



Financial Statements of

UNIVERSITY of the FRASER VALLEY

Year ended March 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of University of the Fraser Valley

We have audited the accompanying financial statements of the University of the Fraser Valley (the "Entity") which comprise the statement of financial position as at March 31, 2011, the statements of operations and net assets, revenue, expenditures, changes in net assets and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University of the Fraser Valley as at March 31, 2011, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

May 19, 2011

Abbotsford, British Columbia

UNIVERSITY of the FRASER VALLEY

Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2011 Total	2010 Total
	\$	\$	\$	\$	\$	\$
Assets						
Current assets:						
Cash	32,743,408	-	-	3,139,414	35,882,822	28,846,748
Short-term investments (Note 5 (a))	11,225,581	-	-	-	11,225,581	15,329,285
Accounts receivable	2,706,981	-	722,100	9,891	3,438,972	1,894,776
Inventories	49,527	1,643,507	-	-	1,693,034	1,659,378
Prepaid expenses	337,416	-	-	-	337,416	347,024
	47,062,913	1,643,507	722,100	3,149,305	52,577,825	48,077,211
Capital assets available for sale (Note 6(c))	-	-	-	-	-	13,119,601
Interfund balance	-	-	20,133,706	-	20,133,706	11,493,487
Long-term investments (Note 5 (b))	9,594,723	-	-	7,710,941	17,305,664	5,000,000
Capital assets (Note 6)	-	-	155,440,086	-	155,440,086	133,013,420
	56,657,636	1,643,507	176,295,892	10,860,246	245,457,281	210,703,719
Liabilities, Deferred Contributions and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities	15,498,716	67,506	2,081,661	1,199	17,649,082	14,546,473
Unearned revenue	8,420,460	-	-	-	8,420,460	7,985,754
Current portion of long-term debt (Note 7)	-	-	340,193	-	340,193	322,914
Current portion of capital lease obligation (Note 8)	-	-	95,339	-	95,339	-
	23,919,176	67,506	2,517,193	1,199	26,505,074	22,855,141
Long-term liabilities:						
Long-term debt (Note 7)	-	-	12,527,067	-	12,527,067	12,864,527
Capital lease obligation (Note 8)	-	-	231,525	-	231,525	-
	-	-	12,758,592	-	12,758,592	12,864,527
Interfund balance	19,736,833	359,752	-	37,121	20,133,706	11,493,487
Deferred contributions (Note 9)	239,057	-	114,254,641	3,186,814	117,680,512	108,989,583
Net assets:						
Investment in capital assets (Note 10)	-	-	28,394,980	-	28,394,980	28,593,390
Endowments	-	-	-	7,635,112	7,635,112	-
Internally restricted (Note 12)	11,951,352	-	18,370,486	-	30,321,838	24,096,792
Unrestricted	811,218	1,216,249	-	-	2,027,467	1,810,799
	12,762,570	1,216,249	46,765,466	7,635,112	68,379,397	54,500,981
Commitments (Note 14)	-	-	-	-	-	-
	56,657,636	1,643,507	176,295,892	10,860,246	245,457,281	210,703,719

See accompanying notes to financial statements.

 Approved by:  Chairman of the Board

 Chief Financial Officer

UNIVERSITY of the FRASER VALLEY

Statement of Operations and Net Assets

Year ended March 31, 2011, with comparative figures for 2010

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2011 Total	2010 Total
	\$	\$	\$	\$	\$	\$
Revenue	96,470,889	7,725,188	5,335,257	1,454,842	110,986,176	108,208,411
Expenditures	88,467,444	6,439,670	8,380,916	1,454,842	104,742,872	102,730,851
Excess (deficiency) of revenue over expenditures before the undernoted	8,003,445	1,285,518	(3,045,659)	-	6,243,304	5,477,560
Unrealized gain on endowment investments	-	-	-	116,542	116,542	-
Excess (deficiency) of revenue over expenditures	8,003,445	1,285,518	(3,045,659)	116,542	6,359,846	5,477,560
Net assets, beginning of year	15,526,575	1,211,204	37,763,202	-	54,500,981	49,023,421
Endowment contributions	-	-	-	31,804	31,804	-
Interfund transfers	(10,767,450)	(1,280,473)	12,047,923	-	-	-
Transfer endowments from UFV Foundation (Note 11)	-	-	-	7,486,766	7,486,766	-
Net assets, end of year	12,762,570	1,216,249	46,765,466	7,635,112	68,379,397	54,500,981

See accompanying notes to financial statements.

