, Catherine Wishart – CHAIR

1. **Acknowledgement of Territory**

2. **Chair's Remarks**

- Declarations of Conflict
- Correspondence Received

3. **Approval of Agenda**

*That the Agenda for the Public Session of the June 5, 2023 meeting of the Board of Governors be approved as presented.*

4. **Board Motions**

(i) **Audit and Risk Committee** – G. Stewart, Chair

a. **Presentation and Approval of Financial Statements** – R. Somani – **Page 2**

*That, on the recommendation of the Audit and Risk Committee, the Board of Governors approves the University of Northern British Columbia's Consolidated Financial Statements for the year ended March 31, 2023.*

5. **Other Business**

Next Regular Quarterly Board Meeting – June 22, 2023

6. **Adjournment**

BOARD OF GOVERNORS – PUBLIC SESSION  
Approved for Submission:



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Catherine Wishart  
UNBC Board Chair

## **Consolidated Financial Statements**

Year Ended March 31, 2023



**University of Northern British Columbia**

**Consolidated Financial Statements**

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Draft

# 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 consolidated financial position of the University as at March 31, 2023 and the consolidated results of its operations and its consolidated cash flows for the year ended March 31, 2023.

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 Audit and Risk Committee. With the exception of employee group representatives, members of the Audit and Risk 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 Audit and Risk Committee, with and without the presence of Management.

The consolidated financial statements for the year ended March 31, 2023 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 consolidated statements.

Rahim Somani, CPA, CA  
Vice President, Finance & Administration

Kiran Kullar, CPA, CA  
Interim Director of Finance

June 5, 2023



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## INDEPENDENT AUDITOR'S REPORT

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

### ***Opinion***

We have audited the consolidated financial statements of the University of Northern British Columbia (the "University"), which comprise:

- the consolidated statement of financial position as at March 31, 2023
- the consolidated statement of operations and accumulated 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
- 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, 2023 of the University 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 University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our 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 2(a) of 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 University'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 University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University'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 University'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 University'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 University 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 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.

## **DRAFT**

Chartered Professional Accountants

Prince George, Canada

June 5, 2023

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA**

## Consolidated Statement of Financial Position

March 31, 2023, with comparative figures for 2022 (in thousands of dollars)

		2023	2022
<b>Financial assets</b>			
Cash and cash equivalents		\$ 54,471	\$ 47,314
Operating investments	(Note 3)	22,512	20,378
Accounts receivable		6,664	4,424
Inventories for resale		621	568
Portfolio investments	(Note 4)	32,378	26,677
		<b>116,646</b>	<b>99,361</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	(Note 5)	22,427	17,152
Deferred revenue		2,258	1,396
Deferred contributions	(Note 7)	58,457	52,347
Deferred capital contributions	(Note 8)	150,508	154,290
		<b>233,650</b>	<b>225,185</b>
Net debt		(117,004)	(125,824)
<b>Non-financial assets</b>			
Tangible capital assets	(Note 9)	201,028	204,517
Inventories held for use		93	91
Endowment investments	(Notes 4 and 13)	71,817	69,464
Prepaid expenses		3,689	3,678
		<b>276,627</b>	<b>277,750</b>
Accumulated surplus	(Note 12)	\$ 159,623	\$ 151,926

Contractual obligations and commitments (Note 11)

See accompanying notes to consolidated financial statements

On behalf of the Board of Governors:

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Catherine Wishart  
Chair, Board of Governors

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Geoffrey Payne  
President & Vice Chancellor



**UNIVERSITY OF NORTHERN BRITISH COLUMBIA**

Consolidated Statement of Operations and Accumulated Surplus

March 31, 2023, with comparative figures for 2022 (in thousands of dollars)

	Budget (Note 2(n))	2023	2022
<b>Revenue:</b>			
Government grants			
Provincial government	\$ 63,500	\$ 65,693	\$ 62,071
Federal government	8,510	11,194	9,342
Tuition fees - Domestic	17,945	15,905	15,840
Tuition fees - International	5,010	7,659	5,961
Other fees	1,755	1,981	1,745
Sales of goods and services	8,760	8,663	6,555
Gifts, bequests, non-government grants and contracts	13,850	15,317	13,269
Investment income	2,890	3,342	3,244
External cost recovery and other income	660	509	591
Revenue recognized from deferred capital contributions	6,900	7,368	7,005
	129,780	137,631	125,623
<b>Expenses:</b>			
Ancillary operations	7,320	7,102	6,596
Facility operations and maintenance	15,883	16,609	15,600
Instruction	53,262	52,406	51,020
Institutional support	36,115	37,394	35,392
Sponsored research	12,340	12,953	9,786
Specific purpose	6,000	5,823	5,577
	130,920	132,287	123,971
Annual operating surplus/(deficit) before restricted contributions	(1,140)	5,344	1,652
Restricted endowment contributions	1,500	2,353	1,809
Annual surplus	360	7,697	3,461
Accumulated surplus, beginning of year	151,926	151,926	148,465
Accumulated surplus, end of year	\$ 152,286	\$ 159,623	\$ 151,926

