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# Annual Financial Report

## 2020 | 2021

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Engaging Learners, Transforming Lives, Building Community



## Introduction

Despite a challenging financial environment throughout the 2020/21 fiscal year, UFV's commitment to what is most important - Engaging Learners, Transforming Lives and Building Community – remained the primary focus. Achievement of our mission is dependent on strong financial health, and through the collective efforts and continued commitment of faculty, staff and students, UFV maintained and continues to maintain financial stability.

This unaudited Financial Discussion and Analysis (FD&A) is a measure of the university's financial accountability and management's perspective on UFV's financial health, including analysis of areas that were, and may continue to be, most impacted by the COVID-19 pandemic. It has been prepared to assist readers of UFV's financial statements better understand the financial position and operating activities of the university. It should be read in conjunction with the audited financial statements and accompanying notes.

The attached financial statements present the financial results of UFV for the year ended March 31, 2021. As a publicly funded sector, Post-Secondary Institutions must report financial statements using *Public Sector Accounting Standards* (PSAB) presented in accordance with Section 23.1 of the *BC Budget Transparency and Accountability Act*, supplemented by Regulations 257/210 and 198/2011 issued by the Province of British Columbia Treasury Board. Additionally, as a publicly funded institution under the University Act and part of the Government Reporting Entity (GRE), the university is subject to Balanced Budget legislation which requires that in any given fiscal period, revenues must exceed expenditures resulting in an operating surplus, unless exceptions have been approved.

## Operating Environment

### Government Funding and Policies

The operating grant from the Ministry of Advanced Education, Skills & Training (AEST) is provided for the delivery of post-secondary education with an established enrolment target for domestic full-time equivalent (FTE) students. The enrolment target has remained relatively static over the past several years. The FTE target for 2020/21 decreased from 6,720 to 6,716 – a decrease of 4 FTE. AEST also provides funding for negotiated general wage settlements for the university's Collective Bargaining Agreement ratified in August 2020.

Domestic tuition rates are regulated by the provincial *Tuition Limit Policy* and since 2005 domestic student increases have been limited to 2% annually. International tuition rate increases are not currently limited by government and careful consideration is used when setting rates to ensure the university remains competitive within the international student market.

UFV is committed to ensuring space and technology infrastructure remains relevant and meets the changing needs of students. The government expects institutions to share in the cost of major capital renovations, upgrades and projects. Deferred maintenance is an issue across the post-secondary sector in British Columbia and UFV is no exception. Remediation of several buildings on UFV's Abbotsford Campus that are being funded by AEST are well under way with one building reaching substantial completion by the 2020/21 fiscal year end.

### Student Demographics

For fiscal year 2020/21, UFV's overall utilization rate for the government (AEST) base funded student full-time equivalent (FTE) target was 101.5%, 103 FTEs above target. For the third consecutive year UFV has seen an increase in domestic AEST FTEs; 191 FTEs over last year, bringing us close to 2012/13 levels and just 195 FTEs below the peak of 2011/12.

International student enrolments were impacted by COVID 19, seeing a 28.9% decrease in FTE's compared to prior year. The total number of international FTEs, excluding those in Chandigarh, decreased by 598 FTE's over prior year to 1,470. International student fees are not subject to government restrictions or limits; students pay the full cost of education at competitive rates in the international education market.

Total FTEs produced for 2020/21 were 9,034 with approximately 16.6% being international (excluding Chandigarh campus students).

### Other

The university's collective agreement with the Faculty and Staff Association (FSA) expired March 31, 2019 and was ratified in August 2020. Negotiated salary increases are directed by the Public Sector Employers' Council (PSEC) who also directs and approves salary increases for non-unionized employees of UFV. Increases for FSA members are funded by government; increases for excluded employees are not. An accrual for retroactive costs was included in the 2019/20 financial statements, with funding received and recorded in fiscal 2020/21.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The university continues to closely monitor the recommendations from public health agencies and government authorities and has implemented its business continuity plans in efforts to reduce the financial impact and continue operations. While the situation is dynamic and the ultimate duration and magnitude of the impact on UFV's future operations are not known at this time, the university will use established budget principles along with scenario planning and close monitoring to guide actions and planning through the event. Pandemic revenue loss and expenditures for 2020/21 have been recorded in the financial statements.

## **Financial Information**

The university ended the year with \$293M in assets and an annual surplus of \$4.8M. The university experienced lower than planned international student enrolments and ancillary revenues, however the combination of salary and benefit savings related to pausing positions and delays in filling vacancies, expense management, higher investment income and a delay in several capital projects, resulted in a year end surplus from on-going operations of \$4.6M. These funds are utilized to support the university's strategic priorities and capital plans, and are used for sustaining and improving service delivery. Restricted endowment contributions contributed to the overall surplus of \$4.8M.

### Financial Assets

Financial assets are defined as assets available to discharge liabilities or finance future operations. As compared to prior year, financial assets increased by 6.7% (\$6.8M) to \$109.4M.