UNIVERSITY of the FRASER VALLEY

Statement of Revenue

Year ended March 31, 2011, with comparative figures for 2010

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2011 Total	2010 Total
	\$	\$	\$	\$	\$	\$
Ministry of Advanced Education Grants:						
Continuing programs	55,171,579	-	-	-	55,171,579	54,802,441
Special projects	1,184,925	-	-	-	1,184,925	1,293,211
Leases	-	-	241,785	-	241,785	239,436
Total Ministry of Advanced Education Grants	56,356,504	-	241,785	-	56,598,289	56,335,088
Tuition fees:						
Continuing programs	26,410,692	-	-	-	26,410,692	23,990,618
Other income:						
Amortization of deferred contributions (Note 9)	614,561	-	5,090,603	1,454,842	7,160,006	7,689,661
Contract services	9,138,608	-	-	-	9,138,608	7,488,384
Ancillary services	-	7,725,188	-	-	7,725,188	7,383,098
Investment income	635,892	-	-	-	635,892	460,800
Special projects	2,514,956	-	-	-	2,514,956	3,983,313
Other	799,676	-	2,869	-	802,545	877,449
Total other income	13,703,693	7,725,188	5,093,472	1,454,842	27,977,195	27,882,705
Total revenue	96,470,889	7,725,188	5,335,257	1,454,842	110,986,176	108,208,411

See accompanying notes to financial statements.

UNIVERSITY of the FRASER VALLEY

Statement of Expenditures

Year ended March 31, 2011, with comparative figures for 2010

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2011 Total	2010 Total
	\$	\$	\$	\$	\$	\$
Salaries and wages	59,147,704	736,722	-	39,958	59,924,384	57,567,104
Employee benefits	14,355,840	139,977	-	4,608	14,500,425	13,769,227
Supplies and books	3,171,341	67,235	-	5,821	3,244,397	3,278,749
Travel and conferences	2,454,035	9,434	-	18,332	2,481,801	2,530,417
Printing and advertising	614,966	9,242	-	10,422	634,630	656,288
Utilities	1,685,679	159,148	-	-	1,844,827	1,711,780
Rentals and leases	190,376	180,000	237,019	-	607,395	685,288
Contracted services	4,233,088	477,028	-	6,357	4,716,473	6,683,502
Other expenditures	2,614,415	780,180	-	29,755	3,424,350	3,685,206
Cost of sales	-	3,836,188	-	-	3,836,188	4,013,207
Amortization of capital assets	-	-	7,318,798	-	7,318,798	6,257,358
Minor equipment and supplies	-	44,516	-	201,822	246,338	76,942
Minor renovations and repairs	-	-	825,099	-	825,099	852,473
Scholarships and bursaries	-	-	-	1,137,767	1,137,767	963,310
Total expenditures	88,467,444	6,439,670	8,380,916	1,454,842	104,742,872	102,730,851

See accompanying notes to financial statements.

UNIVERSITY of the FRASER VALLEY

Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

	Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	2011 Total	2010 Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	28,593,390	-	24,096,792	1,810,799	54,500,981	49,023,421
Excess (deficiency) of revenue over expenditures	(3,045,659)	116,542	(2,975,628)	12,264,591	6,359,846	5,477,560
Interfund transfers	2,847,249	-	9,200,674	(12,047,923)	-	-
Endowment contributions	-	31,804	-	-	31,804	-
Transfer endowments from UFV Foundation (Note 11)	-	7,486,766	-	-	7,486,766	-
Balance, end of year	28,394,980	7,635,112	30,321,838	2,027,467	68,379,397	54,500,981

See accompanying notes to financial statements.

