



**UNIVERSITY OF NORTHERN
BRITISH COLUMBIA**

FINANCIAL STATEMENTS

MARCH 31, 2012

University of Northern British Columbia

Financial Statements

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UNIVERSITY OF NORTHERN BRITISH COLUMBIA

STATEMENT OF MANAGEMENT RESPONSIBILITY

The University of Northern British Columbia is responsible for the preparation of the financial statements. They have been prepared in accordance with Canadian generally accepted accounting principles. The financial statements present fairly the financial position of the University as at March 31, 2012 and the results of its operations and changes in its net assets and cash flows for the year then ended.

Management is required to ensure that adequate internal controls, policies and procedures exist to achieve, in a cost effective manner, its responsibilities in the following areas:

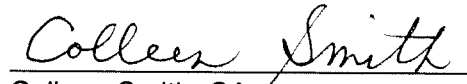
- Compliance with statutory requirements under the University Act and other provincial statutes;
- Efficient and effective use of University resources;
- Stewardship over University assets;
- Provision of accurate and reliable accounting information;
- Recognition and compliance with restrictions placed on resources by donors, funding agencies, or the Board of Governors; and
- Timely preparation of reliable financial information consistent with prior years.

The Finance and Audit Committee is responsible for reviewing the financial statements, and providing their recommendation for approval to the Board of Governors. The Finance and Audit Committee meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Finance and Audit Committee, with and without the presence of management.

The financial statements for the year ended March 31, 2012, have been reported on by KPMG LLP. The Auditor's Report outlines the scope of the examination and provides the firm's opinion on the fairness of presentation of the information in the financial statements.



Eileen Bray, CMA, MBA
Vice President, Administration &
Finance



Colleen Smith, CA
Director, Finance & Budgets

May 18, 2012



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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the University of Northern British Columbia and the Minister of Advanced Education.

We have audited the accompanying financial statements of the University of Northern British Columbia (the "University") which comprise the statement of financial position as at March 31, 2012 and the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University taken as a whole. The supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Chartered Accountants

Prince George, Canada

June 15, 2012

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2012**

(thousands of dollars)


ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 31,073	\$ 30,481
Temporary investments (Note 3)	20,397	17,629
Accounts receivable	3,285	6,055
Donations receivable (Note 4)	100	221
Inventories	712	595
Prepaid expenses and deferred charges	2,005	1,707
	<hr/>	<hr/>
	57,572	56,688
 DONATIONS RECEIVABLE - Long-term portion (Note 4)	 250	 350
INVESTMENTS (Note 5)	45,977	47,240
SINKING FUND (Note 9)	11,090	10,101
CAPITAL ASSETS (Note 6)	231,167	237,384
	<hr/>	<hr/>
	\$ 346,056	\$ 351,763

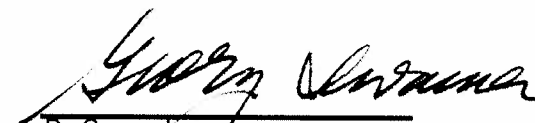
LIABILITIES & NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 8,537	\$ 11,253
Unearned revenue	1,125	2,870
Construction holdback payable	14	103
Current portion of long-term debt (Note 9)	323	323
	<hr/>	<hr/>
	9,999	14,549
 DEFERRED CONTRIBUTIONS (Note 8)	 19,880	 20,898
LONG-TERM DEBT (Note 9)	14,477	14,477
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	185,221	191,422
NET ASSETS		
Endowments	38,540	39,828
Investment in Capital Assets (Note 11)	42,236	41,263
Appropriated for Specific Purposes (Note 12)	32,186	25,809
Unrestricted Net Assets	3,517	3,517
	<hr/>	<hr/>
	116,479	110,417
	<hr/>	<hr/>
	\$ 346,056	\$ 351,763

Approved on behalf of
the Board of Governors:



John Turner
Chair, Board of Governors



Dr. George Kwama
President & Vice Chancellor

Commitments (Note 16)

The accompanying notes form an integral part of these financial statements.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