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA**

## Consolidated Statement of Changes in Net Debt

Year ended March 31, 2023, with comparative figures for 2022 (in thousands of dollars)

	Budget (Note 2(n))	2023	2022
Annual surplus	\$ 360	\$ 7,697	\$ 3,461
Exclude items not affecting net debt:			
Restricted endowment contributions	(1,500)	(2,353)	(1,809)
	(1,140)	5,344	1,652
Acquisition of tangible capital asset	-	(6,762)	(8,308)
Loss on disposal of tangible capital assets	-	8	7
Amortization of tangible capital assets	-	10,243	9,926
	-	3,489	1,625
Consumption of inventories held for use	-	91	86
Acquisition of inventories held for use	-	(93)	(91)
Consumption of prepaid expenses	-	3,678	3,347
Acquisition of prepaid expenses	-	(3,689)	(3,678)
	-	(13)	(336)
Decrease (increase) in net debt	(1,140)	8,820	2,941
Net debt, beginning of year	(125,824)	(125,824)	(128,765)
Net debt, end of year	\$ (126,964)	\$ (117,004)	\$ (125,824)

See accompanying notes to consolidate financial statements

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA**

## Consolidated Statement of Cash Flows

Year ended March 31, 2023, with comparative figures for 2022 (in thousands of dollars)

	2023	2022
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Annual Surplus	\$ 7,697	\$ 3,461
Items not involving cash:		
Amortization of tangible capital assets	10,243	9,926
Loss on disposal of tangible assets	8	7
Revenue recognized from deferred capital contributions	(7,368)	(7,005)
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(2,240)	204
Increase in prepaid expenses	(11)	(331)
Increase in inventories held for use	(2)	(5)
(Increase) decrease in inventories held for sale	(53)	84
Increase in accounts payable and accrued liabilities	5,275	345
Increase (decrease) in deferred revenue	862	(1,008)
Net change in cash from operating activities	14,411	5,678
<b>Capital activities:</b>		
Acquisitions of tangible capital assets	(6,762)	(8,308)
Net change in cash from capital activities	(6,762)	(8,308)
<b>Investing activities</b>		
Capital contributions	3,586	6,662
Increase in operating investments	(2,134)	(1,183)
Increase in deferred contributions	6,110	10,226
Increase in endowment investments	(2,353)	(1,809)
Increase in portfolio investments	(5,701)	(4,779)
Net change in cash from investing activities	(492)	9,117
<b>Net change in cash</b>	<b>7,157</b>	<b>6,487</b>
<b>Cash, beginning of year</b>	<b>47,314</b>	<b>40,827</b>
<b>Cash, end of year</b>	<b>\$ 54,471</b>	<b>\$ 47,314</b>

Cash is comprised of cash and cash equivalents

See accompanying notes to consolidated financial statements

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2023 (in thousands of dollars)

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## 1. Authority and Purpose

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

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:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital assets are recorded and, referred to as deferred capital contributions and recognized 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 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.

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

### (a) Basis of accounting (continued)

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 PS3100; 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 is recognized in the Consolidated Statement of Operations and Accumulated Surplus and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

### (b) Basis of consolidation

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.

### (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.

### (d) Operating Investments

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

### (e) Financial instruments

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

**Fair value category:** Portfolio instruments that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Other financial instruments which the University has designated to be recorded at fair value include cash, cash equivalents and short term investments. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Significant unrealized gains and losses on financial instruments 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.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2023 (in thousands of dollars)

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

### (e) Financial instruments (continued)

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

### (f) Inventories for resale

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

### (g) Non-financial assets

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

#### (i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is not capitalized whenever external debt is issued to finance the construction of tangible 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 improvements	50 years
Capital renovations	20 years
Library holdings	10 years
Furniture and equipment	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 treasures

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

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

### (g) Non-financial assets (continued)

#### (iii) Inventories held for use

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

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

### (h) Employee future benefits

The University and eligible employees contribute to a defined contribution pension plan providing benefits on a money purchase basis. The cost of pension benefits includes the current service cost based on 8% to 10% of salary, less a fixed offsetting amount relating to Canada Pension Plan contributory earnings. The assets and liabilities of this plan are not included in the University's consolidated financial statements. The University expenses its contributions to the plan in the year to which the contributions relate.

