

CONSOLIDATED FINANCIAL STATEMENTS

For year ended March 31, 2018

Vancouver, B.C. Canada



THE UNIVERSITY OF BRITISH COLUMBIA

Statement of Management Responsibility

The consolidated financial statements of the University of British Columbia (the University) have been prepared by management in conformity with Canadian public sector accounting standards and Treasury Board direction outlined in note 2(a). The financial statements present the financial position of the University as at March 31, 2018, and the results of its operations, remeasurement gains and losses, and the changes in net debt and changes in its cash flow for the year ended March 31, 2018.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors is responsible for reviewing and approving the financial statements, and overseeing management's performance of its financial reporting responsibilities.

The Board of Governors carries out its responsibility for review of the financial statements principally through its Audit Committee. No members of the Audit Committee are officers or employees of the University. The Audit Committee meets with management, the external auditors and the internal auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Audit Committee, with and without the presence of management.

The financial statements for the year ended March 31, 2018 have been reported on by KPMG. The Independent Auditors' Report outlines the scope of the audit and provides the audit opinion on the consolidated financial statements.



Santa Ono
President and Vice-Chancellor



Peter Smailes
Interim Vice-President Finance & Operations

May 24, 2018





KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the University of British Columbia, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net debt 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 Consolidated Financial Statements

Management is responsible for the preparation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated 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 consolidated 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 consolidated financial statements of the University of British Columbia as at March 31, 2018 and for the year then ended 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2 to the consolidated financial statements which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.



KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 14, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT MARCH 31**

(in thousands of dollars)

| | | <u>March 31</u> <u>2018</u> | <u>March 31</u> <u>2017</u> |
|---|-----------|--|--------------------------------|
| Financial Assets | | | |
| Cash and cash equivalents | (Note 3) | \$ 231,171 | \$ 86,973 |
| Accounts receivable | | 166,616 | 224,338 |
| Inventories for resale | | 6,073 | 6,020 |
| Investments | (Note 4) | | |
| Operating | | 525,191 | 511,708 |
| Endowment (expendable balance) | | 779,374 | 622,219 |
| Investments in government business enterprises | (Note 5) | 26,362 | 46,318 |
| | | <u>1,734,787</u> | <u>1,497,576</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | (Note 7) | 297,283 | 291,276 |
| Employee future benefits | (Note 8b) | 8,987 | 12,094 |
| Deferred contributions | (Note 9) | 1,115,806 | 966,280 |
| Deferred capital contributions | (Note 10) | 1,510,738 | 1,464,720 |
| Deferred land lease revenue | (Note 11) | 758,277 | 690,484 |
| Debt | (Note 12) | 355,235 | 360,401 |
| | | <u>4,046,326</u> | <u>3,785,255</u> |
| Net debt | | (2,311,539) | (2,287,679) |
| Non-Financial Assets | | | |
| Tangible capital assets | (Note 13) | 3,375,734 | 3,249,088 |
| Investments | | | |
| Endowment (original contribution) | (Note 4) | 942,455 | 916,053 |
| Inventories held for use | | 2,015 | 2,116 |
| Prepaid expenses | | 22,230 | 5,623 |
| | | <u>4,342,434</u> | <u>4,172,880</u> |
| Accumulated surplus | | \$ <u>2,030,895</u> | \$ <u>1,885,201</u> |
| Accumulated surplus is comprised of: | | | |
| Accumulated surplus | | \$ 1,990,999 | \$ 1,844,820 |
| Accumulated remeasurement gains | | 39,896 | 40,381 |
| | | <u>\$ 2,030,895</u> | <u>\$ 1,885,201</u> |
| Contractual obligations and contingent liabilities | (Note 17) | | |
| Approved on behalf of the Board of Governors: | | | |
|  | |  | |
| Michael Korenberg Chair, Board of Governors | | Peter Smailes Interim Vice-President Finance and Operations | |

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**YEAR ENDED MARCH 31**

(in thousands of dollars)

| | <u>Budget</u> (Notes 2(p) and 20) | <u>2018</u> | <u>2017</u> |
|--|---|---------------------|---------------------|
| Revenues | | | |
| Government grants and contracts (Note 15) | \$ 1,083,728 | \$ 1,077,096 | \$ 1,058,952 |
| Tuition and student fees | 680,854 | 725,040 | 629,869 |
| Sales and services | 367,276 | 399,791 | 373,231 |
| Non-government grants, contracts and donations | 175,933 | 182,159 | 168,534 |
| Investment income | 82,239 | 81,825 | 69,280 |
| Income from government business enterprises (Note 5) | 2,382 | 13,763 | 11,032 |
| Revenue recognized from deferred capital contributions (Note 10) | 85,074 | 81,848 | 77,412 |
| | <u>2,477,486</u> | <u>2,561,522</u> | <u>2,388,310</u> |
| Expenses | | | |
| Learning | 1,226,714 | 1,200,857 | 1,144,661 |
| Research | 473,393 | 496,441 | 473,021 |
| Facilities | 301,207 | 283,343 | 261,312 |
| Students | 303,486 | 318,571 | 291,067 |
| Community engagement | 57,959 | 60,018 | 52,027 |
| Administration | 81,329 | 81,763 | 74,455 |
| | <u>2,444,088</u> | <u>2,440,993</u> | <u>2,296,543</u> |
| Annual surplus from operations | 33,398 | 120,529 | 91,767 |
| External endowment donations | 30,000 | 25,650 | 29,382 |
| Annual surplus | 63,398 | 146,179 | 121,149 |
| Accumulated surplus, beginning of year | 1,844,820 | 1,844,820 | 1,723,671 |
| Accumulated surplus, end of year | <u>\$ 1,908,218</u> | <u>\$ 1,990,999</u> | <u>\$ 1,844,820</u> |