	Endowments	Investment in Capital Assets	Appropriated for Specific Purposes (Note 12)	Unrestricted Net Assets	Totals	
					2012	2011
BALANCE, beginning of year	\$ 39,828	\$ 41,263	\$ 25,809	\$ 3,517	\$ 110,417	\$ 104,225
Excess (deficiency) of revenues over expenses (Note 11)		(2,254)		8,094	5,840	4,367
Net change in investment in capital assets (Note 11)		3,227		(3,227)	-	-
Net change in endowments (Note 13)	(1,288)		1,510		222	1,825
Contribution to (from) appropriated for specific purposes			4,867	(4,867)	-	-
BALANCE, end of year	\$ 38,540	\$ 42,236	\$ 32,186	\$ 3,517	\$ 116,479	\$ 110,417

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

	<u>2012</u>	<u>2011</u>
REVENUE		
Government grants		
Provincial government	\$ 49,279	\$ 48,482
Federal government	8,097	9,074
Gifts, bequests and non-government grants	10,665	12,409
Investment income (loss)	373	2,506
Tuition fees	18,762	17,930
Other fees	1,305	1,261
Sales and service	8,928	8,116
External cost recovery	342	251
Miscellaneous revenue	5	1
Amortization of deferred capital contributions	7,544	7,368
	<u>105,300</u>	<u>107,398</u>
EXPENSE		
Salaries and honoraria	49,466	49,913
Benefits	9,113	8,919
Travel and personnel costs	3,498	3,563
Operational supplies and expenses	7,825	9,126
Equipment and furnishings	521	848
Equipment and facilities rentals	453	497
Contract services	7,531	8,395
Professional services	258	279
Scholarships, fellowships and bursaries	2,645	2,887
Renovations, alterations and maintenance	2,155	2,089
Utilities	2,591	3,094
Cost of goods sold	2,279	2,220
Debt servicing - interest	1,327	1,325
Amortization	9,798	9,876
	<u>99,460</u>	<u>103,031</u>
Excess of revenue over expenses	\$ 5,840	\$ 4,367
Transfer to internally restricted funds	(4,123)	(435)
Loss (gain) on endowment investments allocated to endowment principal	1,510	(745)
Net change in investment in capital assets	<u>(3,227)</u>	<u>(3,187)</u>
Change in unrestricted net assets	-	-
Balance of unrestricted net assets, beginning of year	<u>3,517</u>	<u>3,517</u>
Balance of unrestricted net assets, end of year	<u>\$ 3,517</u>	<u>\$ 3,517</u>

UNIVERSITY OF NORTHERN BRITISH COLUMBIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2012

(thousands of dollars)

	<u>2012</u>		<u>2011</u>
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES			
Excess of revenue over expense	\$ 5,840	\$	4,367
Items not affecting cash :			
Amortization of capital assets	9,798		9,876
Amortization of deferred capital contributions	(7,544)		(7,368)
Fair value adjustment of investments	2,487		(3,630)
Increase (decrease) in non-cash working capital	(2,077)		1,172
	8,504		4,417
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES			
Increase in temporary investments	(2,768)		(270)
Purchase of capital assets	(3,578)		(16,577)
Increase in investments	(1,224)		(349)
Endowment contributions	221		1,825
Deferred contributions	(1,018)		(2,216)
Capital contributions	1,343		14,229
	(7,024)		(3,358)
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES			
Donation receivable - long-term portion	100		321
Cash restricted for repayment of long-term debt	(665)		(516)
Sinking fund contributions	(323)		(323)
	(888)		(518)
NET INCREASE IN CASH AND CASH EQUIVALENTS	592		541
CASH AND CASH EQUIVALENTS, beginning of year	30,481		29,940
CASH AND CASH EQUIVALENTS, end of year	\$ 31,073	\$	30,481
SUPPLEMENTAL DISCLOSURE:			
Interest paid during the year	\$ 1,327	\$	1,325

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 1 Authority and Purpose

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

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of presentation

The University of Northern British Columbia has prepared these financial statements in accordance with Canadian generally accepted accounting principles (GAAP).