	2021	2020
Cash and cash equivalents	31,506,076	24,534,155
Accounts receivable	2,826,773	2,688,049
Inventories held for resale	1,128,339	1,343,149
Investments	73,278,476	72,773,049
Investment in GBE	664,276	1,260,802
<b>Total Financial assets</b>	<b>\$ 109,403,940</b>	<b>\$ 102,599,204</b>

*Cash and cash equivalents* and *Investments* include the university's working capital, underlying endowment expendable funds, and restricted funds. The increase is a result of year end provincial deposits, international

student deposits for future terms, the annual surplus position and the recovery of the prior year fair value loss in the endowment investment portfolio.

### Non-Financial Assets

	2021	2020
Tangible capital assets	170,428,996	166,559,536
Prepaid expenses	1,382,835	865,420
Investments - endowments	12,068,586	11,865,624
<b>Total Non-Financial Assets</b>	<b>\$ 183,880,417</b>	<b>\$ 179,290,580</b>

*Tangible capital assets* include land, buildings, leasehold improvements, library acquisitions, computers, furniture and equipment and assets under construction. The increase in the net book value of \$4M includes \$14M of capital additions, offset by \$10M of amortization. Significant additions include the completion of the first phase of the building remediation project for \$3M and second phase expenses of \$4M, and furniture and equipment of \$4M.

*Investments - endowments* represent the externally restricted donations received by the university and are not available for use in university operations. UFV's endowed funds are professionally managed by RBC Philips, Hagar & North Investment Counsel and guided by the Investment Policy of the Board. Changes to endowed funds attributed to realized or unrealized earnings are classified as available for distribution and reported as a financial asset under Investments.

### Liabilities

Liabilities increased by 4.5% to \$152M.

	2021	2020
Accounts payable and accrued liabilities	20,534,948	19,799,814
Deferred revenue	35,634,417	33,824,114
Deferred capital contributions	86,984,551	82,876,487
Debt	8,898,843	8,949,668
<b>Total Liabilities</b>	<b>\$ 152,052,759</b>	<b>\$ 145,450,083</b>

*Accounts payable and accrued liabilities* increased primarily due to timing of events in annual operations and capital project completion.

*Deferred revenue*, externally restricted revenue that is not recognized until related expenses are incurred, includes unearned tuition revenue, unspent research grant funding and available endowment earnings for distribution. The increase is a result of higher unspent research grant funding and the receipt of restricted project funding from the province at year end.

*Deferred capital contributions (DCC)*, externally restricted capital contributions, are amortized over the life of the related tangible capital asset. The net change is the result of \$9.8M new contributions offset by \$5.7M of amortization.



*Debt* is related to student housing and is being repaid by student rent revenues. Student housing revenues were impacted as a result of COVID 19 and travel restrictions and the 2020/21 annual budgeted reduction of the financing was deferred.

### Net Assets

Post-secondary institutions in British Columbia prepare financial statements in accordance with the financial reporting provision of Section 23.1 of the provincial *Budget Transparency and Accountability Act*. Departing from pure PSAS accounting, contributions for capital assets are deferred and brought into revenue over the useful life of the asset as per provincial regulation (Treasury Board Regulation 198/2011). Reporting deferred capital contributions (DCC) as a liability skews the institution's net debt position as the recognition of DCCs will not be a draw on future revenues or financial resources.

Similarly, the university has significant pre-paid lease revenue from the Student Union Society (SUS) and Chilliwack Economic Partners Corporation (CEPCO). Adjusting for these contributions, the debt to financial assets ratio has slightly decreased over prior year.



*Adjusted for DCC and pre-paid lease*

### Accumulated Surplus

Accumulated surplus increased 3.5% to \$141.2M and represents the net economic position of the university from the operations of the current and past years along with the principal portion of endowed funds. With the exception of endowed funds, the surplus is invested in capital assets, held as reserves to mitigate risk or allocated for projects and initiatives including the universities physical infrastructure and technology. Over the past years, the university's contributions to capital assets has been increasing as the province expects cost sharing on all capital renovations, expansions and new projects.

## Revenue from Operations

Revenues decreased year-over-year due in large part to the impact of the pandemic on tuition and ancillary activities. Revenues decreased 4.3% to \$153M.

	2021	2020
Province of British Columbia	68,217,920	62,862,730
Tuition and student fees	68,222,986	74,935,460
Sales of goods and services	3,519,968	6,781,606
Amortization of deferred capital contributions	5,740,467	6,385,280
Donations, non-government grants, contracts and other revenue	4,123,403	5,184,515
Government of Canada	1,497,733	1,449,318
Investment income	2,130,462	2,395,142
Loss from government business enterprise	(596,526)	(551,272)
<b>Total Revenues</b>	<b>\$ 152,856,413</b>	<b>\$ 159,442,779</b>

Base operating grants from the AEST and the Industry Training Authority (ITA) total approximately \$66M and includes funding of \$1.8M for retroactive CBA increases for 2019/20. In addition to base grants, the university receives one-time funding for specific purposes and projects, such as directed programming and research.