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31

(in thousands of dollars)

| | <u>Budget</u> (Notes 2(p) and 20) | <u>2018</u> | <u>2017</u> |
|--|---|-----------------------|-----------------------|
| Annual surplus | \$ 63,398 | \$ 146,179 | \$ 121,149 |
| Exclude items not affecting net debt: | | | |
| Endowment donations and transfers | <u>(30,000)</u> | <u>(26,402)</u> | <u>(30,247)</u> |
| | <u>33,398</u> | <u>119,777</u> | <u>90,902</u> |
| Acquisition of tangible capital assets | (376,000) | (324,366) | (334,000) |
| Amortization of tangible capital assets | <u>202,000</u> | <u>197,720</u> | <u>185,146</u> |
| | <u>(174,000)</u> | <u>(126,646)</u> | <u>(148,854)</u> |
| Acquisition of inventories held for use | - | (4,585) | (4,985) |
| Acquisition of prepaid expense | - | (21,508) | (7,187) |
| Consumption of inventories held for use | - | 4,686 | 5,010 |
| Use of prepaid expense | <u>-</u> | <u>4,901</u> | <u>9,802</u> |
| | <u>-</u> | <u>(16,506)</u> | <u>2,640</u> |
| | (140,602) | (23,375) | (55,312) |
| Net remeasurement gains (losses) | - | (757) | 12,958 |
| Self-supported subsidiary other comprehensive income | <u>-</u> | <u>272</u> | <u>332</u> |
| Increase in net debt | (140,602) | (23,860) | (42,022) |
| Net debt, beginning of year | (2,287,679) | (2,287,679) | (2,245,657) |
| Net debt, end of year | <u>\$ (2,428,281)</u> | <u>\$ (2,311,539)</u> | <u>\$ (2,287,679)</u> |

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

(in thousands of dollars)

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|------------------|
| Cash provided from operating activities | | |
| Annual surplus | \$ 146,179 | \$ 121,149 |
| Add non-cash items: | | |
| Amortization of tangible capital assets | 197,720 | 185,146 |
| Amortization of deferred capital contributions | (81,848) | (77,412) |
| Amortization of deferred land lease revenue | (8,040) | (6,681) |
| Change in employee future benefits | (3,107) | 134 |
| | <u>250,904</u> | <u>222,336</u> |
| Change in non-cash operating working capital: | | |
| Decrease (increase) in accounts receivable | 57,722 | (48,437) |
| Decrease in inventories | 48 | 335 |
| Decrease (increase) in prepaid expenses | (16,607) | 2,615 |
| Increase in accounts payable and accrued liabilities | 6,007 | 11,760 |
| | <u>298,074</u> | <u>188,609</u> |
| Cash used in capital activities | | |
| Tangible capital asset acquisitions | <u>(324,366)</u> | <u>(334,000)</u> |
| Cash used in investing activities | | |
| Decrease (increase) in investment in government business enterprises | 19,956 | (5,171) |
| Net acquisitions in investments | (180,287) | (213,291) |
| | <u>(160,331)</u> | <u>(218,462)</u> |
| Cash provided from financing activities | | |
| Net increase in deferred contributions | 133,724 | 105,837 |
| Net decrease in long-term debt | (6,602) | (2,561) |
| Increase in deferred land lease revenue | 75,833 | 117,587 |
| Increase in deferred capital contributions | 127,866 | 128,551 |
| | <u>330,821</u> | <u>349,414</u> |
| Increase (decrease) in cash and cash equivalents | 144,198 | (14,439) |
| Cash and cash equivalents, beginning of year | 86,973 | 101,412 |
| Cash and cash equivalents, end of year | <u>\$ 231,171</u> | <u>\$ 86,973</u> |
| Supplemental cash flow information | | |
| Cash paid for interest | <u>\$ 20,553</u> | <u>\$ 20,609</u> |

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES**YEAR ENDED MARCH 31**

(in thousands of dollars)

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| Accumulated remeasurement gains, beginning of year | \$ 40,381 | \$ 27,091 |
| Remeasurement (gains) losses realized and reclassified to the statement of operations from: | | |
| Equity investments quoted in active market | (9,977) | (4,746) |
| Other investments designated at fair value | 1,270 | (2,191) |
| Unrealized gains (losses) generated during the year from: | | |
| Equity investments quoted in active market | 5,881 | 20,370 |
| Other investments designated at fair value | 2,069 | (475) |
| Other comprehensive income from government business enterprises | <u>272</u> | <u>332</u> |
| Net remeasurement gains (losses) for the year | (485) | 13,290 |
| Accumulated remeasurement gains, end of year | <u>\$ 39,896</u> | <u>\$ 40,381</u> |

(See accompanying notes to the consolidated financial statements)



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

Notes to the Consolidated Financial Statements

1 Authority and Purpose

The University of British Columbia (UBC or the University) operates under the authority of the *University Act* of British Columbia. UBC is a comprehensive research university offering a full range of undergraduate, graduate and continuing studies programs. The academic governance of the University is vested in the Senate. As a not-for-profit entity, UBC is governed by a Board of Governors, the majority of whom are appointed by the provincial government of British Columbia. UBC is also a registered charity and is therefore exempt from income taxes under section 149 of the *Income Tax Act*.

2 Significant Accounting Policies

The consolidated financial statements of the University are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of UBC are as follows:

(a) Basis of Accounting

The consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the consolidated financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian Public Sector Accounting Standards (PSAS), as issued by the Public Sector Accounting Board (PSAB), 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 and, referred to 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 the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the 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.



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

2 **Significant Accounting Policies (continued)**

(a) Basis of Accounting (continued)

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which require 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 PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with PS3100.

As a result, revenue recognized in the Statement of Operations and Accumulated Surplus and certain related deferred capital contributions would be recorded differently under PSAS.

(b) Basis of Presentation

The University reports its operations on a consolidated basis, which includes activities from various funds within the University and external entities.

(c) Basis of Consolidation

(i) Consolidated Entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by UBC. Controlled organizations are consolidated except for government business enterprises which are accounted for by the modified equity method. Inter-organizational transactions, balances, and activities have been eliminated on consolidation.

The following not-for-profit organizations whose activities are intended to benefit UBC are 100% controlled by the University and are consolidated in these financial statements:

- UBC Foundation, a not-for-profit foundation formed to develop public awareness and encourage financial support of the University.
- American Foundation for UBC, an American charitable foundation that encourages financial support of the University.
- Hong Kong Foundation for UBC, a not-for-profit organization incorporated in Hong Kong that promotes and advances all matters concerning education.
- UK Foundation for the University of British Columbia, an official charitable organization in the United Kingdom that promotes and advances all matters concerning education.
- UBC Society for the Education of Young Children, a not-for-profit organization that maintains and operates an educational program for young children.
- UBC Asia Pacific Regional Office Limited, a Hong-Kong based association formed to promote and advance the academic and research interests of the University and its partners in the Asia Pacific region.
- entrepreneurship@UBC Management Inc., a not-for-profit organization that allows UBC to make seed investments in promising student ventures.