(b) Revenue recognition

The University follows the deferral method of accounting for contributions.

Operating government grants that are not restricted as to their use are recognized as revenue when receivable. Such grants, if received for a future period, are deferred and reported as unearned revenue until that future period. Other unrestricted revenue, including tuition fees and sales of products and services, are reported as revenue at the time the services are provided or the products delivered.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts must be used for the purposes designated by the external parties. Endowment contributions are recorded as direct increases in net assets.

Grants externally restricted for the acquisition of capital assets are recorded as deferred contributions until the amount is invested in capital assets. Once the amount is invested in a capital asset, it is transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recorded as earned revenue over the useful life of the related assets.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd.)

Donations of materials and services that would have otherwise been purchased are recorded at their fair market value. Where fair market value cannot be determined, donations of materials and services are recorded at a nominal value.

(c) Financial Instruments

- (i) The University's financial instruments consist of cash, cash equivalents and temporary investments, accounts receivable, donations receivable, investments, accounts payable and accrued liabilities, construction holdbacks payable and long-term debt. These financial instruments are accounted for as follows:

Held-for-trading (HFT)

The University has designated cash and temporary investments and long term investments on initial recognition as held-for-trading. These instruments are initially recognized at fair value. Upon application of the financial instruments accounting policy, they are recognized at their fair value, determined by published price quotations in an active market. Transaction costs to buy or sell these items are recognized in income on the settlement date. Net gains and losses arising from changes in fair value are recognized immediately in the statement of operations unless funds are externally restricted.

Loans and receivables

The University has classified accounts receivable as loans and receivables for financial reporting purposes. These assets are initially recognized at their cost. Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in the statement of operations upon derecognition or impairment. Given the short term nature of these items their carrying value equates to their fair value.

Other financial liabilities

The University has classified accounts payable and long term debt as other financial liabilities for financial reporting purposes. These liabilities are initially recognized at cost. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in the statement of operations upon derecognition or impairment.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd.)

(ii) Interest rate risk

The University is exposed to interest rate risk on fixed income investments held; the risk arises from fluctuations in interest rates and the degree of volatility of these rates. The University is not at risk for changes in interest rates on its long term debt obligations as all borrowings are at fixed rates of interest.

(iii) Foreign Exchange risk

The University is exposed to foreign exchange risk on its investments held in foreign currencies; however, it is management's opinion that this risk is not significant.

The University has elected to defer applying the Canadian Institute of Chartered Accountants Handbook Sections 3862, *Financial Instruments – Disclosure* and 3863, *Financial Instruments – Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The University has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

(d) Capital Assets

Capital asset acquisitions are recorded at cost. Donations are recorded at their fair value. Amortization is recorded on a straight-line basis over the estimated useful life of the asset. Estimated useful lives are as follows:

Computers	3 years
Equipment and furnishings	8 years
Buildings and site services	50 years
Apartments	50 years
Library materials	10 years

Assets that no longer provide long term service potential for the University are written down to residual value.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd.)

(e) Cash, Cash Equivalents and Temporary Investments

Cash, cash equivalents and temporary investments include money market investments, guaranteed investment certificates and pooled investment funds and are recorded at fair value.

(f) Inventories

Inventories of merchandise held for resale are recorded at the lower of cost and net realizable value.

Cost of inventory recognized as an expense during the period is \$2,005 (2011 - \$2,050), which includes \$11 (2011 - \$9) for the write down of inventory to net realizable value. During the period there was no reversal of inventory previously written down.

(g) Endowment and Other Investments

Endowment and other investments are classified as held for trading and stated at fair value. In determining fair values, adjustments have not been made for transactions costs. The change in the fair value of investments at the beginning and end of each year is reflected in the statement of operations and changes in unrestricted net assets or in the balance sheet in deferred contributions if the income is externally restricted. Fair values of investments are determined as follows: fixed income securities, equities and pooled funds are valued at year-end quoted closing market prices where available. Where quoted prices are not available, investments are carried at cost. Security acquisitions and disposals are recorded as of the date traded.