The University's sick leave benefits do not vest or accumulate and related costs are expensed as incurred.

Vacation benefits for the University's employees are accrued as earned. The obligations under these benefits are based on the applicable collective agreements for unionized employees and employment contracts for employees not covered by collective agreements.

### (i) Revenue recognition

Tuition and other 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 and other income 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 or the transfer of property is completed.

The University follows the deferral method of accounting for contributions. 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.

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

### (i) Revenue recognition (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 stipulations or restrictions 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 Consolidated Statement of Operations and Accumulated Surplus for the portion to be held in perpetuity and as deferred contributions for any restricted investment income earned thereon.
- (iv) Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

### (j) Use of estimates

The preparation of the consolidated financial statements in accordance with the Budget Transparency and Accountability Act 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, the related amortization of deferred capital contributions and accrued payables. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

### (k) 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 consolidated 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 Consolidated Statement of Operations and Accumulated Surplus.



# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2023 (in thousands of dollars)

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

### (l) Contaminated sites

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

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

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

### (m) Asset retirement obligation

The University recognizes asset retirement obligations in the period in which the following criteria are met:

- (i) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (ii) the past transaction or event giving rise to the liability has occurred;
- (iii) it is expected that future economic benefits will be given up; and
- (iv) a reasonable estimate of the amount can be made.

Tangible long-lived assets include leased premises and the legal obligation to incur retirement costs is a result from the acquisition, construction, development, and/or normal use of the asset.

The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

### (n) Budget figures

Budget figures are provided for comparative purposes and have been derived from the 2022/23 Financial Planning Overview approved by the Board of Governors of UNBC on March 19, 2022. The budget is reflected in the Consolidated Statements of Operations and Accumulated Surplus and Statements of Changes in Net Debt.

## 3. Operating investments

	Fair Value		
	Hierarchy	2023	2022
Term Deposits and Guaranteed Investment Certificates	Level 1	\$ 13,406	\$ 11,400
Municipal Financing Authority - bond fund	Level 1	9,106	8,978
		<u>\$ 22,512</u>	<u>\$ 20,378</u>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2023 (in thousands of dollars)

## 4. Financial instruments

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 and 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair Value Hierarchy	2023	2022
Financial assets:			
Portfolio investments quoted at fair value - restricted:			
Fixed income	Level 1	\$ 4,454	\$ 4,082
Equity	Level 1	9,230	9,152
Real Estate	Level 3	3,833	2,425
Infrastructure	Level 3	6,516	5,056
Private debt	Level 3	6,194	4,197
Private equity	Level 3	2,151	1,765
		<u>\$ 32,378</u>	<u>\$ 26,677</u>
Non-financial assets:			
Restricted endowment investments quoted at fair value:			
Fixed income	Level 1	\$ 9,879	\$ 10,628
Equity	Level 1	20,474	23,831
Real Estate	Level 3	8,502	6,316
Infrastructure	Level 3	14,453	13,164
Private debt	Level 3	13,739	10,929
Private equity	Level 3	4,770	4,596
		<u>\$ 71,817</u>	<u>\$ 69,464</u>
Total financial instruments		<u>\$ 104,195</u>	<u>\$ 96,141</u>

The following table reconciles the changes in fair value of financial instruments classified as level 3 during the year.

	2023	2022
Balance, beginning of year	\$ 48,448	\$ 48,600
Unrealized gain	4,301	1,165
Purchases	9,579	3,588
Dispositions	(2,170)	(4,905)
Balance, end of year	<u>\$ 60,158</u>	<u>\$ 48,448</u>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2023 (in thousands of dollars)

## 5. Accounts payable and accrued liabilities

	2023		2022	
Accounts payable and accrued liabilities	\$	11,705	\$	9,624
Salaries and benefits payable		9,345		6,097
Accrued vacation pay		1,377		1,431
	\$	22,427	\$	17,152

## 6. Pension plan

The University has a defined contribution pension plan covering all eligible, 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 and 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 contributions made to the plan in the year to which they relate. During the year, the University contributed \$4,807 (2022 - \$4,548) to the plan.