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

2 **Significant Accounting Policies (continued)**

(c) Basis of Consolidation (continued)

(i) Consolidated Entities (continued)

The following for-profit entities are controlled by the University and are consolidated in these financial statements:

- UBC Investment Management Trust, whose primary purpose is to manage the investment assets of the University's endowment fund and the staff pension plan. The University has a 100% interest in the trust.
- UBC Research Enterprises Inc., which promotes the creation, testing, development, production and commercialization of intellectual property owned by the University. The entity was dissolved by way of voluntary dissolution under the B.C. Business Corporations Act on December 4, 2017. The University held a 100% interest in the company prior to its dissolution.
- Paragon Testing Enterprises Inc., an English language testing organization that administers English language proficiency tests and develops products and programs to help test takers. The University has an 83% interest in the company.

(ii) 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 UBC other than if other comprehensive income exists, which is accounted for as an adjustment to accumulated surplus (deficit) 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 UBC.

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

- UBC Properties Investments Ltd. ("UBCPIL")

UBCPIL is incorporated pursuant to the B.C. Business Corporations Act, and is a wholly-owned subsidiary of UBC. UBCPIL is the sole trustee of UBC Properties Trust, which was established to carry out real estate development activities on behalf of the University.

- Great Northern Way Campus Trust

The University has a 25% (2017 - 25%) interest in the Great Northern Way Campus Trust (the Trust). The Trust was formed on September 15, 2002 to include the lands and premises comprising the Great Northern Way Campus for the equal benefit of the University, Simon Fraser University, British Columbia Institute of Technology and the Emily Carr Institute of Art and Design.



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

2 **Significant Accounting Policies (continued)**

(c) Basis of Consolidation (continued)

(iii) Investment in Government Partnerships

Government partnerships that are business partnerships are accounted for by the modified equity method. Accounting policies of the business partnership are not conformed to those of the partners before the equity pick-up. The University is not party to any government business partnerships.

Government partnerships that are not business partnerships are accounted for under the proportionate consolidation method. The University accounts for its share of the partnership on a line by line basis in the financial statements and eliminates any inter-organizational transactions and balances. Accounting policies of a partnership that is not a business partnership are conformed to those of UBC before it is proportionately consolidated.

The consolidated financial statements include the accounts of the following non-business government partnerships:

- Tri-Universities Meson Facility (TRIUMF)

The University has a 7.69% (2017 – 8.33%) interest in TRIUMF. TRIUMF is a joint venture amongst the University and twelve other universities (2017 – eleven), which was established to operate a facility for research in sub-atomic physics. TRIUMF operates on the UBC campus and elsewhere.

- Western Canadian Universities Marine Sciences Society (WCUMSS)

The University has a 20% (2017 – 20%) interest in WCUMSS. The University is one of five university members of WCUMSS, which is formed to provide a permanent base for marine and coastal-oriented field operations in Bamfield, B.C. WCUMSS mandates to provide research infrastructure for scientists, offer senior undergraduate and graduate courses and programs, and provide training opportunities for students, First Nations and other public groups.

- CDRD Ventures Inc. (CVI, formerly DDI Drug Development Inc.)

The University has a 33% (2017 – 33%) interest in CVI and is one of three shareholders. CVI is the commercialization partner of the Centre for Drug Research and Development, which provides financial, managerial and development support to turn promising technologies into companies and to help existing companies grow.

(iv) Trusts Under Administration

Trusts administered by UBC as directed by agreement or statute for certain beneficiaries are not included in the University's consolidated financial statements.

(d) 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.



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

2 **Significant Accounting Policies (continued)**

(e) Revenue Recognition

(i) Restricted Revenue

The University follows the deferral method of accounting for contributions. Some contributions, such as grants and donations for research or capital purposes, are restricted in use by the external contributor. Externally restricted contributions are recognized as revenue when the restrictions imposed by the contributors on the use of the monies are satisfied as follows:

- Non-capital contributions for specific purposes are recorded as deferred contributions and recognized as revenue in the year in which the stipulation or restriction on the contribution has been met. Unspent capital contributions are initially recorded as deferred contributions and transferred to and recorded as deferred capital contributions when the amounts have been spent on tangible capital assets and are recognized into revenue as noted below.
- Contributions spent in acquiring or developing a depreciable tangible capital asset or received 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. Where the tangible capital asset involved has an unlimited life, the contribution is recorded in the Consolidated Statement of Operations and Accumulated Surplus.

Some restricted contributions must be retained in perpetuity, allowing only the investment income earned thereon to be spent, and are recorded as external endowment donations in the Consolidated Statement of Operations and Accumulated Surplus for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.

(ii) Unrestricted Revenue

Unrestricted contributions are recorded as revenue when received or receivable if the amounts can be estimated and collection is reasonably assured. Government grants not restricted as to their use are recognized as revenue when received or receivable. Other unrestricted revenue, including tuition fees and sales of services and products, are reported as revenue at the time the services are provided or the products are delivered. Tuition fees received in advance of courses being delivered are deferred and recognized when the courses are delivered.

(iii) Deferred Land Lease Revenue

The University leases certain properties to third parties for a period of 99 years. Cash received from land leases is deferred and recognized as revenue over the term of the lease.

(iv) Investment Income

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains or losses on the sale of investments, write-downs on investments where the loss in value is determined to be other than temporary, and fair value adjustment of investments. Investment transactions are recorded on a trade date basis. Transaction costs are expensed as incurred. To the extent that investment income relates to externally restricted endowments, income is recorded in the year in which the related expenses are incurred.



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

2 **Significant Accounting Policies (continued)**

(f) Financial Instruments

Classification, Disclosure and Presentation

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

Fair value category: Portfolio investments that are quoted in an active market, private equity investments, and sinking fund investments are all 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 are recorded as an expense. Unrealized gains and losses on financial assets, except those that are related to restricted endowments, are recognized in the Consolidated Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus and related balances reversed from the Consolidated Statement of Remeasurement Gains and Losses. Unrealized gains and losses on financial assets related to restricted endowments are included in deferred contributions.