(h) Sinking Fund

The sinking fund is classified as held for trading and recorded at fair value.

(i) Long-Term Debt

Long-term debt is recorded on the amortized cost basis, as it is the University's intent to repay these loans in accordance with their scheduled maturity dates.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd.)

(j) Appropriations

The University has adopted a budget carry forward policy which allows budget centers to carry forward unexpended operating funds into the subsequent fiscal year. In addition, the University makes appropriations at the fiscal year end for other specific requirements. All such amounts are accounted for as appropriations of net assets for specific purposes.

(k) Capital Maintenance

Earnings, to a maximum of two percent, on endowment funds may be recorded directly as an increase in endowment net assets.

(l) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Accounting pronouncements issued but not yet effective:

Effective April 1, 2012, the University will transition to a new accounting framework which will include Public Sector Accounting Standards (PSAB) supplemented by directives from the Government of British Columbia's Treasury Board.

The transition to the new accounting framework will be applied on a retrospective basis. The University is reviewing the impact these changes on the financial statements.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 3 Cash and Temporary Investments

Investment Type	2012	2011
Cash and cash equivalents	\$ 31,073	\$ 30,481
Temporary Investments		
Term Deposits, GIC, T-bills	7,537	5,100
Municipal Financing Authority - bond fund	7,478	7,201
Municipal Financing Authority - money market fund	5,382	5,328
Total temporary investments	20,397	17,629
Total cash and temporary investments	\$51,470	\$ 48,110

Note 4 Donations Receivable

The University has received a commitment from Dr. Donald Rix, Duke Energy, Scotiabank and Canadian Forest Products Ltd. to contribute \$4,150 in aggregate towards the equipment and construction costs of the Dr. Donald Rix Northern Health Sciences Centre, the funding of a chair pertaining to health research and the construction costs of the Northern Sport Centre. Of this amount, \$221 was received during the current year and \$3,579 was received in prior years. Of the remaining balance, \$100 is expected to be received in the 2012/2013 fiscal year and \$250 is receivable after March 31, 2013.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 5 Investments

	2012	2011
Money Market	\$ 1,563	\$1,842
Bond	14,115	13,888
Equity	30,299	31,510
	\$ 45,977	\$ 47,240
	\$ 45,977	\$ 47,240

Investments are recorded at fair value. Realized gains or losses are recognized in the year of disposal and are included in income from investments; unrealized gains or losses are included in income from investments. Investments are managed by Letko Brosseau & Associates Inc, and Gryphon Investment Counsel Inc. in pooled balanced funds. The book value of the pooled investments is \$44,946 (2011 - \$43,711).

Note 6 Capital Assets

	Cost	2012 Accumulated Amortization	Net Book Value	2011 Net Book Value
Equipment and furnishings	\$ 101,602	\$ (88,396)	\$ 13,206	\$ 14,382
Building and site improvements	258,040	(56,714)	201,326	206,064
Apartments	15,120	(5,141)	9,979	10,282
Land	6,656	-	6,656	6,656
	\$ 381,418	(\$ 150,251)	\$ 231,167	\$ 237,384
	\$ 381,418	(\$ 150,251)	\$ 231,167	\$ 237,384

Note 7 Operating Line of Credit

The University has an available operating line of credit of \$4,300 of which it has drawn \$Nil (2011 - \$Nil) at March 31, 2012. The operating line bears interest at Bank of Montreal prime rate and is repayable on demand.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 8 Deferred Contributions

Deferred contributions represent unexpended contributions received for research purposes, capital acquisitions and other specific purposes. Changes in the deferred contributions balances are as follows:

	Sponsored Research	Specific Purpose	Capital	2012 Total	2011 Total
Balance, beginning of year	\$ 8,131	\$11,193	\$ 1,574	\$ 20,898	\$ 23,114
Add: contributions received during the year	10,171	10,555	91	20,817	25,612
Less: amounts spent during the year	(9,400)	(9,219)	(33)	(18,652)	(23,678)
Transfers to unamortized deferred capital contributions	(1,201)	(35)	(532)	(1,768)	(3,405)
Fair value adjustment (Note 13)	-	(1,415)	-	(1,415)	(745)
Balance, end of year	\$ 7,701	\$ 11,079	\$ 1,100	\$ 19,880	\$ 20,898