Despite the fact that the university saw a decrease in international tuition revenues, tuition and student fees slightly exceeded grant funding as a percentage of overall revenue from operations for the second year. FTE targets for development programming were adjusted to reflect revised delivery expectations with no change to funding.

Overall tuition and student fees decreased by \$6.7M or 9% over prior year. Tuition and student fee revenue includes a 2% domestic tuition rate increase and a 5.88% rate increase with more flexible course-load options for international tuition. Decreased international student enrolments as a result of COVID 19 travel restrictions and study permit complications resulted in lower revenues of \$9M compared to prior year and 15% below the 2020/21 budget.

*Amortization of deferred capital contributions* (DCC) is related to external funding for capital projects and maintenance and minor renovations (MMR). This funding is restricted and brought into revenue over the life of related assets or as the dollars are spent on maintenance and repairs.

*Donations, non-government grants, contracts and other revenue* are one-time funds received for special purposes. As these revenues are tied to specific projects and initiatives approved at various points throughout the year, funding and revenue recognition from year to year can be volatile. The pandemic has impacted this revenue recognition and can be linked to the increase in deferred revenue.

*Sales of good and services* decreased due to lost revenues in parking, dining services, housing, conferencing and other ancillary services. Transition to majority online academic course delivery and a remote workforce due to COVID-19 resulted in suspension of services including parking and conferencing and largely reduced activity in dining services and housing.

*Investment income* is earned on fluctuating operating funds and saw a slight decrease in this fiscal due to lower interest rates. The university manages operating cash-flows with a combination of term securities and participation in the provincial Central Deposit Program (CDP).

*Loss from government business enterprises (GBE)* is the annual net position of UFV India Global Education (UIGE). UIGE delivers UFV programming to students in Chandigarh, India. A planned reduction in academic activity at UIGE resulted in a second year of loss of earnings for 2020/21 and a decrease in equity.

#### Other Revenue

*Investments – endowment* relate to external contributions received by the university and capitalized investment income and believe the decrease is a result of COVID 19 on available funds for business and personal donation.

	2021	2020
Investments - endowment	\$ 202,961	\$ 1,386,055

#### Expenses

Expenses increased marginally year-over year due to focused expenditure controls related to the shift to virtual learning delivery, offset by pandemic related expenses and salary increases. An overall increase of 1% to \$148M.

Expenses reported by object were as follows:

	2021	2020
Salaries and benefits	110,210,889	103,179,874
Other costs	15,141,134	16,584,291
Amortization of tangible capital assets	9,715,801	9,889,079
Office and program costs	4,827,611	8,432,422
Cost of good sold	2,394,433	2,781,823
Utilities	1,601,578	1,884,687
Minor renovations and repairs	1,926,868	1,492,996
Scholarships and bursaries	2,324,172	2,105,232
Interest expense	124,992	172,696
<b>Total Expenses</b>	<b>\$ 148,267,478</b>	<b>\$ 146,523,100</b>

*Salaries and benefits* increased by 7% over prior year and represent 74% of total expenditures (70% in 2019/20). The increase is due to a combination of costs related to negotiated general wage increase, increments, and PSEC-approved non-union increases, new positions in support of strategic priorities and a retirement incentive program offered to manage future costs. Benefit costs remain constant.

*Other costs* expenses decreased, however this is the net impact of primarily lower commission costs related to the recruitment of international students offset by costs for expenditures due to the COVID-19 pandemic. Costs include but are not limited to; software and licenses to enable remote learning, increased cleaning on campus, personal protective equipment, and learning designers.

*Office and program costs* significantly decreased due to lower costs associated with travel for recruitment, professional development and research activity, and reduced on campus activities and intercampus mileage.

*Utilities* decreased due to lower activity on-campus due to the impact of COVID-19.

*Scholarship and bursaries* increased due to additional bursaries for students in need due to the impact of the COVID-19 pandemic.

*Interest expense* is related to debt on student housing. The university renewed its debt in 2020/21 through the Ministry of Finance of British Columbia, Debt Management Branch and continues to realize the benefit of lower interest rates through this financing channel.

## Risks and Uncertainties

The university uses an Enterprise Risk Management approach to assess and mitigate risk.

Risks and uncertainties are considered below:

- *Operational implications of COVID 19 Pandemic:* Uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may impact future operations.
- *Domestic student recruitment:* Enrolments may be negatively impacted by demographics, the economy, federal and provincial policies, and competition from other institutions.
- *Reliance on international student revenues:* risks continuing from the global pandemic, or from economic events and/or foreign policy changes could negatively impact international enrolments. A higher concentration of international students from a limited number of regions increases the potential impact of international enrolment decline.
- *Employee recruitment and retention:* attracting and retaining employees within a salary grid that is not competitive with post-secondary salaries in other provinces or the market.
- *Managing continuous change:*
  - changing nature of students, curriculum, classroom instruction, technology, and learning methodology. University education must remain relevant;
  - changing administrative and business processes while maintaining employee morale.
- *Deferred maintenance:* maintaining aging and deteriorating buildings within internal and external capital allocations.
- *Other:* UFV is susceptible to trade-related uncertainties and risks related to protectionism and geopolitics.