Cost category: Gains and losses are recognized in the Consolidated 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 are included in the cost of the related investments. Debt is measured at amortized cost.

(g) Short-term Investments

Short-term investments are defined to include highly liquid securities with terms to maturity of one year or less. Short-term investments are cashable on demand and are recorded at fair value.

(h) Inventories for Resale

Inventories held for resale, including books, food services, and gift shop items, are recorded at the lower of cost or net realizable value. Cost is determined using the weighted average basis. Cost includes invoice cost and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. 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.

(i) 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 asset acquisitions are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is not capitalized whenever external debt is issued to finance the construction of tangible capital assets. Donated assets are recorded at fair value at the date of donation. In unusual circumstances where fair value cannot be reasonably determined, the tangible capital asset would not be recognized. Transfers of capital assets from related parties are recorded at carrying value.



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

2 **Significant Accounting Policies (continued)**

(i) Non-financial Assets (continued)

(i) Tangible Capital Assets (continued)

Capital assets are amortized on a straight-line basis over their estimated useful life as shown below. Land is not amortized as it is deemed to have a permanent value.

| | |
|------------------------------------|-------------|
| Site improvements | 15-80 years |
| Buildings | 10-50 years |
| Building renovations | 5-40 years |
| Furnishings, equipment and systems | 3-10 years |
| Library books | 10 years |

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to UBC's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

(ii) Leased Tangible Capital Assets

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

(iii) Unrecognized Assets

Major categories of unrecognized assets include works of art and historical collections, mineral resources, and licenses.

These assets cannot be reasonably measured for various reasons, including being priceless or irreplaceable, not intended for sale, intended for exhibition purposes, restricted for research and academic purposes, or an estimate of future benefits associated with the assets cannot be made due to their extraordinary nature.

(iv) Inventories Held for Use

Inventories held for use are recorded at the lower of cost and replacement cost.

Cost includes the original purchase cost, plus shipping and applicable duties. Replacement cost is the estimated current price to replace the items.

(j) Employee Future Benefits

(i) Pension Plans

The University has two pension plans and a supplemental arrangement plan providing pension and other benefits to its employees. The assets and liabilities of these plans are not included in the University's consolidated financial statements.



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

2 Significant Accounting Policies (continued)

(j) Employee Future Benefits (continued)

(i) Pension Plans (continued)

Faculty Pension Plan

The Faculty Pension Plan is a defined contribution plan providing benefits on a money purchase basis. The cost of pension benefits includes the current service cost based on 10.00% of salary (2017 – 10.00%), less a fixed offsetting amount relating to Canada Pension Plan contributory earnings. The University expenses contributions to this plan in the year the contributions are related to.

Staff Pension Plan

The Staff Pension Plan is a target benefit plan and provides benefits based on 1.80% (2017 – 1.80%) of the average best three years' basic salary multiplied by the number of years of contributory service. The University's contribution for the Staff Pension Plan is 9.13% of salary (2017 – 10.00%), less a fixed offsetting amount relating to Canada Pension Plan contributory earnings. In the event of funding deficiencies, the University's contributions remain fixed and benefits for members may be reduced. Accordingly, the University accounts for this as a defined contribution plan and expenses contributions to this plan in the year of the related contributions. Benefits security for employees is improved by the plan maintaining a contingency reserve. The contingency reserve ceiling recommended by the plan's actuary and approved by the pension board and Canada Revenue Agency is 40% of liabilities.

Supplemental Arrangement

The Supplemental Arrangement has been established for those Faculty Pension Plan members whose aggregate annual pension contributions exceed the contribution limit allowed under the Income Tax Act for registered plans. Excess University contributions are deposited into notional accounts established for each member in the Supplemental Arrangement account. No payments are made out of the Supplemental Arrangement account before the earliest of the member's termination, retirement or death.

(ii) Income Replacement Plan / Disability Benefit Plan

The income replacement plan for faculty and disability benefit plan for all other employees provide income for disabled employees. The plans commence after a qualifying period of four months for CUPE 2950 employees and six months for all other employees. When an employee is in receipt of income replacement or disability benefits, the University continues to pay the costs of certain member benefits. The costs of the plans are employee funded. The University is not required to contribute to the plans nor is it responsible for any deficit that the plans may incur.

(iii) Sick Leave Benefits

Sick leave benefits are available to UBC's employees. Employees are entitled to sick leave in accordance with the terms and conditions of their employment contracts. The costs of those benefits which vest or accumulate are actuarially determined based on service and estimates of retirement ages and expected future salary or wage increases. The obligation is accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees. Actuarial gains and losses from event-driven benefits that do not vest or accumulate are recognized immediately.



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

2 **Significant Accounting Policies (continued)**

(k) Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. Liabilities are recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all 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.

(l) Use of Estimates

The preparation of these consolidated financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates and assumptions relate to the determination of useful lives of tangible capital assets for amortization and the amortization of related deferred capital contributions, valuation of financial instruments, the present value of employee future benefits and commitments, and provisions for contingencies. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(m) Debt Issue Costs

The underwriting discount along with consulting fees relating to the debenture issuances are capitalized and amortized to match the term of the long-term debenture. Amortization is calculated based on the effective interest rate method.

(n) Asset Retirement Obligations

The University recognizes asset retirement obligations in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

2 **Significant Accounting Policies (continued)**

(o) Functional Classification of Expenses

Expenses in the Consolidated Statement of Operations and Accumulated Surplus have been classified based upon functional lines of service provided by the University. The outline of services provided by each function is as follows:

- (i) Learning - This function includes expenses related to all direct educational delivery within the institution and activities that directly support the academic functions of the institution. This includes credit and non-credit courses, diploma, certificate and degree programs; continuing education; curriculum and program development; libraries and galleries; on-line delivery; information technology; specific purpose funding; and endowment non-award funding. Costs associated with this function include contract expenses; Deans/Directors and/or Chairs; and instructional administration (general and financial), support staff and support costs directly related to these activities.
- (ii) Research - This function includes research activities specifically funded by contracts and/or grants from external organizations and undertaken within the institution to produce research outcomes. Costs associated with this function include such things as research administration, research accounting, support costs established to conduct all research projects, and research related amortization.
- (iii) Facilities - This function includes all capital asset related expenditures for the operation of the University. These include the operation and maintenance of physical plant and equipment for all institutional activities; utilities; facilities administration; custodial services; landscaping and grounds keeping; major repairs and renovations; security services; administration of infrastructure development; amortization expense (other than research related) and debt servicing costs related to the entire University.
- (iv) Students - This function includes activities that directly support the individual students or groups of students. These include student service administration; counseling; career services; social development and recreation; financial aid administration; scholarships and bursaries; and any other centralized general and financial administration and support costs related to these activities. It also includes ancillary operations that provide goods and services to the students, endowment award related funding and award funds that support students. Costs associated with this function include general and financial administration and support costs directly related to these activities.
- (v) Community engagement - This function includes activities that support the relationship between the University and the community. It includes campus planning; advancement and development office; alumni; public / government relations; community affairs, and any other centralized institution wide external affairs. Costs associated with this function include general, financial administration and support costs directly related to these activities.
- (vi) Administration - This function includes activities that support the institution as a whole, such as executive management; governance committees; the Board and Senate; corporate finance; human resources; purchasing; and any other centralized institution-wide general administrative activities.



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

2 Significant Accounting Policies (continued)

(p) Budget Figures

The original budget was approved by the Board of Governors on April 13, 2017. The budget reflected in the Consolidated Statement of Operations and Accumulated Surplus was amended subsequent to approval by the Board of Governors to reflect the University's revised methodology for presenting the functional classification of expenses. Note 20 reconciles the approved budget to the budget information presented in these consolidated financial statements.

3 Cash and Cash Equivalents

| | <u>March 31</u> <u>2018</u> | <u>March 31</u> <u>2017</u> |
|------------------|--------------------------------|--------------------------------|
| Cash | \$ 25,473 | \$ 29,119 |
| Cash equivalents | 205,698 | 57,854 |
| | <u>\$ 231,171</u> | <u>\$ 86,973</u> |

The University has a seasonal revolving line of credit. During September 1 to May 31, the line of credit is CAD \$40 million, and during June 1 to August 31, the line of credit is increased to CAD \$60 million. This operating facility includes, as a sub-limit, a US dollar current account overdraft facility up to US \$5 million. As at March 31, 2018, the University had a CAD \$40 million revolving line of credit (March 31, 2017 - \$40 million) with a sub limit of US \$5 million line of credit (March 31, 2017 - \$5 million).

4 Investments

Investments include operating, endowment and sinking fund investments. Operating investments consist of research, capital, and other funds received and held in advance for future expenditures. Endowment investments consist of donations held in perpetuity and land lease revenues received by the University to benefit current and future generations. Sinking fund investments are managed by the provincial government and will be applied against repayment of provincial debentures on maturity (Note 12).

(a) Analysis of Investments

| | <u>March 31</u> <u>2018</u> | <u>March 31</u> <u>2017</u> |
|---|--------------------------------|--------------------------------|
| Government and corporate bonds | | |
| <u>Maturity</u> | | |
| Less than 1 year | \$ - | \$ 51,045 |
| 1 - 5 years | 534,814 | 461,650 |
| Greater than 5 years | - | 4,987 |
| Various – pooled | 230,190 | 199,272 |
| | <u>765,004</u> | <u>716,954</u> |
| Short-term notes and treasury bills | 27,403 | 15,803 |
| Canadian equities | 221,311 | 224,431 |
| Canadian pooled funds | 212,237 | 297,897 |
| United States equities and pooled funds | 180,358 | 148,933 |
| Other international pooled funds | 842,858 | 618,890 |
| Other | 24,809 | 49,743 |
| | <u>\$ 2,273,980</u> | <u>\$ 2,072,651</u> |



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018
(all tabular amounts are in thousands of dollars)

4 Investments (continued)

(a) Analysis of Investments (continued)

These investments are presented in the consolidated financial statements as:

| | March 31 2018 | March 31 2017 |
|------------------------------------|--------------------------|--------------------------|
| Operating investments | \$ 525,191 | \$ 511,708 |
| Endowment (expendable balance) | 779,374 | 622,219 |
| Endowment (original contribution) | 942,455 | 916,053 |
| Sinking fund investments (Note 12) | 26,960 | 22,671 |
| | <u>\$ 2,273,980</u> | <u>\$ 2,072,651</u> |

Other investments include cash and short-term investments related to endowments and real estate investments and promissory notes issued by unrelated parties.

(b) Endowment Investments

- (i) Endowment investments are reported as financial assets (expendable portion) and non-financial assets (externally restricted principal portion). The portion reported as non-financial assets comprise investments representing the original donation and amounts required to be reinvested to maintain the capital, which are externally restricted by donors and, therefore, cannot be spent and are not considered financial assets.

| | March 31, 2018 | | | March 31, 2017 | | |
|----------------------------|---------------------------|-------------------|---------------------|---------------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Expendable</u> | <u>Total</u> | <u>Principal</u> | <u>Expendable</u> | <u>Total</u> |
| Balance, beginning of year | \$ 916,053 | \$ 622,219 | \$ 1,538,272 | \$ 885,806 | \$ 576,199 | \$ 1,462,005 |
| Donations | 25,650 | - | 25,650 | 29,382 | - | 29,382 |
| Internal transfers | 752 | - | 752 | 865 | (2,085) | (1,220) |
| Transfers to/from cash | - | 75,000 | 75,000 | - | (90,000) | (90,000) |
| Investment income | - | 155,953 | 155,953 | - | 197,882 | 197,882 |
| Expenses | - | (73,798) | (73,798) | - | (59,777) | (59,777) |
| Balance, end of year | <u>\$ 942,455</u> | <u>\$ 779,374</u> | <u>\$ 1,721,829</u> | <u>\$ 916,053</u> | <u>\$ 622,219</u> | <u>\$ 1,538,272</u> |

(ii) Endowments Held by Vancouver Foundation

Endowments with a fair value of \$25.7 million (March 31, 2017 – \$24.7 million) are held by the Vancouver Foundation in perpetuity for the benefit of the University and are not included in the University's consolidated financial statements. The capital of these endowment funds are held permanently by Vancouver Foundation and invested in accordance with the provisions of the Vancouver Foundations Act.