Note 9 Long-Term Debt

	2012	2011
Province of British Columbia (Section 58 of the University Act), 8.50% to 9.63%, due 2014 to 2020 inclusive	\$ 14,800	\$ 14,800
Less: current portion of long-term debt	(323)	(323)
	\$ 14,477	\$ 14,477

Annual sinking fund payments on long term debt in the amount of \$323 are due each year 2013 – 2014, \$164 is due in 2015 and \$67 each year 2016 – 2017.

The issuance of discounted debentures has resulted in a debt premium of \$5 (2011 - \$10 premium) which will be amortized over the terms of the debentures. For the current year, \$5 (2011 - \$5) of the premium has been amortized.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the unamortized amounts of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2012	2011
Balance, beginning of year	\$ 191,422	\$ 184,561
Add capital funding receipts:		
Provincial government	109	11,365
Federal government	1,196	2,716
Donations, grants and gifts in kind	38	148
	1,343	14,229
Less: amortization for the year	(7,544)	(7,368)
Balance, end of year	\$ 185,221	\$ 191,422

Note 11 Investment in Capital Assets

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

	2012	2011
Capital assets	\$231,167	\$ 237,384
Amounts financed by:		
Deferred capital contributions	(185,221)	(191,422)
Long-term debt (net of sinking fund)	(3,710)	(4,699)
	(188,931)	(196,121)
Investment in capital assets	\$ 42,236	\$ 41,263

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 11 Investment in Capital Assets (cont'd.)

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

	2012	2011
Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	\$ 7,544	\$ 7,368
Amortization of capital assets	(9,798)	(9,876)
	<u>(2,254)</u>	<u>(2,508)</u>
Acquisition and funding of capital assets:		
Purchase of capital assets, net	3,582	16,577
Amounts funded by deferred contributions	(1,343)	(14,229)
Cash restricted for repayment of long term debt	665	516
Repayment of long-term debt	323	323
	<u>3,227</u>	<u>3,187</u>
Net change in investment in capital assets	<u>\$ 973</u>	<u>\$ 679</u>

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 12 Appropriated for Specific Purposes

Net assets appropriated for specific purposes represent funds that have been internally restricted for the following purposes:

	2012	2011
General Operating:		
Departmental carryforwards	\$ 3,150	\$ 3,425
Minor capital projects, equipment purchases and special projects	11,456	8,091
Professional development and internal research funds	2,868	2,838
Total General Operating	17,474	14,354
Ancillary Services	1,957	1,170
Capital	5,672	4,738
Specific Purpose	7,083	5,547
	\$ 32,186	\$ 25,809

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

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

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

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

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 13 Endowment Net Assets

The University's endowments are primarily invested with the funds under management by Letko Brosseau & Associates Inc, and Gryphon Investment Counsel Inc. The endowments consist of restricted donations and capitalized investment income which maintains the economic value of the endowments over time. The University also holds surplus investment income in reserve to smooth out fluctuations in investment returns and to ensure spending distributions remain stable each year. This reserve changes with the distribution of net investment income or losses, payment of awards and allocations to endowment principal to capitalize income. The loss on endowment investments in 2012 resulted in the total of the reserve falling into deficit and consequently the change in endowment net assets are represented below. The net loss on endowment was \$2,925, of which \$1,415 was applied against deferred contributions and the remainder of \$1,510 from endowment.

Net change in endowment net assets:	2012	2011
Contributions	\$ 222	\$ 305
Capital maintenance		775
Income reserve gain (loss) not adjusted to individual endowment principle balances	(1,510)	745
	\$ (1,288)	\$ 1,825

Endowment net assets do not include funds held by the Vancouver Foundation for the benefit of the University. These funds total \$1,681 at cost and \$1,576 at fair market value (2011 - \$1,664 at cost, \$1,593 at fair market value). The excluded principal is neither owned nor controlled by the University but income from it is paid to the University to be used for specific purposes. During the year income of \$35 (2011 - \$24) was distributed to UNBC.

