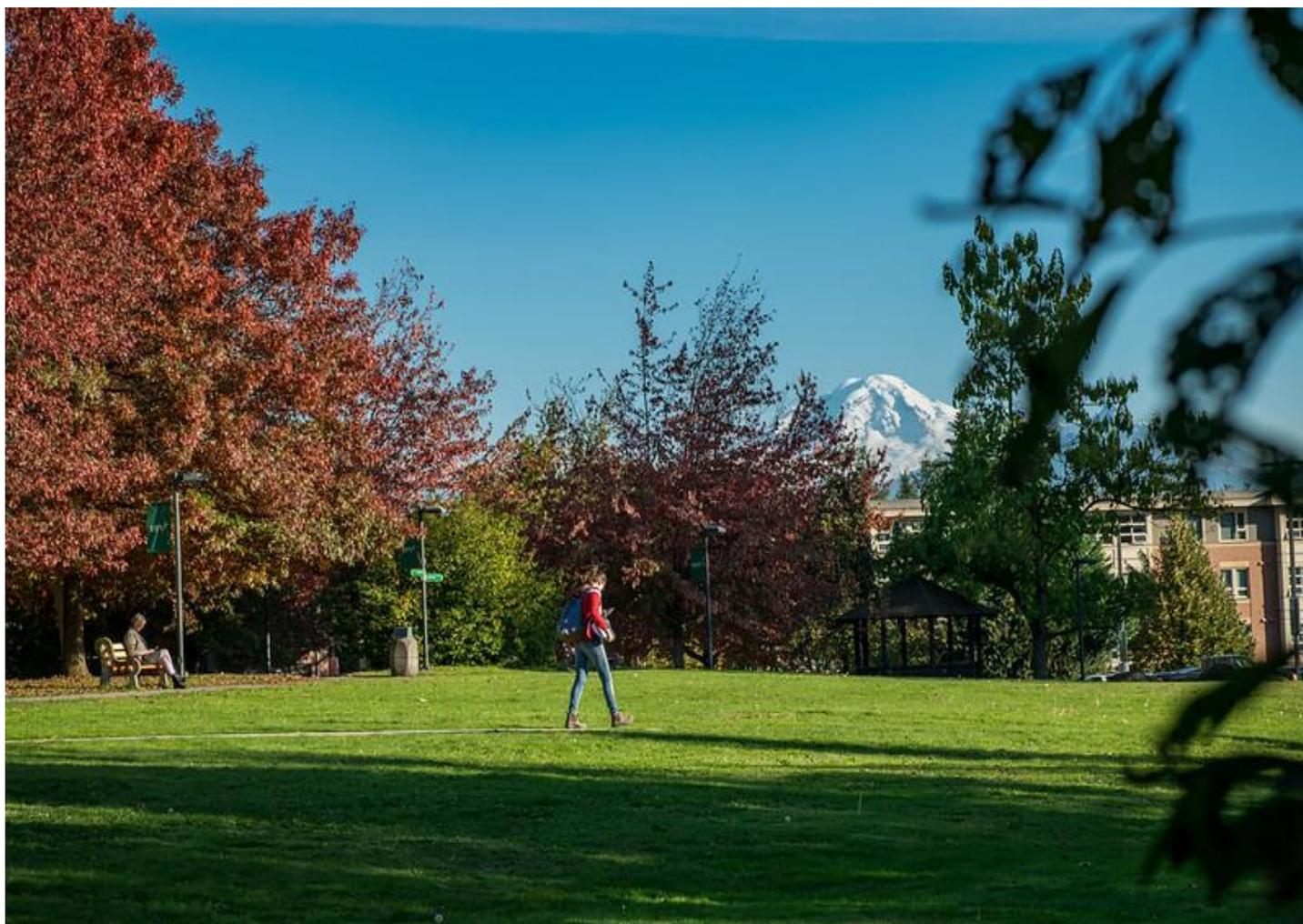


# Annual Financial Report

2019 | 2020

Engaging Learners, Transforming Lives, Building Community



UNIVERSITY  
OF THE FRASER VALLEY

## Introduction

The University of the Fraser Valley's commitment to what is most important - Engaging Learners, Transforming Lives and Building Community - drives strategic planning and budgeting and fiscal management processes used to allocate available resources. Achievement of our mission is dependant on UFV's financial health. 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.