4 Investments (continued)

(b) Endowment Investments (continued)

(ii) Endowments Held by Vancouver Foundation (continued)

Endowments with a fair value of \$28.2 million (March 31, 2017 – \$27.2 million) are held and managed by Vancouver Foundation and are included in the University's consolidated financial statements. The University has the discretion to direct Vancouver Foundation to transfer the whole or any part of the capital of these endowment funds to the University.

(c) Fair Value of Financial Instruments

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties. UBC 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 Consolidated Statement of Financial Position under the following captions:

- Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities – the carrying amounts approximate fair value because of the short-term maturity of these instruments.
- Operating investments
- Endowment investments

The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018
(all tabular amounts are in thousands of dollars)

4 Investments (continued)

(c) Fair Value of Financial Instruments (continued)

The composition of investments recorded at fair value is as follows:

| March 31, 2018 | <u>Total</u> | <u>Quoted prices in active markets for identical assets (Level 1)</u> | <u>Significant other observable inputs (Level 2)</u> | <u>Significant unobservable inputs (Level 3)</u> |
|---|---------------------|---|--|--|
| Endowment investments: | | | | |
| Cash and short-term notes | \$ 37,260 | \$ 37,260 | \$ - | \$ - |
| Fixed income mutual funds | 97,515 | 97,515 | - | - |
| Canadian equities | 321,384 | 321,384 | - | - |
| Canadian equities mutual funds | 73,564 | 73,564 | - | - |
| United States equities mutual funds | 97,193 | 97,193 | - | - |
| International equities mutual funds | 576,249 | 529,834 | 46,415 | - |
| Real estate | 135,940 | - | - | 135,940 |
| Private equity | 272,725 | - | - | 272,725 |
| Hedge fund | 80,223 | - | - | 80,223 |
| Other | 28,176 | - | 28,176 | - |
| Total endowment investments recorded at fair value | <u>1,720,229</u> | <u>1,156,750</u> | <u>74,591</u> | <u>488,888</u> |
| Operating investments: | | | | |
| Short-term investments | - | - | - | - |
| Fixed income | | | | |
| Government | 508,828 | 508,828 | - | - |
| Mutual funds | 1,000 | - | - | 1,000 |
| Canadian equities | 1,416 | 1,416 | - | - |
| United States equities | - | - | - | - |
| Private equity | 13,947 | - | - | 13,947 |
| Total operating investments recorded at fair value | <u>525,191</u> | <u>510,244</u> | <u>-</u> | <u>14,947</u> |
| Total | <u>\$ 2,245,420</u> | <u>\$ 1,666,994</u> | <u>\$ 74,591</u> | <u>\$ 503,835</u> |

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018
(all tabular amounts are in thousands of dollars)

4 Investments (continued)

(c) Fair Value of Financial Instruments (continued)

| March 31, 2017 | Total | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---------------------|---|---|--|
| Endowment investments: | | | | |
| Cash and short-term notes | \$ 38,486 | \$ 38,486 | \$ - | \$ - |
| Fixed income mutual funds | 95,915 | 95,915 | - | - |
| Canadian equities | 302,137 | 302,137 | - | - |
| Canadian equities mutual funds | 159,532 | 159,532 | - | - |
| United States equities mutual funds | 88,220 | 88,220 | - | - |
| International equities mutual funds | 407,462 | 334,614 | 72,848 | - |
| Real estate | 35,109 | - | - | 35,109 |
| Private equity | 382,649 | - | - | 382,649 |
| Other | 27,163 | - | 27,163 | - |
| Total endowment investments recorded at fair value | 1,536,673 | 1,018,904 | 100,011 | 417,758 |
| Operating investments: | | | | |
| Short-term investments | - | - | - | - |
| Fixed income | | | | |
| Government | 496,427 | 496,427 | - | - |
| Mutual funds | 1,007 | - | - | 1,007 |
| Canadian equities | 2,094 | 2,094 | - | - |
| United States equities | - | - | - | - |
| Private equity | 12,180 | - | - | 12,180 |
| Total operating investments recorded at fair value | 511,708 | 498,521 | - | 13,187 |
| Total | \$ 2,048,381 | \$ 1,517,425 | \$ 100,011 | \$ 430,945 |

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

| | March 31 2018 | March 31 2017 |
|----------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 430,945 | \$ 294,767 |
| Unrealized gains | 4,748 | 15,784 |
| Purchases | 121,096 | 157,865 |
| Dispositions | (52,954) | (37,471) |
| Balance, end of year | \$ 503,835 | \$ 430,945 |



CONSOLIDATED FINANCIAL STATEMENTS**YEAR ENDED MARCH 31, 2018**

(all tabular amounts are in thousands of dollars)

5 Investments in Government Business Enterprises

Two entities are accounted for in the University's consolidated financial statements using the modified equity method of accounting for government business enterprises (Note 2(c)(ii)).

Financial information in respect of these entities is disclosed below.

| Consolidated Statement of Financial Position: | UBC Properties Investments Ltd. | | Great Northern Way Campus Trust | |
|--|--|--------------------------|--|--------------------------|
| | March 31 2018 | March 31 2017 | March 31 2018 | March 31 2017 |
| Financial assets | \$ 86,103 | \$ 73,076 | \$ 49,387 | \$ 78,841 |
| Liabilities | 504,280 | 423,909 | 32,251 | 13,857 |
| Net assets (liabilities) | (418,177) | (350,833) | 17,136 | 64,984 |
| Non-financial assets | 447,851 | 390,627 | 20,318 | 13,321 |
| Accumulated surplus | \$ 29,674 | \$ 39,794 | \$ 37,454 | \$ 78,305 |
| Adjustment for Infrastructure Impact Charges (IIC's) and contributions | (12,676) | (13,052) | - | - |
| Adjusted accumulated surplus | \$ 16,998 | \$ 26,742 | \$ 37,454 | \$ 78,305 |
| UBC's proportionate share | \$ 16,998 | \$ 26,742 | \$ 9,364 | \$ 19,576 |
| Consolidated Statement of Operations: | | | | |
| Revenue | \$ 88,926 | \$ 111,431 | \$ 38,969 | \$ 28,529 |
| Expenses | 8,380 | 8,258 | 23,306 | 14,620 |
| Surplus for the year | 80,546 | 103,173 | 15,663 | 13,909 |
| Adjustment to defer land sales | (71,051) | (95,946) | - | - |
| Adjustment for IIC's | 352 | 328 | - | - |
| Adjusted accumulated surplus | \$ 9,847 | \$ 7,555 | \$ 15,663 | \$ 13,909 |
| UBC's proportionate share | \$ 9,847 | \$ 7,555 | \$ 3,916 | \$ 3,477 |

(a) UBC Properties Investments Ltd. recognizes revenue from sales of 99-year leases in its income statement in the year that the transaction is completed. The University defers these revenues in the Consolidated Statement Financial Position and amortizes the balance to the Consolidated Statement of Operations and Accumulated Surplus over the duration of the lease (Note 11).