Note 14 Capital Management

The University receives its principal source of capital through funding received from the provincial government and external donors. The University defines capital to be net assets, deferred capital contributions and long term debt.

The University's objective when managing capital is to provide its students, faculty and staff with the best possible resources and conditions for learning and research. The University manages capital at the fund level and makes adjustments based on available funding and economic conditions. The University has no external restrictions with respect to unrestricted funds. The University has complied with external restrictions on the funding provided.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

(thousands of dollars)

Note 15 Pension Plan

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

The University expenses the contribution amounts made to the plan in each year. During the year, the University contributed \$3,353 (2011 - \$3,271) to the plan.

Note 16 Commitments

The University has entered in to a contract to purchase bio-fuel of approximately \$350 per year for a three year period, which began Fall 2010. The University has the option to renew the contract for two, one year extensions.

Note 17 Gifts in kind

Gifts in kind in the amount of \$93 (2011 - \$118) were received and recorded during the year.

Note 18 Trust funds

At March 31, 2012 the University held funds in trust on behalf of the Northern Medical Programs Trust amounting to approximately \$6,705 (2011 - \$6,522) which are not included in these financial statements. These investments have a market value of \$6,801 (2011 - \$6,988)

Note 19 Comparative figures

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

UNIVERSITY OF NORTHERN BRITISH COLUMBIA
DETAILED SCHEDULE OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2012
(Unaudited)

(thousands of dollars)