The FD&A 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 the University of the Fraser Valley (UFV) for the year ended March 31, 2020. UFV is a publicly funded institution under the University Act, with direction provided through the Ministry of Advanced Education, Skills & Training (AEST). As part of the Government Reporting Entity (GRE), the university is required to develop a consolidated balanced budget and prepare consolidated financial statements. Consolidated financial statements are presented in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/210 and 198/2011 issued by the Province of British Columbia Treasury Board. The directions provided through the Act and Regulations require statements to be prepared under modified Public Sector Accounting Standards (PSAS).

## Operating Environment

### Government Funding and Policies

The university receives operating funds from the Ministry of Advanced Education, Skills & Training (AEST) to deliver post-secondary education for an established enrolment target of domestic full-time equivalent (FTE) students. The FTE target for 2019/20 increased from 6,688 to 6,720 – an increase of 32 FTE. AEST has also provided funding for negotiated general wage settlements.

Domestic tuition rates are regulated by the provincial *Tuition Limit Policy* and since 2005 domestic student increases have been limited to 2% annually.

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. UFV received a funding commitment from AEST for the remediation of several buildings on the Abbotsford campus for which work commenced in 2019/20. With the exception of a limited government borrowing envelope for student housing, the university is prohibited from acquiring debt.

### Student Demographics

For the second consecutive year since 2011/12, UFV experienced an increase in domestic student FTE numbers, up 124 FTE over 2018/19. UFV's overall utilization rate for the government (AEST) base funded student FTE target was 98.6%.

UFV again saw a large increase in international student enrolments. The total number of international FTEs, excluding those in Chandigarh, increased by 27.7% over prior year to 2,067. 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.

In total, UFV now serves over 9,400 student FTEs, approximately 22% being international (excluding Chandigarh campus students).

#### Other

The university's collective agreement with the Faculty and Staff Association (FSA) expired March 31, 2019. Negotiated salary increases are directed by the Public Sector Employers' Council (PSEC) with an accrual for anticipated retroactive costs included in the financial statements. PSEC also directs and approves salary increases for non-unionized employees of UFV. Increases for FSA members are funded; increases for excluded employees are not provincially funded.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. 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 2019/20 have been recorded in the financial statements.

### **Financial Information**

The university ended the year with \$282M in assets and an annual surplus of \$14.3M. Higher than planned international student enrolments, investment income, and salary and benefit savings related to the timing of filling vacancies, resulted in a surplus from on-going operations of \$12.9M. These funds are utilized to support the university's operational and capital plans, and are used for sustaining and improving service delivery. Restricted endowment contributions contributed to the overall surplus of \$14.3M.

#### 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 4% (\$4.2M) to \$102.6M.

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	24,534,155	20,337,141
Accounts receivable	2,688,049	2,491,707
Inventories held for resale	1,343,149	1,322,300
Investments	72,773,049	72,476,401
Investment in GBE	1,260,802	1,812,074
<b>Total Financial assets</b>	<b>102,599,204</b>	<b>98,439,623</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 increased international student deposits for future terms and the annual surplus position but is lower than expected due to a temporary decline in the fair value of UFV's endowment investment portfolio as a consequence market turbulence due to the global pandemic.

## Liabilities

Liabilities decreased by 3% to \$145M.

	2020	2019
Accounts payable and accrued liabilities	19,799,814	23,105,680
Deferred revenue	33,824,414	34,355,532
Deferred capital contributions	82,876,487	82,973,485
Debt	8,949,668	9,523,848
Obligations under capital lease		29,523
<b>Total Liabilities</b>	<b>145,450,383</b>	<b>149,988,068</b>

A decrease in accounts payable and accrued liabilities is due to timing of events in annual operations. Deferred revenue, externally restricted revenue that is not recognized until related expenses are incurred, includes unearned tuition revenue and unspent research grant funding. During the year a contribution agreement was amended resulting in a transfer of \$1M from deferred revenue to endowment contributions.