## 7. Deferred contributions

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

	2023			2022	
	Capital	Research	Specific Purpose	Total	Total
Balance, beginning of year	\$ 529	\$ 12,011	\$ 39,807	\$ 52,347	\$ 42,121
Contributions received during the year	1,338	16,835	19,209	37,382	45,032
Revenue recognized from deferred contributions	-	(13,701)	(13,985)	(27,686)	(28,144)
Transfers to deferred capital contributions	(1,867)	(1,360)	(359)	(3,586)	(6,662)
Balance, end of year	\$ -	\$ 13,785	\$ 44,672	\$ 58,457	\$ 52,347

## 8. Deferred capital contributions

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

	2023		2022	
Balance, beginning of year	\$	154,290	\$	154,633
Contributions received during the year		3,586		6,662
Revenue recognized from deferred capital contributions		(7,368)		(7,005)
Balance, end of year	\$	150,508	\$	154,290

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2023 (in thousands of dollars)

## 9. Tangible capital assets

2023 Cost	Balance at March 31, 2022	Additions	Disposals/ Transfers	Balance at March 31, 2023
Land	\$ 7,145	\$ -	\$ -	\$ 7,145
Buildings and site improvements	307,163		2,387	309,550
Furniture and equipment	61,091	2,625	(59)	63,657
Computers	42,407	1,582	(17)	43,972
Library holdings	28,305	132	-	28,437
Assets under construction	140	2,423	(2,387)	176
<b>Total</b>	<b>\$ 446,251</b>	<b>\$ 6,762</b>	<b>\$ (76)</b>	<b>\$ 452,937</b>

2023 Accumulated amortization	Balance at March 31, 2022	Disposals	Amortization expense	Balance at March 31, 2023
Land	\$ -	\$ -	\$ -	\$ -
Buildings and site improvements	(120,708)		(6,984)	(127,692)
Furniture and equipment	(53,307)	58	(2,044)	(55,293)
Computers	(41,020)	10	(1,071)	(42,081)
Library holdings	(26,699)	-	(144)	(26,843)
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ (241,734)</b>	<b>\$ 68</b>	<b>\$ (10,243)</b>	<b>\$ (251,909)</b>

	Net book value March 31, 2022	Net book value March 31, 2023
Land	\$ 7,145	\$ 7,145
Buildings and site improvements	186,455	181,858
Furniture and equipment	7,784	8,364
Computers	1,387	1,891
Library holdings	1,606	1,594
Assets under construction	140	176
<b>Total</b>	<b>\$ 204,517</b>	<b>\$ 201,028</b>

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2023 (in thousands of dollars)

## 9. Tangible capital assets (continued)

2022 Cost	Balance at March 31, 2021	Additions	Disposals/ Transfers	Balance at March 31, 2022
Land	\$ 7,145	\$ -	\$ -	\$ 7,145
Buildings and site improvements	295,561	-	11,602	307,163
Furniture and equipment	58,598	2,638	(145)	61,091
Computers	41,597	833	(23)	42,407
Library holdings	28,267	38	-	28,305
Assets under construction	6,943	4,799	(11,602)	140
<b>Total</b>	<b>\$ 438,111</b>	<b>\$ 8,308</b>	<b>\$ (168)</b>	<b>\$ 446,251</b>

2022 Accumulated amortization	Balance at March 31, 2021	Disposals	Amortization expense	Balance at March 31, 2022
Land	\$ -	\$ -	\$ -	\$ -
Buildings and site improvements	(114,061)	-	(6,647)	(120,708)
Furniture and equipment	(51,406)	144	(2,045)	(53,307)
Computers	(39,996)	17	(1,041)	(41,020)
Library holdings	(26,506)	-	(193)	(26,699)
Assets under construction	0	-	-	-
<b>Total</b>	<b>\$ (231,969)</b>	<b>\$ 161</b>	<b>\$ (9,926)</b>	<b>\$ (241,734)</b>

	Net book value March 31, 2021	Net book value March 31, 2022
Land	\$ 7,145	\$ 7,145
Buildings and site improvements	181,500	186,455
Furniture and equipment	7,192	7,784
Computers	1,601	1,387
Library holdings	1,761	1,606
Assets under construction	6,943	140
<b>Total</b>	<b>\$ 206,142</b>	<b>\$ 204,517</b>

(a) Assets under construction

Assets under construction having a value of \$176 (2022 - \$140) are not amortized. Amortization of these assets commences when the asset is put into service; if it is determined that the costs no longer represent the cost of an ongoing project, they are expensed in the Consolidated Statement of Operations and Accumulated Surplus.