UFV operates in an increasingly complex environment with many factors outside the control of the university. The global scope and complexity of the COVID-19 pandemic has brought a new level of uncertainty. The enduring impact of COVID-19 on the delivery of education, the way students choose to learn, and on achieving future revenue targets is not yet known. The university will continue to be vigilant in monitoring results to budget and will employ mitigation strategies and call on contingencies to manage financial health as necessary.



**Financial Statements of**



**And Independent Auditors' Report thereon  
For the year ended March 31, 2021**



## STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates in compliance with accounting requirements of 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. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting measurement of transactions in which objective judgment is required.

In fulfilling its responsibilities for the integrity and fairness of the financial statements, University's management has developed and maintains a system of internal controls designed to provide reasonable assurance that the University assets are safeguarded and financial records are properly maintained to provide a reliable basis for the preparation of financial statements.

The Board of Governors of the University carries out its responsibility for review of the financial statements principally through its Finance and Audit Committee. The members of the Finance and Audit Committee are not officers or employees of the University and meets with management and the external auditors to discuss the results of audit examinations, financial reporting matters, and recommends approval of the financial statements to the Board. The auditors have full access to the Finance and Audit Committee, with and without the presence of the management.

The financial statements have been audited by KPMG LLP, Chartered Professional Accountants, the external auditors appointed by the University's Board of Governors. The Independent Auditors' Report outlines the nature of their audit and expresses an opinion on the financial statements of the University for the year ended March 31, 2021.

On behalf of the University

A handwritten signature in black ink, appearing to read "J. Pankratz", is written over a horizontal line.

Chair of the Board, John Pankratz

A handwritten signature in black ink, appearing to read "J. Hogan", is written over a horizontal line.

CFO and VP Administration, Jackie Hogan

June 10, 2021



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32575 Simon Avenue  
Abbotsford BC V2T 4W6  
Canada  
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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the financial statements of University of the Fraser Valley (the "Entity"), which comprise:

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

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

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2021 of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

### ***Basis for Opinion***

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

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

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

### ***Emphasis of Matter – Financial Reporting Framework***

We draw attention to Note 2(a) to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- Information, other than the financial statements and the auditors' report thereon, included in the Annual Financial Report document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Financial Report document as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants

Abbotsford, Canada  
June 10, 2021



# University of the Fraser Valley

March 31, 2021

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# University of the Fraser Valley

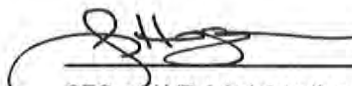
## Statement of Financial Position

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

	2021	2020
<b>Financial assets</b>		
Cash and cash equivalents	\$ 31,506,076	\$ 24,534,155
Accounts receivable	2,826,773	2,688,049
Inventories held for resale	1,128,339	1,343,149
Investments (Note 3)	73,278,476	72,773,049
Investment in government business enterprises (Note 4)	664,276	1,260,802
	<u>109,403,940</u>	<u>102,599,204</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	20,534,948	19,799,814
Deferred revenue (Note 6)	35,634,417	33,824,114
Deferred capital contributions (Note 7)	86,984,551	82,876,487
Debt (Note 9)	8,898,843	8,949,668
	<u>152,052,759</u>	<u>145,450,083</u>
Net debt	(42,648,819)	(42,850,879)
<b>Non-financial assets</b>		
Tangible capital assets (Note 14)	170,428,996	166,559,536
Prepaid expenses	1,382,835	865,420
Investments - endowments (Note 16)	12,068,586	11,865,625
	<u>183,880,417</u>	<u>179,290,581</u>
Accumulated surplus	\$ 141,231,598	\$ 136,439,702
Contingent liabilities (Note 8)		
Contractual obligations (Note 12)		

Approved by:

  
Chair of the Board

  
CEO and VP Administration

See accompanying notes to the financial statements.

# University of the Fraser Valley

## Statement of Operations and Accumulated Surplus

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

	2021 Budget (Note 2.j)	2021	2020
<b>Revenue</b>			
Tuition and student fees	\$ 73,331,666	\$ 68,222,986	\$ 74,935,460
Province of British Columbia	61,789,989	68,217,920	62,862,730
Amortization of deferred capital contributions (Note 7)	6,892,558	5,740,467	6,385,280
Sales of goods and services	7,411,511	3,519,968	6,781,606
Donations, non-government grants and contracts	1,737,000	2,591,712	2,890,967
Investment income	1,285,312	2,130,462	2,395,142
Other revenue	2,044,568	1,531,691	2,293,548
Government of Canada	1,278,667	1,497,733	1,449,318
Loss from government business enterprises (Note 4)	-	(596,526)	(551,272)
	155,771,271	152,856,413	159,442,779
<b>Expenses</b>			
Instruction and support	150,303,925	143,662,672	141,641,322
Ancillary	5,467,346	4,604,806	4,881,778
	155,771,271	148,267,478	146,523,100
Annual surplus from operations	-	4,588,935	12,919,679
Endowment contributions	-	202,961	1,386,055
Annual surplus	-	4,791,896	14,305,734
Accumulated surplus, beginning of year	136,439,702	136,439,702	122,133,968
Accumulated surplus, end of year	\$ 136,439,702	\$ 141,231,598	\$ 136,439,702

See accompanying notes to the financial statements.