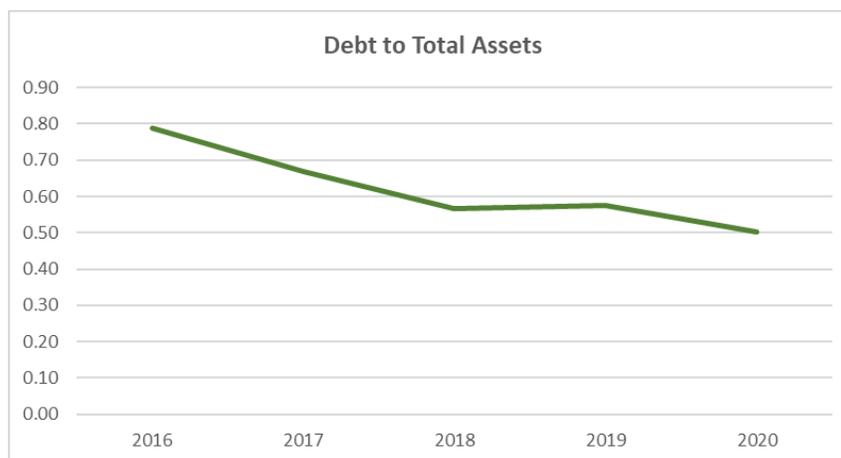
Deferred capital contributions (DCC), externally restricted capital contributions, are amortized over the life of the related tangible capital asset. The net change is the result of \$6.3M new contributions offset by \$6.4M of amortization.

Debt is related to student housing and is being repaid by student rent revenues.

## 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 from 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*

## Non-Financial Assets

	2020	2019
Tangible capital assets	166,559,536	162,469,889
Prepaid expenses	865,420	732,954
Investments - endowments	11,865,625	10,479,570
<b>Total Non-Financial Assets</b>	<b>179,290,581</b>	<b>173,682,413</b>

*Tangible capital assets* include land, buildings, leasehold improvements, library acquisitions, computers, and furniture and equipment. The increase in the net book value of \$4M includes \$14M of capital additions, offset by \$10M of amortization. Significant additions include the renovation of the recently acquired property adjacent to the Abbotsford campus for \$4M, the first phase of the building remediation project for \$3M, and furniture and equipment of \$4.3M.

*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. The UFV Scholarship and Bursary Fund began in 2002 and has annualized returns of 6.1% since inception. The Chair, Canada India Business and Economic and Development Fund (CCIBED), was invested in 2007 and since inception has annualized returns of 5.6%.

## Accumulated Surplus

Accumulated surplus increased 12% to \$136.4M 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 university's surplus is invested in capital assets, held as reserves to mitigate risk or allocated for projects and initiatives to further the mission of the university. 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

Revenue grew 7.5% to \$159M indicating continuing demand.

	2020	2019
Province of British Columbia	62,862,730	60,914,467
Tuition and student fees	74,935,460	64,479,140
Sales of goods and services	6,781,606	7,271,734
Amortization of deferred capital contributions	6,385,280	6,433,094
Donations, non-government grants, contracts and other revenue	5,184,515	5,396,772
Government of Canada	1,449,318	1,426,970
Investment income	2,395,142	1,764,618
Income/(Loss) from government business enterprise	(551,272)	624,797
	<b>159,442,779</b>	<b>148,311,592</b>

Base operating grants from the AEST and the Industry Training Authority (ITA) totals approximately \$60M. In addition to base grants, the university receives one-time funding for specific purposes and projects, such as directed programming and research. Grant funding as a percent of overall revenue from operations decreased from 41% to 39.5% year over year, reflecting UFV is seeing higher growth from international tuition than from provincial funds. Specific changes to AEST funding in 2019/20 saw an increase of one-time funding for an additional 24 FTE in the part-time Early Childhood Education (ECE) Infant Toddler diploma program, a reduction of 12 FTE for prior year one-time funding in ECE diploma expansion, and 20 new FTE for technology-related program expansion. FTE targets for development programming were adjusted to reflect revised delivery expectations with no change to funding. The reduced target for developmental programming was offset by an increased target for undergraduate/graduate FTEs.