(b) Works of art and historical treasures

The University manages and controls various works of art and non-operational historical cultural treasures 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.

## 10. Financial risk management

UNBC has exposure to the following risks from its use of financial instruments: credit risk, interest rate risk, liquidity risk and foreign exchange 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, operating investments, accounts receivable and portfolio 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) Interest rate 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 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 capital, 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 normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation.

### (d) Foreign exchange risk

The University is exposed to foreign exchange risk on investments held in foreign currencies and may use foreign currency swaps to mitigate this risk.

## 11. Contractual obligations and commitments

Contractual obligations and commitments are as follows:

### Funding commitments

Under its endowment investment strategy, the University has outstanding commitments to fund private debt, real estate, private equity and infrastructure investments totalling approximately \$5,900 (2022 - \$10,600); \$3,400 (2022 - NIL); \$800 (2022 - \$800); and \$800 (2022 - \$1,000), respectively.

# UNIVERSITY OF NORTHERN BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended March 31, 2023 (in thousands of dollars)

## 12. Accumulated surplus

Accumulated surplus is comprised of the following:

	2023	2022
Accumulated operating surplus	\$ 87,806	\$ 82,462
Endowments (Note 4 and 13)	71,817	69,464
	<u>\$ 159,623</u>	<u>\$ 151,926</u>

Accumulated operating surplus consists of the following individual fund surpluses:

	2023	2022
Invested in tangible capital assets		
Capital assets	\$ 201,028	\$ 204,517
Amounts financed by deferred capital contributions	(150,508)	(154,290)
	<u>50,520</u>	<u>50,227</u>
Appropriated for specific purposes		
General Operating		
Department carryforwards	2,944	3,100
Minor capital projects, equipment purchases and special projects	20,669	18,803
Professional development and internal research funds	4,920	5,173
	<u>28,533</u>	<u>27,076</u>
Ancillary Services	(13,091)	(13,091)
Capital	11,635	9,135
Specific Purpose	6,692	5,598
	<u>33,769</u>	<u>28,718</u>
Unrestricted surplus	3,517	3,517
Total accumulated operating surplus	<u>\$ 87,806</u>	<u>\$ 82,462</u>

General Operating appropriations are comprised of departmental amounts calculated under a policy that allows them to carry forward unspent amounts to future periods, as well as an allocation of unspent salary amounts under the authority of the Provost and the Vice President, Finance and Administration. 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 Food Services, as well as the outstanding balance of an internal loan for a housing renovation project.

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, 2023 (in thousands of dollars)

## 13. Endowments

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

	2023	2022
Balance, beginning of year	\$ 69,464	\$ 67,655
Contributions received during the year	1,310	794
Capitalized interest	1,043	1,015
Balance, end of year	<u>\$ 71,817</u>	<u>\$ 69,464</u>

The balance shown does not include endowment principal with fair value of \$2,237 (2022 - \$2,335) and book value of \$1,681 (2022 - \$1,681) held by the Vancouver Foundation. The excluded principal is not owned or controlled by the University, but income from it is paid to the University to be used for specific purposes.

## 14. Expenses by object

The following is a summary of expenses by object:

	2023	2022
Salaries and wages	\$ 75,123	\$ 69,814
Benefits	13,809	12,929
Operational supplies and expenses	11,578	9,435
Professional and contracted services	9,352	9,071
Scholarships, fellowships and bursaries	3,982	3,894
Renovations, alterations and maintenance	3,430	2,236
Utilities	2,048	2,394
Cost of goods sold	1,247	1,318
Equipment, furnishings and rent	980	1,341
Travel and personnel costs	495	1,613
Amortization of tangible capital assets	10,243	9,926
	<u>\$ 132,287</u>	<u>\$ 123,971</u>

## 15. Related parties

The University is related through common ownership 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.

## 16. Contractual rights

The University receives research grants from various federal and provincial agencies, foundations, and institutions, and also enters into research agreements with some of these parties. The University currently expects to receive \$14,058 in research funding from fiscal 2024 to 2028.

The University also expects to receive additional research funding from federal, provincial and other sources from 2024 to 2028; however, this additional research funding is not specifically guaranteed to be received in future periods as at March 31, 2023. As a result, this additional research funding is not included in the total noted above.