# University of the Fraser Valley

## Statement of Changes in Net Debt

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

	2021 Budget (Note 2.j)	2021	2020
Annual surplus	\$ -	\$ 4,791,896	\$ 14,305,734
Acquisition of tangible capital assets	-	(13,585,261)	(13,978,726)
Amortization of tangible capital assets	9,750,000	9,715,801	9,889,079
	9,750,000	(3,869,460)	(4,089,647)
Acquisition of prepaid expenses	-	(1,382,835)	(865,420)
Use of prepaid expenses	-	865,420	732,954
	-	(517,415)	(132,466)
	9,750,000	405,021	10,083,621
Endowment contributions	-	(202,961)	(1,386,055)
Decrease in net debt	9,750,000	202,060	8,697,566
Net debt, beginning of year	(42,850,879)	(42,850,879)	(51,548,445)
Net debt, end of year	\$ (33,100,879)	\$ (42,648,819)	\$ (42,850,879)

See accompanying notes to the financial statements.

# University of the Fraser Valley

## Statement of Cash Flows

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

	2021	2020
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Annual surplus	\$ 4,791,896	\$ 14,305,734
<b>Items not involving cash</b>		
Amortization of tangible capital assets	9,715,801	9,889,079
Amortization of deferred capital contributions	(5,740,467)	(6,385,280)
Loss from government business enterprises	596,526	551,272
Change in non-cash operating working capital (Note 10)	2,104,108	(4,186,941)
Net change in cash from operating activities	11,467,864	14,173,864
<b>Investing activities</b>		
Increase in investments - non endowment	(505,427)	(296,648)
Increase in investments - endowment	(202,961)	(1,386,055)
Net change in cash from investing activities	(708,388)	(1,682,703)
<b>Capital activities</b>		
Acquisition of tangible capital assets	(13,585,261)	(13,978,726)
Net change in cash from capital activities	(13,585,261)	(13,978,726)
<b>Financing activities</b>		
Principal payment on tangible capital lease obligations	-	(29,523)
Repayment of debt	(50,825)	(574,180)
Deferred capital contributions received	9,848,531	6,288,282
Net change in cash from financing activities	9,797,706	5,684,579
Net change in cash and cash equivalents	6,971,921	4,197,014
Cash and cash equivalents, beginning of year	24,534,155	20,337,141
<b>Cash and cash equivalents, end of year</b>	<b>\$ 31,506,076</b>	<b>\$ 24,534,155</b>

See accompanying notes to the financial statements.



# University of the Fraser Valley

## Notes to the Financial Statements

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

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### 1. Authority and purpose

The University of the Fraser Valley (the "University" or "UFV") is a special purpose teaching university, partially funded by the Province of British Columbia, which operates under the authority of the University Act of British Columbia. The University is governed by a Board of Governors, the majority of which are appointed by the Province of British Columbia. The University is also a registered charity and is exempt from income taxes under section 149 of the *Income Tax Act*.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The University continues to closely monitor the recommendations from public health agencies and government authorities and has implemented its business continuity plans in efforts to reduce the financial impact and continue operations.

### 2. Significant accounting policies

#### (a) Basis of accounting

The 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 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:

- (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 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 deferred capital contributions and recognition of 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 in deferred contributions and recognized as 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 198/2011 are significantly different from the requirements of Canadian public sector 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 standard PS3410.

# University of the Fraser Valley

## Notes to the Financial Statements

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

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### 2. Significant accounting policies (continued)

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

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

#### (b) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

#### (c) Financial instruments

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

- (i) Fair value category: Includes portfolio investments that are quoted in an active market and derivative instruments reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets would be recognized in the Statement of Re-measurement Gains and Losses until such time that the financial asset is de-recognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus. Unrealized gains and losses on endowment investments where earnings are restricted as to use are recorded as deferred revenue and recognized in revenue when disposed and when the related expenses are incurred. All unrealized gains and losses related to the University's investments are restricted in use and recorded as deferred revenue. As a result, the University does not have a Statement of Re-measurement Gains and Losses.
- (ii) Cost or amortized cost category: Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

#### (d) Investments

Investments, non-endowment, are comprised of money market securities and other investments with terms that are capable of liquidation. These investments are recorded at cost plus any accrued interest to date. All interest income and realized gains and losses are recognized in the period in which they arise.