*Tuition and student fees* increased by \$10M or 16% over prior year. Contributing to this increase is the 2% tuition increase for domestic students, a 4% tuition increase for international students and an increase in international student enrolments of 27.7%.

*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* is 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.

A decrease in lease revenues due to the sale of the Chilliwack North Campus and bookstore revenues resulted in lower *Sales of goods and services* revenues over prior year.

*Investment income* is earned on fluctuating operating funds. The university manages operating cash-flows with a combination of term securities and participation in the provincial Central Deposit Program (CDP). Earnings on endowment investments are restricted in purpose and are brought into revenue in the *Other Revenue* category as related scholarships or bursaries are awarded to students.

*Income/(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. The planned reduction in academic activity at UIGE has resulted in an annual loss of earnings for 2019/20 and a decrease in equity.

#### Other Revenue

*Investments – endowment* relate to external contributions received by the university and capitalized investment income. During the year a contribution agreement was amended resulting in a transfer of \$1M from deferred revenue to endowment contributions.

	2020	2019
Gains on disposal of assets		9,382,732
Investments - endowment	1,386,055	568,239
	<b>1,386,055</b>	<b>9,950,971</b>

## Expense

Expenses increased 8% fully funded by the revenue growth resulting in an annual surplus.

Expenses reported by object were as follows:

	2020	2019
Salaries and benefits	103,179,874	93,193,450
Other costs	16,584,291	15,974,085
Amortization of tangible capital assets	9,889,079	9,614,798
Office and program costs	8,432,422	7,639,123
Cost of good sold	2,781,823	3,010,283
Utilities	1,884,687	2,055,740
Minor renovations and repairs	1,492,996	1,962,347
Scholarships and bursaries	2,105,232	1,862,297
Interest expense	172,696	157,917
	<b>146,523,100</b>	<b>135,470,040</b>

Salaries and benefits increased by 11% over prior year and represent 70% of total expenditures (68.8% in 2018/19). The increase is due to a combination of general wage increases, retroactive payments and accruals for anticipated costs of negotiated general wage increase, and PSEC approved management increases. Benefit costs remained constant.

Other costs expenses increased primarily due to higher commission costs related to the recruitment of international students, software licensing costs, academic support cost, and increased costs linked to research and externally funded activity.

Interest expense is related to debt on student housing. The university renewed its debt in 2019/2020 through the Ministry of Finance of British Columbia and continues to realize the benefit of lower interest rates through this financing channel.

## **Risks and Uncertainties**

UFV operates in an increasingly complex environment with many factors outside the control of the university. 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.
- *Higher reliance on international student revenues:* risk of a global catastrophe, pandemic, economic event, and/or foreign policy change 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.

**Financial Statements of**



**For the year ended March 31, 2020**



KPMG Enterprise™  
32575 Simon Avenue  
Abbotsford BC V2T 4W6  
Canada  
Telephone (604) 854-2200  
Fax (604) 853-2756

## 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, 2020
- 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, 2020 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.