UNIVERSITY of the FRASER VALLEY

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
	\$	\$
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenditures	6,359,846	5,477,560
Items not involving cash:		
Amortization of deferred contributions	(7,160,006)	(7,689,661)
Amortization of capital assets	7,318,798	6,257,358
Unrealized gain on endowment investments	(116,542)	-
Investment income re-invested	(33,850)	-
Net changes in non-cash working capital:		
Accounts receivable	(1,544,196)	544,923
Inventories	(33,656)	155,573
Prepaid expenses	9,608	134,608
Accounts payable and accrued liabilities	3,102,609	36,721
Unearned revenue	434,706	303,065
	8,337,317	5,220,147
Financing activities:		
Repayment of long-term debt	(320,181)	(351,401)
Repayment of capital lease obligations	(89,615)	-
Deferred contributions received	15,534,216	9,437,954
	15,124,420	9,086,553
Investing activities:		
Short-term investments	4,103,704	(5,240,396)
Long-term investments	(4,594,723)	(5,000,000)
Cash transferred from UFV Foundation	242,936	-
Endowment contributions received	31,804	-
Purchase of capital assets	(16,209,384)	(7,475,809)
	(16,425,663)	(17,716,205)
Increase (decrease) in cash	7,036,074	(3,409,505)
Cash, beginning of year	28,846,748	32,256,253
Cash, end of year	35,882,822	28,846,748
Supplemental cash flow information:		
Interest paid	697,842	688,390
Non-cash transactions:		
Capital asset financed through capital lease	416,479	-
Investments transferred from UFV Foundation	7,560,549	-

See accompanying notes to financial statements.

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements

Year ended March 31, 2011

General:

The University of the Fraser Valley (the "University") is a post-secondary educational institution funded in part by the Province of British Columbia and is incorporated under the University Act of British Columbia. The University is exempt from income tax under the Income Tax Act.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements of the University have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Fund accounting:

The University follows fund accounting practices. Available resources and their related expenditures are recorded in separate funds in accordance with determinations made by the Board and limitations and restrictions imposed by sources outside the University.

Funds consist of:

Operating - revenue and expenditures relating to general operations.

Ancillary Services - revenue and expenditures relating to the bookstore, student residences and to the parking services.

Capital - investment in capital assets as well as related financing activities.

Trust - receipts and disbursements for specific externally restricted purposes such as scholarships and bursaries.

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(c) Revenue recognition:

The University follows the deferral method of accounting for contributions which include donations and government grants.

Under the University Act and regulations thereto, the University is funded by the Province of British Columbia in accordance with budget arrangements established by the Ministry of Advanced Education. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of the grant relates to a future period, it is deferred as unearned revenue and recognized in the subsequent period that the related expenditures are incurred. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2011.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred contributions represent externally restricted funds received for which the related expenditure has not yet been incurred. These contributions are recognized as revenue in the period in which the related expenditures are incurred.

Contributions received and utilized for the purchase of capital assets are recorded as deferred capital contributions and such amounts are amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income, specifically investment income earned by endowment funds, is deferred and recognized as revenue in the year in which related costs, are incurred. Unrestricted investment income is recognized as revenue when earned.

(d) Interfund balances:

Interfund balances are without interest or specific terms of repayment.

(e) Short-term investments:

Short-term investments, which are recorded at market value, include investments with terms to maturity of greater than three months and less than one year and are classified as held for trading.

(f) Investments:

Investments, which are recorded at market value, include investments with terms to maturity of greater than one year and endowments, which are restricted in use. Included in the endowments are money market funds, bonds, and equities. Investments are classified as held for trading.