(b) During the year, the following significant related party transactions occurred:

UBC Properties Trust invoiced the University \$4 million (2017 – \$4.1 million) for project management fees.

UBC Properties Trust issued promissory notes in favour of the University amounting to \$2.6 million (March 31, 2017 - \$33.3 million). The University charged UBC Properties Trust interest in the amount of \$0.3 million (2017 – \$0.2 million).

The University collected \$1.1 million from UBC Properties Trust (2017 - \$18.4 million) for infrastructure impact charges. These charges have been eliminated in the consolidated financial statements.



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

5 Investments in Government Business Enterprises (continued)

(c) During the year, the University received a distribution from the Great Northern Way Campus Trust of \$8 million relating to the sale of one of the Trust's land lots.

6 Investments in Government Partnerships

UBC provides contributions to fund the operations of TRIUMF, WCUMSS, and CDRD Ventures Inc. Their financial results are proportionately consolidated with those of UBC based upon UBC's share of their total contributions.

The amounts included in these consolidated financial statements are as follows:

| | <u>TRIUMF</u> | | <u>WCUMSS</u> | | <u>CDRD Ventures Inc.</u> | |
|--|----------------------|----------------------|----------------------|----------------------|---------------------------|----------------------|
| Consolidated Statement of Financial Position: | March 31 2018 | March 31 2017 | March 31 2018 | March 31 2017 | March 31 2018 | March 31 2017 |
| Financial assets | \$ 49,175 | \$ 47,734 | \$ 1,098 | \$ 2,101 | \$ 16,456 | \$ 16,022 |
| Liabilities | 49,930 | 45,690 | 1,847 | 3,696 | 8,146 | 7,747 |
| Net assets (liabilities) | (755) | 2,044 | (749) | (1,595) | 8,310 | 8,275 |
| Non-financial assets | 25,418 | 20,898 | 7,513 | 5,917 | 12 | 27 |
| Accumulated surplus | \$ 24,663 | \$ 22,942 | \$ 6,764 | \$ 4,322 | \$ 8,322 | \$ 8,302 |
| UBC's proportionate share | \$ 1,897 | \$ 1,911 | \$ 1,353 | \$ 864 | \$ 2,774 | \$ 2,740 |
| Consolidated Statement of Operations: | | | | | | |
| Revenue | \$ 77,086 | \$ 72,453 | \$ 6,505 | \$ 3,564 | \$ 844 | \$ 15,046 |
| Expenses | 75,364 | 70,762 | 4,062 | 3,252 | 824 | 672 |
| Surplus for the year | \$ 1,722 | \$ 1,691 | \$ 2,443 | \$ 312 | \$ 20 | \$ 14,374 |
| UBC's proportionate share | \$ 132 | \$ 141 | \$ 489 | \$ 62 | \$ 7 | \$ 4,743 |

TRIUMF expenses all capital assets in its income statement as acquired; the University capitalizes the capital assets and amortizes them over the useful lives. TRIUMF recognizes revenue in the year it is received, whereas the University follows the deferral method of accounting for contributions.



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

7 Accounts Payable and Accrued Liabilities

| | <u>March 31</u> <u>2018</u> | <u>March 31</u> <u>2017</u> |
|---|--------------------------------|--------------------------------|
| Accounts payable and accrued liabilities | \$ 260,959 | \$ 242,777 |
| Salaries and benefits payable | 18,584 | 35,286 |
| Accrued vacation pay | 8,109 | 7,638 |
| Amounts payable to government organizations | 9,631 | 5,575 |
| | <u>\$ 297,283</u> | <u>\$ 291,276</u> |

Included in accounts payable and accrued liabilities at March 31, 2018 is a balance of \$29.2 million owing to UBC Properties Investments Ltd. (March 31, 2017 - \$36.9 million).

8 Employee Future Benefits

(a) Contributions to Pension Plans

University contributions made to each of the pension plans were:

| | <u>March 31</u> <u>2018</u> | <u>March 31</u> <u>2017</u> |
|--------------------------|--------------------------------|--------------------------------|
| Faculty Pension Plan | \$ 42,580 | \$ 43,306 |
| Staff Pension Plan | 43,482 | 39,412 |
| Supplemental Arrangement | 4,571 | 4,147 |
| | <u>\$ 90,633</u> | <u>\$ 86,865</u> |

(b) Accumulated Sick Leave Benefit and Income Replacement Plan (IRP)/Disability Benefit Plan (DBP)

The accrued sick leave benefit and accrued IRP and DBP obligations as at March 31, 2018 are based on actuarial valuations prepared as of March 31, 2016 and 2018, respectively. The accrued benefit obligations are calculated as follows:

| | <u>Sick</u> <u>leave</u> | <u>IRP and DBP</u> | <u>March 31</u> <u>2018</u> | <u>March 31</u> <u>2017</u> |
|-----------------------------------|-----------------------------|--------------------|--------------------------------|--------------------------------|
| Balance, beginning of year | \$ 2,361 | \$ 9,733 | \$ 12,094 | \$ 11,960 |
| Current service and interest cost | 880 | 1,702 | 2,582 | 2,497 |
| Benefits paid | (951) | (1,488) | (2,439) | (2,363) |
| Actuarial gain | - | (3,250) | (3,250) | - |
| Balance, end of year | <u>\$ 2,290</u> | <u>\$ 6,697</u> | <u>\$ 8,987</u> | <u>\$ 12,094</u> |