*KPMG LLP*

Chartered Professional Accountants

Abbotsford, Canada  
May 11, 2020

# University of the Fraser Valley

March 31, 2020

## CONTENTS

	<u>Page</u>
<b>Financial Statements</b>	
Statement of Financial Position	1
Statement of Operations and Accumulated Surplus	2
Statement of Changes in Net Debt	3
Statement of Cash Flows	4
Notes to the Financial Statements	5

# University of the Fraser Valley

## Statement of Financial Position

As at March 31, 2020, with comparative information for 2019

	2020	2019
<b>Financial assets</b>		
Cash and cash equivalents	\$ 24,534,155	\$ 20,337,141
Accounts receivable	2,688,049	2,491,707
Inventories held for resale	1,343,149	1,322,300
Investments (Note 3)	72,773,049	72,476,401
Investment in government business enterprises (Note 4)	1,260,802	1,812,074
	<u>102,599,204</u>	<u>98,439,623</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	19,799,814	23,105,680
Deferred revenue (Note 6)	33,824,114	34,355,532
Deferred capital contributions (Note 7)	82,876,487	82,973,485
Debt (Note 9)	8,949,668	9,523,848
Obligations under capital lease (Note 10)	-	29,523
	<u>145,450,083</u>	<u>149,988,068</u>
Net debt	(42,850,879)	(51,548,445)
<b>Non-financial assets</b>		
Tangible capital assets (Note 16)	166,559,536	162,469,889
Prepaid expenses	865,420	732,954
Investments - endowments (Note 18)	11,865,625	10,479,570
	<u>179,290,581</u>	<u>173,682,413</u>
Accumulated surplus	\$ 136,439,702	\$ 122,133,968
Contingent liabilities (Note 8)		
Contractual obligations (Note 13)		

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, 2020, with comparative information for 2019

	2020 Budget (Note 2.k)	2020	2019
<b>Revenue</b>			
Province of British Columbia	\$ 61,409,854	\$ 62,862,730	\$ 60,914,467
Tuition and student fees	64,238,361	74,935,460	64,479,140
Sales of goods and services	7,381,511	6,781,606	7,271,734
Amortization of deferred capital contributions (Note 7)	6,892,558	6,385,280	6,433,094
Other revenue	2,094,779	2,293,548	2,200,081
Donations, non-government grants and contracts	1,737,000	2,890,967	3,196,691
Government of Canada	1,170,000	1,449,318	1,426,970
Investment income	950,000	2,395,142	1,764,618
Income (loss) from government business enterprises (Note 4)	-	(551,272)	624,797
Gain on disposal of assets held for sale (Note 15)	-	-	9,382,732
	<b>145,874,063</b>	<b>159,442,779</b>	<b>157,694,324</b>
<b>Expenses</b>			
Instruction and support	140,470,569	141,641,322	130,560,771
Ancillary	5,403,494	4,881,778	4,909,269
	<b>145,874,063</b>	<b>146,523,100</b>	<b>135,470,040</b>
Annual surplus from operations	-	12,919,679	22,224,284
Endowment contributions	-	1,386,055	568,239
Annual surplus	-	14,305,734	22,792,523
Accumulated surplus, beginning of year	-	122,133,968	99,341,445
Accumulated surplus, end of year	<b>\$ -</b>	<b>\$ 136,439,702</b>	<b>\$ 122,133,968</b>

See accompanying notes to the financial statements.

# University of the Fraser Valley

## Statement of Changes in Net Debt

For the year ended March 31, 2020, with comparative information for 2019

	2020 Budget (Note 2.k)	2020	2019
Annual surplus	\$ -	\$ 14,305,734	\$ 22,792,523
Acquisition of tangible capital assets	-	(13,978,726)	(17,491,981)
Amortization of tangible capital assets	9,750,000	9,889,079	9,614,798
	9,750,000	(4,089,647)	(7,877,183)
Acquisition of prepaid expenses	-	(865,420)	(732,954)
Use of prepaid expenses	-	732,954	811,905
	-	(132,466)	78,951
	9,750,000	10,083,621	14,994,291
Endowment contributions	-	(1,386,055)	(568,239)
Decrease in net debt	9,750,000	8,697,566	14,426,052
Net debt, beginning of year	(51,548,445)	(51,548,445)	(65,974,497)
Net debt, end of year	\$ (41,798,445)	\$ (42,850,879)	\$ (51,548,445)

See accompanying notes to the financial statements.