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(g) Inventories:

Inventories are valued at the lower of cost and replacement cost with cost defined as weighted average cost.

(h) Capital assets:

Purchased capital assets are recorded at cost and contributed capital assets are recorded at their fair value on the date of contribution. Capital assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	20-40 years
Furniture and equipment	2-5 years
Library books	10 years
Site improvements	10 years
Leasehold improvements	Life of the lease

(i) Impairment of capital assets:

If it is determined that the net carrying amount of a capital asset exceeds its long-term service potential, the capital asset is written down to its residual value, if any.

(j) Capital funding:

Capital funding from the Province of BC in the form of prepaid capital advances is recorded as deferred capital contributions and amortized to revenue in order to match the expense generated through amortization of the capital assets acquired with the funds. Any debt obligations associated with capital contributions are the responsibility of the Province and reported at the Provincial level.

(k) Unearned revenue:

Unearned revenue represents tuition fees and contracted service fees received for specific courses or projects which were not completed at year end. Where a grant is received that relates to a future period, it is deferred as unearned revenue and recognized in the subsequent period that the related expenditures are incurred.

(l) Salaries and wages:

Operating expenditures relating to vacation pay entitlements are recorded as earned.

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(m) Employee future benefits:

The University accrues its future obligations under employee benefit plans related to the supplemental employment benefit for faculty on maternity or parental leave. The University is a member of multi-employer pension plans and applies defined contribution plan accounting and, accordingly, contributions are expensed.

(n) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

(o) Financial instruments:

The University has classified cash, short-term investments and long-term investments as held for trading, accounts receivable as loans and receivables and accounts payable and accrued liabilities and long-term debt as other financial liabilities. The University has not identified any embedded derivatives that are not closely related to the host contract and currently the University does not have any financial instruments that would qualify for hedge accounting.

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. **Future accounting framework:**

Effective April 1, 2012, the University will be transitioning to Public Sector Accounting Standards on a retrospective basis. The University is reviewing the impact of this change on the financial statements.

3. **Financial statement presentation:**

These financial statements reflect the financial position, operations and cash flows of the University.

Financial information relating to the University of the Fraser Valley Foundation (the "Foundation") is presented in Note 17. The Foundation is incorporated under the Society Act of B.C. and is a registered charity under the Income Tax Act. The Foundation is dependant on the University for management and administration services. According to the Foundation's bylaws all resources of the Foundation must be provided for the benefit of the University and its students, and the Foundation has certain Directors in common with the University. The financial position, results of operations and cash flows of the Foundation are not consolidated with those of the University (see Note 11).

4. **Capital management:**

The University receives its principal source of capital through funding received from the Ministry of Advanced Education. The University defines capital to be net assets and deferred capital contributions.

The University's objective when managing capital is to fund its operations and capital asset additions. The University manages the capital structure in conjunction with the Ministry of Advanced Education and makes adjustments based on available government funding and economic conditions. Currently, the University's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry of Advanced Education.

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2011

5. Investments

(a) Short-term investments:

	2011	2010
Investments	\$ 11,225,581	\$ 15,329,285

Short-term investments include term deposits with interest rates ranging between 1.85% and 2.2%.

(b) Long-term investments:

	2011	2010
Endowment Investments:		
Money market funds	\$ 254,411	\$ -
Bonds	3,932,677	-
Equities	3,523,853	-
	7,710,941	-
Investments	9,594,723	5,000,000
	\$ 17,305,664	\$ 5,000,000

Long-term investments include term deposits which mature between June 2012 and December 2014. Interest rates range between 1.65% and 3.2%. The University has contracted with an investment firm to manage its endowment investment portfolio in accordance with its policy. Of the above endowment investments, \$2,482,807 is restricted for the BC Regional Chair on Canada/India Business Economic Development.

The adjusted cost base of the endowment investments at March 31, 2011 is \$7,371,002.