#### (e) Inventories held for resale

Inventories held for resale are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated proceeds from sale less any costs incurred to sell. Inventories are written down to net realizable value when the cost of inventories is estimated not to be recoverable. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of write down previously recorded is reversed.

# University of the Fraser Valley

## Notes to the Financial Statements

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

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### 2. Significant accounting policies (continued)

#### (f) 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 initially 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. The cost of the tangible capital assets are 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	Basis	Rate
Buildings	Straight-line	20-60 years
Furniture and equipment	Straight-line	5-10 years
Computer hardware and software	Straight-line	2-4 years
Leasehold improvements	Straight-line	Life of the lease
Site improvements	Straight-line	10 years
Library books	Straight-line	10 years

Assets under construction are not amortized until the asset is put into 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. The net write-downs are accounted for as expenses in the Statement of Operations and Accumulated Surplus. Contributed tangible capital assets are recorded at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

#### (ii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as tangible capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

#### (iii) Endowment investments

Endowment investments quoted in an active market are reported at fair value. Investment income and unrealized gains and losses relating to the investments are reported as deferred revenue on the Statement of Financial Position and are recognized into revenue when the related expense is incurred.

# University of the Fraser Valley

## Notes to the Financial Statements

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

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### 2. Significant accounting policies (continued)

#### (g) Revenue recognition

Tuition and student fees and sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured. Unrestricted donations and grants are recorded as revenue when received or receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the University 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.
- (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 revenue 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 and Accumulated Surplus for the portion to be held in perpetuity and as deferred revenue 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 write-downs on investments where the loss in value is determined to be other than temporary. Investment income excludes income from endowed investments.

#### (h) Use of estimates

Preparation of financial statements in accordance with the basis of accounting described in note 2(a) requires management to make estimates and assumptions that impact reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Areas requiring the use of management estimates relate to the potential impairment of assets, estimated useful lives of tangible capital assets, contingent liabilities and estimated employee future benefits. Actual results could differ from those estimates.

# University of the Fraser Valley

## Notes to the Financial Statements

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

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### 2. Significant accounting policies (continued)

(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 Statement of Financial Position date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or Statement of Financial Position date would be recognized in the Statement of Re-measurement Gains and Losses. In the period of settlement, the related cumulative re-measurement gain/loss would be reversed in the Statement of Re-measurement 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 have been provided for comparative purposes and have been derived from the 2020/2021 Budget approved by the Board of Governors of the University on April 2, 2020. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

(k) Expense functions

Expense functions have been identified based upon the functional lines of service provided by the University. The University's services are provided by departments and their activities are reported by functional area in the Statement of Operations and Accumulated Surplus. The functional lines, along with the services they provide, are as follows:

- (i) Instruction and support: This function includes activities related to delivering education. This includes instruction, education administration, student support, general administration, and the cost of space, safety, and equipment.
- (ii) Ancillary: This function includes the activities of the ancillary operations. An ancillary operation is one that is generally outside of the normal functions of instruction and research, provides goods and services to students, staff or others, and that charges a fee directly related to the cost of providing the goods or services. Ancillary operations include parking, food services, and bookstores. Costs associated with this function include function-related contracts and general and financial administration and support costs.



# University of the Fraser Valley

## Notes to the Financial Statements

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

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### 2. Significant accounting policies (continued)

#### (l) Investment in government business enterprises

Government business enterprises are accounted for by the modified equity method. Under this method, the University's investment in the business enterprise and its net income and other changes in equity are recorded. No adjustment is made to conform the accounting policies of the government business enterprise to those of the University other than, if other comprehensive income exists, it is accounted for as an adjustment to accumulated surplus of the University. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions between entities of assets that remain within the entities controlled by the University.

The following organizations are controlled government business enterprises and are accounted for by the modified equity method:

- (i) UFV India Global Education, Chandigarh, India, a separate legal entity, administers and delivers UFV education programs to students in India using the University's curriculum.
- (ii) UFV Properties Development Corporation (the "Corporation"), a separate legal entity, incorporated for the purposes of future property development. During the year ended March 31, 2021 the Corporation had no activity.

#### (m) Contaminated sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The University is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

# University of the Fraser Valley

## Notes to the Financial Statements

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

### 3. Investments

- (a) Investments recorded at fair value

	2021	2020
Philips Hager North - UFV Endowment Fund	\$ 14,437,355	\$ 11,815,740
Philips Hager North - CCIBED* Endowment Fund	3,662,231	3,241,273
	18,099,586	15,057,013
Investments recorded at cost or amortized cost	67,247,476	69,581,661
	85,347,062	84,638,674
Principal portion of endowments (Note 16)	(12,068,586)	(11,865,625)
	\$ 73,278,476	\$ 72,773,049

Investments held with Philips Hager North are recorded at fair value and are comprised of equity instruments quoted in an active market.

Investments recorded at cost or amortized cost are comprised of cashable securities with terms ranging from one to five years.