# University of the Fraser Valley

## Statement of Cash Flows

For the year ended March 31, 2020, with comparative information for 2019

	2020	2019
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Annual surplus	\$ 14,305,734	\$ 22,792,523
<b>Items not involving cash</b>		
Amortization of tangible capital assets	9,889,079	9,614,798
Amortization of deferred capital contributions	(6,385,280)	(6,433,094)
Loss (income) from government business enterprises	551,272	(624,797)
Gain on sale of assets held for sale	-	(9,382,732)
Change in non-cash operating working capital (Note 11)	(4,186,941)	10,929,045
Net change in cash from operating activities	<u>14,173,864</u>	<u>26,895,743</u>
<b>Investing activities</b>		
Increase in investments - non endowment	(296,648)	(13,320,028)
Increase in investments - endowment	(1,386,055)	(568,239)
Net change in cash from investing activities	<u>(1,682,703)</u>	<u>(13,888,267)</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(13,978,726)	(17,491,981)
Proceeds on sale of assets held for sale	-	9,879,198
Net change in cash from capital activities	<u>(13,978,726)</u>	<u>(7,612,783)</u>
<b>Financing activities</b>		
Principal payment on tangible capital lease obligations	(29,523)	(113,212)
Repayment of debt	(574,180)	(476,152)
Deferred capital contributions received	6,288,282	3,668,910
Net change in cash from financing activities	<u>5,684,579</u>	<u>3,079,546</u>
Net change in cash and cash equivalents	4,197,014	8,474,239
Cash and cash equivalents, beginning of year	20,337,141	11,862,902
<b>Cash and cash equivalents, end of year</b>	<u>\$ 24,534,155</u>	<u>\$ 20,337,141</u>

See accompanying notes to the financial statements.

# University of the Fraser Valley

## Notes to the Financial Statements

For the year ended March 31, 2020, with comparative information for 2019

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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*.

### 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.

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.

# University of the Fraser Valley

## Notes to the Financial Statements

For the year ended March 31, 2020, with comparative information for 2019

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### 2. Significant accounting policies (continued)

#### (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, 2020, with comparative information for 2019

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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 into revenue 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, 2020, with comparative information for 2019

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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. Significant 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.

#### (i) Assets held for sale

Long-lived assets are classified by the University as an asset held for sale at the point in time when the asset is in a condition to be sold and is publicly seen to be for sale, management has committed to selling the asset and has a plan in place, there is an active market, and it is reasonably anticipated that the sale will be completed within a one-year period.

Assets held for sale are separately presented in the Statement of Financial Position as a financial asset, are reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

# University of the Fraser Valley

## Notes to the Financial Statements

For the year ended March 31, 2020, with comparative information for 2019

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### 2. Significant accounting policies (continued)

#### (j) 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.

#### (k) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2019/2020 Budget approved by the Board of Governors of the University on April 4, 2019. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

#### (l) 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, 2020, with comparative information for 2019

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### 2. Significant accounting policies (continued)

#### (m) 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 during the year for the purposes of future property development. During the year ended March 31, 2020 the Corporation had no activity.

#### (n) 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, 2020, with comparative information for 2019

### 3. Investments

(a) Investments recorded at fair value

	2020	2019
Philips Hager North - UFV Endowment Fund	\$ 11,815,740	\$ 10,927,752
Philips Hager North - CCIBED* Endowment Fund	3,241,273	3,428,617
	15,057,013	14,356,369
Investments recorded at cost or amortized cost	69,581,661	68,599,602
	84,638,674	82,955,971
Principal portion of endowments (Note 18)	(11,865,625)	(10,479,570)
	\$ 72,773,049	\$ 72,476,401

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, 2020, with comparative information for 2019

### 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:

	2020	2019
Equity, beginning of year	\$ 1,812,074	\$ 1,187,277
Net earnings (loss)	(551,272)	624,797
Equity, end of year	\$ 1,260,802	\$ 1,812,074

Condensed financial information is as follows:

	2020	2019
<b>Statement of Financial Position</b>		
Assets	\$ 1,587,583	\$ 1,894,715
Liabilities	(326,781)	(82,641)
Accumulated surplus	\$ 1,260,802	\$ 1,812,074

	2020	2019
<b>Statement of Operations and Accumulated Surplus</b>		
Revenue	\$ 1,423,586	\$ 3,059,794
Expenses	1,974,858	2,434,997
Annual surplus	(551,272)	624,797
Accumulated surplus, beginning of year	1,812,074	1,187,277
Accumulated surplus, end of year	\$ 1,260,802	\$ 1,812,074

### 5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2020	2019
Trades payable	\$ 4,741,815	\$ 4,833,536
Student deposits	6,911,289	11,713,426
Wages payable	1,600,034	446,078
Accrued vacation and overtime payable	6,546,676	6,112,640
	\$ 19,799,814	\$ 23,105,680

# University of the Fraser Valley

## Notes to the Financial Statements

For the year ended March 31, 2020, with comparative information for 2019

### 6. Deferred revenue

Deferred revenue is comprised of the following:

	2019	Amounts Received	Revenue Recognized and Transfers	2020
Student tuition fees	\$ 13,390,370	\$ 13,837,090	\$ 13,374,620	\$ 13,852,840
Student award funding	5,291,072	1,202,522	3,091,092	3,402,502
Special purpose and research funding	5,643,739	6,037,602	4,800,992	6,880,349
Prepaid lease revenue	10,030,351	-	341,928	9,688,423
Total	\$ 34,355,532	\$ 21,077,214	\$ 21,608,632	\$ 33,824,114

During the year ended March 31, 2020, a contribution agreement was amended resulting in a transfer of \$1.0 million from "Special purpose and research funding" deferred revenue to endowment contributions.

### 7. Deferred capital contributions

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

	2020	2019
Balance, beginning of year	\$ 82,973,485	\$ 90,817,056
Contributions from the Province of British Columbia	6,135,967	3,668,910
Contributions from the Government of Canada	19,486	-
Contribution from other restricted resources	132,829	-
DCC recognized on sale of asset held for sale	-	(5,079,387)
Amortization of deferred capital contributions	(6,385,280)	(6,433,094)
Balance, end of year	\$ 82,876,487	\$ 82,973,485

### 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 \$9,100,000, including interest at 1.68% (2019 - 1.85%) on January 27, 2021 (2019 - January 28, 2020). Interest on this debt in the amount of \$25,948 (2019 - \$29,922) 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, 2020, with comparative information for 2019

### 10. Obligations under capital lease

Repayments of obligations under capital leases are due as follows:

	2020	2019
2020	\$ -	\$ 30,027
Less amounts representing interest at 6.8%	-	(504)
Present value of net minimum capital lease payments	\$ -	\$ 29,523

Total interest expensed on leases for the year was \$518 (2019 - \$7,354) and is included in the Statement of Operations and Accumulated Surplus.

### 11. Supplemental cash flow information

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

	2020	2019
Accounts receivable	\$ (196,342)	\$ (536,662)
Prepaid expenses	(132,466)	78,951
Inventories held for resale	(20,849)	66,294
Accounts payable and accrued liabilities	(3,305,867)	6,690,755
Deferred revenue	(531,418)	4,629,707
	\$ (4,186,942)	\$ 10,929,045

### 12. 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.

### 13. 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:

	2021	2022	2023	2024	2025
Long-term lease commitments	\$ 725,610	\$ 476,750	\$ 133,591	\$ 99,944	\$ 99,944

# University of the Fraser Valley

## Notes to the Financial Statements

For the year ended March 31, 2020, with comparative information for 2019

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### 14. 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:

	2021	2022	2023	2024	2025
	\$ 377,240	\$ 163,047	\$ 125,000	\$ 125,000	\$ 125,000

### 15. Assets classified as held for sale

In 2019, the University sold the remaining Chilliwack North property that was held for sale at March 31, 2018 for proceeds of \$9,879,198, resulting in an overall gain on sale of \$9,382,732 which includes the recognition of \$5,079,387 in associated deferred capital contributions.