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2011

6. Capital assets:

	Total Cost 2010	Reclassifications During Year	Additions During Year	Disposals During Year	Total Cost 2011	Accumulated Amortization	Net Book Value 2011	Net Book Value 2010
Buildings	\$ 126,963,888	\$ 21,879,422	\$ 289,807	\$ -	\$ 149,133,117	\$ 42,708,659	\$ 106,424,458	\$ 98,847,122
Construction-in-progress	1,719,790	-	10,460,463	-	12,180,253	-	12,180,253	1,719,790
Furniture and equipment	37,048,103	-	1,547,643	252,000	38,343,746	32,341,216	6,002,530	7,028,485
Library books	8,450,272	-	251,125	-	8,701,397	7,205,985	1,495,412	1,576,012
Land	21,942,828	1,891,853	-	-	23,834,681	-	23,834,681	21,942,828
Site improvements	3,203,054	-	4,076,824	-	7,279,878	1,777,126	5,502,752	1,899,183
Leasehold improvements	318,390	-	-	-	318,390	318,390	-	-
	\$ 199,646,325	\$ 23,771,275	\$ 16,625,862	\$ 252,000	\$ 239,791,462	\$ 84,351,376	\$ 155,440,086	\$ 133,013,420
Available for sale	23,771,275	(23,771,275)	-	-	-	-	-	13,119,601
	\$ 223,417,600	\$ -	\$ 16,625,862	\$ 252,000	\$ 239,791,462	\$ 84,351,376	\$ 155,440,086	\$ 146,133,021

(a) Funding:

Funding for the additions during the year consist of the following:

Add:	Transfer grant revenue from operating fund	\$ 1,321,125
	Transfer Annual Capital Allowance revenue from operating fund	387,814
	Transfer start-up grant from operating fund	146,796
	Capital advances	11,184,000
	Federal KIP capital advance	1,587,000
	Capital lease agreement	416,479
	Loan from operating	1,625,650
	Transfers from other funds	9,750,548
	Donations for capital assets	20,605
	Other revenue	166,331
	Change in deferred contributions	37,884
Less:	Change in internally restricted funds	(9,193,271)
	Funding spent on minor renovations, repairs, and interest expense	(825,099)
		\$ 16,625,862

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2011

6. Capital assets (continued):

(b) Construction-in-progress:

Construction-in-progress consists of costs incurred to date for the new building at the Canada Education Park in Chilliwack.

(c) Available for sale:

The University of the Fraser Valley campus in north Chilliwack, previously classified as available for sale, has been added back to capital assets as it is uncertain that the sale of the campus will complete within the next year.

7. Long-term debt:

	2011	2010
BC Immigrant Investment Fund Ltd. (BCIIF) loan is unsecured, payable in quarterly installments of \$248,304 including interest at 5.15%, due August 1, 2017	\$ 12,867,260	\$ 13,187,441
Current portion of long-term debt	(340,193)	(322,914)
	<u>\$ 12,527,067</u>	<u>\$ 12,864,527</u>

Interest on long-term debt in the amount of \$669,667 (2010 - \$686,396) is included in other expenditures of the ancillary services fund.

Principal repayments required on the long-term debt over the next five years are approximately as follows:

2012	\$340,193
2013	\$357,386
2014	\$376,493
2015	\$396,260
2016	\$417,465

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2011

8. Capital lease obligation:

The University has financed certain copying equipment by way of capital lease. Capital lease repayments are due as follows:

	2011	2010
Year ending December 31:		
2012	\$ 111,454	\$ -
2013	111,454	-
2014	111,454	-
2015	27,842	-
Total minimum lease payments	362,204	-
Less amount representing interest at 6.0%	(35,340)	-
Present value of net minimum capital lease payments	326,864	-
Current portion of obligation under capital lease	(95,339)	-
	\$ 231,525	\$ -

Interest of \$21,628 (2010 - nil) relating to capital lease obligations has been included in contracted services. The total cost amount of assets under capital lease is \$416,479 with related accumulated amortization of \$97,995.