\*CCIBED - Chair Canada India Business & Economic Development

- (b) Public Sector Accounting Standards define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The University uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Statement of Financial Position under the following captions:
- (i) Cash and cash equivalents, accounts receivable, investments - non endowment and accounts payables and accrued liabilities - the carrying amounts approximate fair value because of the short maturity or ability to liquidate these 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:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- (ii) 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)
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The University's instruments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in financial instruments valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there were no significant transfers of securities between the different levels.

# University of the Fraser Valley

## Notes to the Financial Statements

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

### 4. Investment in government business enterprises

The University has controlling interest in the operations of UFV India Global Education located in Chandigarh, India. The financial information is detailed below.

The change in equity is as follows:

	2021	2020
Equity, beginning of year	\$ 1,260,802	\$ 1,812,074
Loss	(596,526)	(551,272)
Equity, end of year	\$ 664,276	\$ 1,260,802

Condensed financial information is as follows:

	2021	2020
<b>Statement of Financial Position</b>		
Assets	\$ 678,335	\$ 1,587,583
Liabilities	(14,059)	(326,781)
Accumulated surplus	\$ 664,276	\$ 1,260,802

	2021	2020
<b>Statement of Operations and Accumulated Surplus</b>		
Revenue	\$ 353,808	\$ 1,423,586
Expenses	950,334	1,974,858
Annual deficit	(596,526)	(551,272)
Accumulated surplus, beginning of year	1,260,802	1,812,074
Accumulated surplus, end of year	\$ 664,276	\$ 1,260,802

### 5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2021	2020
Trades payable	\$ 4,533,515	\$ 4,741,815
Student deposits	6,705,473	6,911,289
Wages payable	2,037,310	1,600,034
Accrued vacation and overtime payable	7,258,650	6,546,676
	\$ 20,534,948	\$ 19,799,814

# University of the Fraser Valley

## Notes to the Financial Statements

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

### 6. Deferred revenue

Deferred revenue is comprised of the following:

	2020	Amounts Received	Revenue Recognized and Transfers	2021
Student tuition fees	\$ 13,852,840	\$ 12,396,204	\$ 13,837,090	\$ 12,411,954
Student award funding	3,402,502	3,304,008	851,629	5,854,881
Special purpose and research funding	6,880,349	5,139,241	3,998,503	8,021,087
Prepaid lease revenue	9,688,423	-	341,928	9,346,495
Total	\$ 33,824,114	\$ 20,839,453	\$ 19,029,150	\$ 35,634,417

### 7. Deferred capital contributions

Changes in the deferred capital contributions ("DCC") balance are as follows:

	2021	2020
Balance, beginning of year	\$ 82,876,487	\$ 82,973,485
Contributions from the Province of British Columbia	9,719,024	6,135,967
Contributions from the Government of Canada	100,000	19,486
Contribution from other restricted resources	29,507	132,829
Amortization of deferred capital contributions	(5,740,467)	(6,385,280)
Balance, end of year	\$ 86,984,551	\$ 82,876,487

### 8. Contingent liabilities

The University may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of operations. In the event that any such claims or litigation are resolved against the University, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of the University. The University has accrued for claims for which the amounts are known or can reasonably be estimated. The outcome of other claims is undeterminable at this time and accordingly no provision has been made for these claims.

### 9. Debt

The University holds short-term debt, recorded at amortized cost, with the Ministry of Finance of British Columbia. This debt is payable in full in the amount of \$8,900,000, including interest at 0.04% (2020 - 1.68%) on May 27, 2021 (2020 - January 27, 2021). Interest on this debt in the amount of \$607 (2020 - \$25,948) is included in the Statement of Operations and Accumulated Surplus.

# University of the Fraser Valley

## Notes to the Financial Statements

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

### 10. Supplemental cash flow information

The change in non-cash operating working capital is comprised of the following:

	2021	2020
Accounts receivable	\$ (138,724)	\$ (196,342)
Prepaid expenses	(517,415)	(132,466)
Inventories held for resale	214,810	(20,849)
Accounts payable and accrued liabilities	735,134	(3,305,867)
Deferred revenue	1,810,303	(531,418)
	<u>\$ 2,104,108</u>	<u>\$ (4,186,942)</u>

### 11. Related party transactions

The University is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

### 12. Contractual obligations

The nature of the University's activities can result in multi-year contracts and obligations whereby the University will be committed to make future payments.