# University of the Fraser Valley

## Notes to the Financial Statements

For the year ended March 31, 2020, with comparative information for 2019

### 16. Tangible capital assets

	Land	Buildings	Furniture and equipment	Computer hardware and software	Leasehold improvements	Site improvements	Library books	Assets under Construction	2020 Total
<b>2020 Cost</b>									
Balance, beginning of year	\$ 11,910,793	\$ 206,138,367	\$ 52,719,762	\$ 16,951,788	\$ 1,619,974	\$ 9,223,312	\$ 10,484,653	\$ -	\$ 309,048,649
Additions	-	4,607,138	4,335,615	1,101,414	-	-	103,541	3,831,018	13,978,726
Balance, end 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
<b>2020 Accumulated Amortization</b>									
Balance, beginning of year	-	71,066,826	41,690,576	15,362,791	1,262,036	7,690,054	9,506,477	-	146,578,760
Amortization	-	5,029,618	3,079,150	822,922	130,158	608,000	219,231	-	9,889,079
Balance, end of year	-	76,096,444	44,769,726	16,185,713	1,392,194	8,298,054	9,725,708	-	156,467,839
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
2019 Net Book Value	\$ 11,910,793	\$ 135,071,541	\$ 11,029,186	\$ 1,588,997	\$ 357,938	\$ 1,533,258	\$ 978,176	\$ -	\$ 162,469,889

# University of the Fraser Valley

## Notes to the Financial Statements

For the year ended March 31, 2020, with comparative information for 2019

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### 17. 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, 2020, with comparative information for 2019

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### 18. Investments - endowments

Changes to the endowment balances are as follows:

	2020	2019
Balance, beginning of year	\$ 10,479,570	\$ 9,911,331
Contributions received during the year	1,330,796	534,916
Capitalization of endowment surplus	55,259	33,323
Balance, end of year	<u>\$ 11,865,625</u>	<u>\$ 10,479,570</u>

### 19. Expenses by object

The following is a summary of expenses by object:

	2020	2019
Salaries and wages	\$ 83,103,965	\$ 74,838,343
Employee benefits	20,075,909	18,355,107
Amortization of tangible capital assets	9,889,079	9,614,798
Other operating expenses	7,501,678	7,642,015
Contracted services	6,879,931	6,697,569
Supplies and books	5,051,386	4,579,656
Travel and conferences	3,381,036	3,059,467
Cost of goods sold	2,781,823	3,010,283
Scholarships and bursaries	2,105,232	1,862,297
Utilities	1,884,687	2,055,740
Minor renovations and repairs	1,492,996	1,962,347
Printing and advertising	1,209,614	636,392
Rentals and leases	993,068	998,109
Interest	172,696	157,917
	<u>\$ 146,523,100</u>	<u>\$ 135,470,040</u>

# University of the Fraser Valley

## Notes to the Financial Statements

For the year ended March 31, 2020, with comparative information for 2019

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### 20. 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 8,000 retired members. As at December 31, 2018, the Municipal Pension Plan has about 205,000 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 \$7,291,319 (2019 - \$6,806,165) for employer contributions to the plans in fiscal 2020.

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.

### 21. Impact of COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our operations are not known at this time.

At the time of approval of these financial statements, the University has experienced the following indicators of financial implications and undertaken activities in relation to the COVID-19 pandemic:

- Closure of campus to students from March 16th, 2020 to the date of the auditors' report based on public health recommendations with a transition to virtual courses
- Mandatory work from home requirements for employees able to do so and the implementation of social distancing policies for employees that remain on campus

# University of the Fraser Valley

## Notes to the Financial Statements

For the year ended March 31, 2020, with comparative information for 2019

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### 21. Impact of COVID-19 (continued)

- Experienced temporary declines in the fair value of investments and investment income

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liability and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.