9. Deferred contributions:

(a) Deferred contributions - Operating Fund:

Deferred contributions - Operating Fund represent unspent operating contributions received for which the related expenditures such as minor maintenance, renovations and other items have not yet been incurred.

	2011	2010
Balance, beginning of year	\$ 274,246	\$ 291,387
Contribution from Province (ACA)	418,890	1,094,058
Contribution from Province (Start Up Grant)	146,796	998,825
Contribution from Province (Skills Development)	160,482	-
Less:		
Amortized to revenue	(614,561)	(1,111,199)
Transfer to capital fund	(146,796)	(998,825)
Balance, end of year	\$ 239,057	\$ 274,246

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2011

9. Deferred contributions (continued):

(b) Deferred contributions - Trust Fund

Deferred contributions - Trust Fund represent unspent externally restricted funds received for which the related expenditures such as scholarships, bursaries and other items have not yet been incurred.

	2011	2010
Balance, beginning of year	\$ 2,467,189	\$ 1,747,430
Receipts and contributions:		
Donations	817,900	914,212
Tuition contribution - scholarships and bursaries	576,913	582,218
Interest and investment income	74,213	16,663
Legacy reserve contributions	500,000	500,000
Transfer from UFV Foundation	316,719	-
Less:		
Amortized to revenue	(1,454,842)	(1,076,900)
Transfer to capital fund	(20,605)	(216,434)
Interest and investment income distributed to operating fund	(90,673)	-
Balance, end of year	\$ 3,186,814	\$ 2,467,189

(c) Deferred capital contributions:

Deferred capital contributions represent the unamortized amount and unspent amount of grants and other amounts received for the purchase of capital assets.

	2011	2010
Balance, beginning of year	\$ 106,248,148	\$ 105,202,472
Contributions from Province (Capital Projects)	11,184,000	3,681,978
Contributions from Province (Start Up Grant)	146,796	998,825
Contributions from Federal government (KIP)	1,587,000	1,500,000
Contributions from Legacy Fund and donations (Trust transfer)	20,605	216,435
Other revenue	158,695	150,000
Less amount amortized to revenue	(5,090,603)	(5,501,562)
Balance, end of year	\$ 114,254,641	\$ 106,248,148

The balance of unamortized capital contributions related to capital assets consists of the following:

	2011	2010
Unamortized capital contributions used to purchase assets	\$ 111,630,544	\$ 103,586,167
Unspent contributions	2,624,097	2,661,981
Balance, end of year	\$ 114,254,641	\$ 106,248,148

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2011

10. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2011	2010
Capital assets, net of accumulated amortization	\$ 155,440,086	\$ 146,133,021
Unspent portion of deferred contributions	2,624,097	2,661,981
Amounts financed by:		
Deferred contributions	(114,254,641)	(106,248,148)
Capital lease obligation	(326,864)	-
BCIIF loan	(12,867,260)	(13,187,441)
Loan from operating	(2,220,438)	(766,023)
Net investment in capital assets	\$ 28,394,980	\$ 28,593,390

(b) Change in net assets invested in capital assets is calculated as follows:

	2011	2010
Excess of expenditures over revenues:		
Amortization of deferred capital contributions	\$ 5,090,603	\$ 5,501,562
Other revenue	244,654	250,638
Amortization expense of capital assets	(7,318,798)	(6,257,358)
Other items expensed	(1,062,118)	(2,269,208)
	\$ (3,045,659)	\$ (2,774,366)
Interfund transfers and other changes:		
Transfer of grant revenue from operating fund	\$ 1,321,125	\$ 1,282,209
Transfer of Annual Capital Allowance revenue from operating fund	387,814	152,061
Interfund transfers	10,338,984	2,455,108
Transfer from internally restricted	9,169,812	7,487,433
Transfer to internally restricted	(18,370,486)	(9,169,812)
	\$ 2,847,249	\$ 2,206,999

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2011

11. Scholarship and bursaries trust fund:

In October, 1984, an endowment fund in the name of the University was established with the Vancouver Foundation. Capital of this endowment fund (\$160,000 cost as at March 31, 2011) is held by the Vancouver Foundation and its use is restricted. Income earned by the fund is paid semi-annually to the University.