	General Operating		Ancillary		Capital		Specific Purpose & Expendable Funds		Sponsored Research		Totals	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
REVENUE												
Government grants												
Provincial government	\$ 47,443	\$ 47,554	\$ -	\$ -	\$ 434	\$ 601	\$ 306	\$ 274	\$ 1,096	\$ 53	\$ 49,279	\$ 48,482
Federal government	1,733	1,643	-	-	-	-	11	233	6,353	7,198	8,097	9,074
Gifts, bequests and non - gov't grants	6,106	6,080	301	299	15	-	2,373	974	1,870	5,056	10,665	12,409
Investment income (loss)	667	526	5	5	698	529	(997)	1,446	-	-	373	2,506
Tuition fees	16,029	15,230	2,733	2,700	-	-	-	-	-	-	18,762	17,930
Other fees	1,253	1,215	52	46	-	-	-	-	-	-	1,305	1,261
Sales and service	890	736	7,343	6,760	51	47	415	349	229	224	8,928	8,116
External cost recovery	309	224	5	3	-	-	1	-	27	24	342	251
Miscellaneous revenue	5	-	-	-	-	-	-	1	-	-	5	1
Amortization of deferred capital contributions	-	-	-	-	7,544	7,368	-	-	-	-	7,544	7,368
	<u>74,435</u>	<u>73,208</u>	<u>10,439</u>	<u>9,813</u>	<u>8,742</u>	<u>8,545</u>	<u>2,109</u>	<u>3,277</u>	<u>9,575</u>	<u>12,555</u>	<u>105,300</u>	<u>107,398</u>
EXPENSES												
Salaries and honoraria	41,404	41,121	3,077	3,030	1	7	748	670	4,236	5,085	49,466	49,913
Benefits	7,733	7,564	741	686	-	1	115	114	524	554	9,113	8,919
Travel and personnel costs	2,206	2,301	87	45	5	8	196	215	1,004	994	3,498	3,563
Operational supplies and expenses	4,020	4,133	680	617	981	1,179	623	630	1,521	2,567	7,825	9,126
Equipment and furnishings	230	355	26	50	105	187	16	51	144	205	521	848
Equipment and facilities rentals	18	43	377	386	-	-	-	14	58	54	453	497
Contract services	3,895	3,927	666	743	518	582	670	455	1,782	2,688	7,531	8,395
Professional services	250	272	5	-	-	2	-	-	3	5	258	279
Scholarships, fellowships and bursaries	859	1,258	-	1	-	-	1,758	1,615	28	13	2,645	2,887
Renovations, alterations and campus maintenance	1,462	1,397	574	504	91	187	17	-	11	1	2,155	2,089
Utilities	2,167	2,570	367	452	-	2	12	5	45	65	2,591	3,094
Cost of goods sold	-	-	2,278	2,220	-	-	1	-	-	-	2,279	2,220
Debt servicing - interest	3	1	1,324	1,324	-	-	-	-	-	-	1,327	1,325
Internal cost recoveries	709	721	(761)	(786)	-	-	(67)	(142)	119	207	-	-
Amortization	-	-	-	-	9,798	9,876	-	-	-	-	9,798	9,876
	<u>64,956</u>	<u>65,663</u>	<u>9,441</u>	<u>9,272</u>	<u>11,499</u>	<u>12,031</u>	<u>4,089</u>	<u>3,627</u>	<u>9,475</u>	<u>12,438</u>	<u>99,460</u>	<u>103,031</u>
Excess (deficiency) of revenue over expenses	<u>9,479</u>	<u>7,545</u>	<u>998</u>	<u>541</u>	<u>(2,757)</u>	<u>(3,486)</u>	<u>(1,980)</u>	<u>(350)</u>	<u>100</u>	<u>117</u>	<u>5,840</u>	<u>4,367</u>
Transfer (to) from internally restricted funds	(2,426)	(3,265)	(788)	(433)	1,627	2,957	(2,495)	161	(41)	145	(4,123)	(435)
Interfund transfers	(6,680)	(3,867)	295	332	3,340	2,855	3,089	934	(44)	(254)	-	-
Loss (gain) on endowment investments allocated to endowment principal	-	-	-	-	-	-	1,510	(745)	-	-	1,510	(745)
Investment in capital assets	(373)	(413)	(505)	(440)	(2,210)	(2,326)	(124)	-	(15)	(8)	(3,227)	(3,187)
Change in unrestricted net assets	-	-	-	-	-	-	-	-	-	-	-	-
Balance of unrestricted net assets, beginning of year	3,517	3,517	-	-	-	-	-	-	-	-	3,517	3,517
Balance of unrestricted net assets, end of year	<u>\$ 3,517</u>	<u>\$ 3,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,517</u>	<u>\$ 3,517</u>

UNIVERSITY OF NORTHERN BRITISH COLUMBIA
SCHEDULE OF GENERAL OPERATING EXPENSE BY FUNCTION
FOR THE YEAR ENDED MARCH 31, 2012
(Unaudited)

(thousands of dollars)

	<u>Academic Faculties</u>	<u>Academic Services</u>	<u>Administration</u>	<u>Governance</u>	<u>Executive Offices</u>	<u>Total 2012</u>	<u>Total 2011</u>
EXPENDITURES							
Salaries and Benefits	\$ 32,658	\$ 6,923	\$ 8,050	\$ 75	\$ 1,431	\$ 49,137	\$ 48,685
Travel and personnel costs	1,022	610	407	5	162	2,206	2,301
Operational supplies and expenses	1,240	697	1,592	20	471	4,020	4,133
Equipment and furnishings	129	22	67	1	11	230	355
Equipment and facilities rental	15	2	1	-	-	18	43
Contract services	3,013	101	669	38	74	3,895	3,927
Professional services	11	5	234	-	-	250	272
Scholarships, fellowship and bursaries	46	(5)	818	-	-	859	1,258
Renovations, alterations, and campus mainten.	70	13	1,368	-	11	1,462	1,397
Utilities	193	54	1,897	1	22	2,167	2,570
Internal cost recoveries	6	37	666	-	-	709	721
Interest	-	-	3	-	-	3	1
Total Expenses	\$ 38,403	\$ 8,459	\$ 15,772	\$ 140	\$ 2,182	\$ 64,956	\$ 65,663