Significant contractual obligations related to operations that can be reasonably estimated are as follows:

	2022	2023	2024	2025	2026
Long-term lease commitments	\$ 632,270	\$ 133,591	\$ 99,944	\$ 99,944	\$ 99,944

### 13. Contractual rights

The University has entered into multi-year lease and hospitality contracts with third parties that entitles the University to receive the following amounts:

	2022	2023	2024	2025	2026
	\$ 193,319	\$ 215,446	\$ 140,750	\$ 125,000	\$ 125,000

# University of the Fraser Valley

## Notes to the Financial Statements

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

### 14. Tangible capital assets

	Land	Buildings	Furniture and equipment	Computer hardware and software	Leasehold improvements	Site improvements	Library books	Assets under Construction	2021 Total
<b>2021 Cost</b>									
Balance, beginning of year	\$ 11,910,793	\$ 210,745,505	\$ 57,055,377	\$ 18,053,202	\$ 1,619,974	\$ 9,223,312	\$ 10,588,194	\$ 3,831,018	\$ 323,027,375
Additions	-	4,598,440	3,133,755	518,202	-	214,348	50,487	5,070,029	13,585,261
Transfer of assets under construction	-	3,779,641	-	-	-	-	-	(3,779,641)	-
Balance, end of year	11,910,793	219,123,586	60,189,132	18,571,404	1,619,974	9,437,660	10,638,681	5,121,406	336,612,636
<b>2021 Accumulated Amortization</b>									
Balance, beginning of year	-	76,096,444	44,769,726	16,185,713	1,392,194	8,298,054	9,725,708	-	156,467,839
Amortization	-	4,910,882	3,188,729	870,520	130,158	411,751	203,761	-	9,715,801
Balance, end of year	-	81,007,326	47,958,455	17,056,233	1,522,352	8,709,805	9,929,469	-	166,183,640
2021 Net Book Value	\$ 11,910,793	\$ 138,116,260	\$ 12,230,677	\$ 1,515,171	\$ 97,622	\$ 727,855	\$ 709,212	\$ 5,121,406	\$ 170,428,996
2020 Net Book Value	\$ 11,910,793	\$ 134,649,061	\$ 12,285,651	\$ 1,867,489	\$ 227,780	\$ 925,258	\$ 862,486	\$ 3,831,018	\$ 166,559,536

# University of the Fraser Valley

## Notes to the Financial Statements

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

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### 15. Financial risk management

The University has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

The Board of Governors ensures that the University has identified its major risks and ensures that management monitors and controls them.

#### (a) Credit risk

Credit risk is the risk of financial loss to the University if a party to a financial instrument fails to meet its contractual obligations. Such risk arises principally from certain financial assets held by the University consisting of cash and cash equivalents, accounts receivable and investments.

Accounts receivable: Management believes risk with respect to accounts receivable is limited. Student accounts receivable is a large population of limited amounts where the University has the ability to stop further enrolments and granting of transcripts until payment is made. Other receivables and tax recoveries are generally with governments and other credit-worthy institutions.

Investments: The University has an Investment Policy to ensure funds are managed appropriately in order to balance preservation of capital, liquidity requirements and returns. The University retains an external investment firm to manage endowed funds in accordance with its investment policy utilizing diverse agreed upon investment strategies primarily in active trading markets.

#### (b) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the University's income. The University cash and cash equivalents and investments include amounts on deposit with financial institutions that earn interest at market rates. The University manages its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day to day basis. Fluctuation in market rates of interest does not have a significant effect on the University's cash and cash equivalents and investments.

The primary objective of the University with respect to its investment of endowed funds is to ensure the security of principal amounts while achieving a satisfactory investment return.

#### (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 meets its liquidity risk requirements by continually monitoring actual and forecasted cash flows and anticipating investment and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

# University of the Fraser Valley

## Notes to the Financial Statements

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

### 16. Investments - endowments

Changes to the endowment balances are as follows:

	2021	2020
Balance, beginning of year	\$ 11,865,625	\$ 10,479,570
Contributions received during the year	142,133	1,330,796
Capitalization of endowment surplus	60,828	55,259
Balance, end of year	<u>\$ 12,068,586</u>	<u>\$ 11,865,625</u>

### 17. Expenses by object

The following is a summary of expenses by object:

	2021	2020
Salaries and wages	\$ 89,268,625	\$ 83,103,965
Employee benefits	20,942,264	20,075,909
Amortization of tangible capital assets	9,715,801	9,889,079
Contracted services	6,852,468	6,879,931
Other operating expenses	6,551,106	7,501,678
Supplies and books	4,111,151	5,051,386
Cost of goods sold	2,394,433	2,781,823
Scholarships and bursaries	2,324,172	2,105,232
Minor renovations and repairs	1,926,868	1,492,996
Utilities	1,601,578	1,884,687
Rentals and leases	878,832	993,068
Printing and advertising	858,728	1,209,614
Travel and conferences	716,460	3,381,036
Interest	124,992	172,696
	<u>\$ 148,267,478</u>	<u>\$ 146,523,100</u>



# University of the Fraser Valley

## Notes to the Financial Statements

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

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### 18. 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, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2019, the College Pension Plan has about 15,000 active members, and approximately 9,000 retired members. As at December 31, 2019, the Municipal Pension Plan has about 213,000 active members, including approximately 6,000 from colleges.

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

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

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

The University paid \$8,005,736 (2020 - \$7,291,319) for employer contributions to the plans in fiscal 2021.

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

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