Effective January 1, 2011, the University of the Fraser Valley Foundation transferred certain restricted funds to the University of the Fraser Valley. The effect of the transactions was to increase Trust Fund cash by \$242,936, to increase Trust Fund deferred contributions by \$316,719, to increase Trust Fund endowment principal by \$7,486,766, and to increase investments by \$7,560,549.

The fund balance is made up of various endowments as well as funds yet to be awarded for bursaries and scholarships. The disbursement of these funds is restricted to the criteria set out in each of the endowment, bursary or scholarship awards.

12. Internally restricted net assets:

Internally restricted net assets committed for specific purposes include research start-up, curriculum development, commitments for the completion of special projects/programs, and capital purchases.

13. Pension plans:

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has about 12,000 active members from college senior administration and instructional staff and approximately 4,500 retired members. The Municipal Pension Plan has about 163,000 active members, with approximately 5,600 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2009 indicated an unfunded liability of \$28,000,000 for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent valuation for the Municipal Pension Plan as at December 31, 2009 indicated an unfunded liability of \$1,024,000,000 for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The University of the Fraser Valley paid \$1,145,370 (2010 - \$1,085,195) for employer contributions to the Municipal plan and \$3,629,473 (2010 - \$3,271,667) to the College plan in fiscal 2011.

UNIVERSITY of the FRASER VALLEY

Notes to Financial Statements

Year ended March 31, 2011

14. Commitments and contingencies:

(a) The University has long-term lease commitments, including estimated triple net costs, which are approximately as follows:

2012	\$295,595
2013	\$158,898
2014	\$ 86,941
2015	\$ 55,875
2016	\$ 55,875

(b) The University has a capital construction project in progress at the Canada Education Park with a total estimated budget of \$45,350,000 and an expected completion date of May 2012. The sale of the Chilliwack North Campus, along with funding from University capital reserves is budgeted to contribute \$27,500,000 to the project. The University has sufficient cash to fund this contribution until the sale of the Chilliwack North Campus. The planned building in partnership with the Student Union Society is on hold pending the sale of the Chilliwack North Campus or alternate funding arrangements.

(c) From time to time, the University is involved in litigation or proceedings relating to claims arising out of its operation in the ordinary course of business. The University has not accrued an amount for any outcomes in these financial statements, as outcomes are uncertain or any potential liability is not expected to have a material adverse effect on the University's financial position.

15. Bank credit facility:

The University has a credit facility with the Royal Bank of Canada for the maximum amount of \$2,000,000. Any amounts borrowed through this facility incur interest costs at the Bank Prime Lending Rate. As at March 31, 2011, there was no amount drawn on this line of credit.

16. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

UNIVERSITY of the FRASER VALLEY
Notes to Financial Statements (continued)

Year ended March 31, 2011

17. University of the Fraser Valley Foundation:

A summary of the Foundation's financial position, operations and cash flows are as follows:

	2011	2010
	\$	\$
Assets	184	7,307,761
Net assets	184	7,305,871
	2011	2010
	\$	\$
Revenue	625,201	1,774,832
Expenditures	7,930,888	271,417
Excess (deficiency) of revenue over expenditures	(7,305,687)	1,503,415
	2011	2010
	\$	\$
Cash flows provided by:		
Operating activities	89,913	369,398
Financing and investments	(244,215)	(325,000)

During the year the University provided management and administration services to the Foundation for nil consideration and received net donations of \$107,850 (2010 - \$242,098) from the Foundation.

Effective January 1, 2011, the University of the Fraser Valley Foundation transferred certain restricted funds to the University of the Fraser Valley. The effect of the transactions is presented in Note 11.

18. 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.