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

8 Employee Future Benefits (continued)

(b) Accumulated Sick Leave Benefit and IRP/DBP (continued)

| Components of net benefit expense | <u>2018</u> | <u>2017</u> |
|-----------------------------------|-----------------|-----------------|
| Service cost | \$ 2,274 | \$ 2,194 |
| Interest cost | <u>308</u> | <u>303</u> |
| Net benefit expense | <u>\$ 2,582</u> | <u>\$ 2,497</u> |

Actuarial assumptions used to determine the University's accrued sick leave benefit obligation are as follows:

| | <u>March 31 2018</u> | <u>March 31 2017</u> |
|------------------------------------|--------------------------|--------------------------|
| Discount rate | 1.90% | 1.90% |
| Expected wage and salary increases | 2.00% | 2.00% |

Actuarial assumptions used to determine the University's accrued income replacement benefit obligation are as follows:

| | <u>March 31 2018</u> | <u>March 31 2017</u> |
|------------------------------------|--------------------------|--------------------------|
| Discount rate | 3.50% | 2.45% |
| Expected future inflation rate | 2.00% | 2.00% |
| Expected wage and salary increases | 2.00% | 3.00% |



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

9 Deferred Contributions

Deferred contributions represent unspent externally restricted grants, donations, contributions and endowment investment income.

| | <u>March 31 2018</u> | <u>March 31 2017</u> |
|----------------------|--------------------------|--------------------------|
| Research | \$ 333,348 | \$ 286,921 |
| Capital | 25,781 | 39,488 |
| Trust | 136,472 | 103,757 |
| Endowment | 620,205 | 536,114 |
| Balance, end of year | <u>\$ 1,115,806</u> | <u>\$ 966,280</u> |

Changes in deferred contributions are as follows:

| | March 31, 2018 | | | | |
|--|-----------------------|------------------|-------------------|-------------------|---------------------|
| | <u>Research</u> | <u>Capital</u> | <u>Trust</u> | <u>Endowment</u> | <u>Total</u> |
| Balance, beginning of year | \$ 286,921 | \$ 39,488 | \$ 103,757 | \$ 536,114 | \$ 966,280 |
| Grants, contributions, donations and endowment income | 473,484 | 83,595 | 238,463 | 128,545 | 924,087 |
| Transferred to deferred capital contributions (Note 10) | (31,580) | (96,286) | - | - | (127,866) |
| Recognized to revenue | (395,477) | (1,016) | (205,748) | (44,454) | (646,695) |
| Balance, end of year | <u>\$ 333,348</u> | <u>\$ 25,781</u> | <u>\$ 136,472</u> | <u>\$ 620,205</u> | <u>\$ 1,115,806</u> |

| | March 31, 2017 | | | | |
|--|-----------------------|------------------|-------------------|-------------------|-------------------|
| | <u>Research</u> | <u>Capital</u> | <u>Trust</u> | <u>Endowment</u> | <u>Total</u> |
| Balance, beginning of year | \$ 262,155 | \$ 32,333 | \$ 109,312 | \$ 414,113 | \$ 817,913 |
| Grants, contributions, donations and endowment income | 451,545 | 98,647 | 181,745 | 160,285 | 892,222 |
| Transferred to deferred capital contributions (Note 10) | (43,059) | (85,492) | - | - | (128,551) |
| Recognized to revenue | (383,720) | (6,000) | (187,300) | (38,284) | (615,304) |
| Balance, end of year | <u>\$ 286,921</u> | <u>\$ 39,488</u> | <u>\$ 103,757</u> | <u>\$ 536,114</u> | <u>\$ 966,280</u> |



**CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

(all tabular amounts are in thousands of dollars)

10 Deferred Capital Contributions

Contributions that are restricted for capital and have been spent on capital are recorded as deferred capital contributions. Contributions that are restricted for capital but have not yet been spent are recorded as deferred contributions until such time that the amounts are spent on tangible capital assets. Amounts are recognized into revenue as the liability is extinguished over the useful life of the related tangible capital asset.

Changes in the deferred capital contributions balance are as follows:

| | <u>March 31 2018</u> | <u>March 31 2017</u> |
|--|--------------------------|--------------------------|
| Balance, beginning of year | \$ 1,464,720 | \$ 1,413,581 |
| Grants, contributions and donations spent (Note 9) | 127,866 | 128,551 |
| Current year amortization | <u>(81,848)</u> | <u>(77,412)</u> |
| Balance, end of year | <u>\$ 1,510,738</u> | <u>\$ 1,464,720</u> |

11 Deferred Land Lease Revenue

| | <u>Balance at March 31 2017</u> | <u>Additions</u> | <u>Recognized to Revenue</u> | <u>Balance at March 31 2018</u> |
|---|---|------------------|----------------------------------|---|
| Deferred land lease revenue, gross | \$ 732,241 | \$ 75,833 | \$ - | \$ 808,074 |
| Accumulated amortization of deferred land lease revenue | (41,757) | - | (8,040) | (49,797) |
| Deferred land lease revenue, net | <u>\$ 690,484</u> | <u>\$ 75,833</u> | <u>\$ (8,040)</u> | <u>\$ 758,277</u> |

| | <u>Balance at March 31 2016</u> | <u>Additions</u> | <u>Recognized to Revenue</u> | <u>Balance at March 31 2017</u> |
|---|---|-------------------|----------------------------------|---|
| Deferred land lease revenue, gross | \$ 614,654 | \$ 117,587 | \$ - | \$ 732,241 |
| Accumulated amortization of deferred land lease revenue | (35,076) | - | (6,681) | (41,757) |
| Deferred land lease revenue, net | <u>\$ 579,578</u> | <u>\$ 117,587</u> | <u>\$ (6,681)</u> | <u>\$ 690,484</u> |



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

12 Debt

Debt is measured at amortized cost as follows:

| | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>March 31 2018</u> | <u>March 31 2017</u> |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Series A Debentures Unsecured, to be repaid at maturity | 2031 | 6.65% | \$ 126,710 | \$ 126,662 |
| Series B Debentures Unsecured, to be repaid at maturity | 2035 | 4.82% | 125,520 | 125,500 |
| Canada Mortgage and Housing Corporation \$595.0 paid semi-annually | 2018 to 2023 | 6.13% to 7.88% | 3,111 | 4,043 |
| Province of BC Unsecured Debentures, to be repaid at maturity | 2037 | 4.70% | 126,626 | 126,624 |
| Royal Bank of Canada Demand Loans, \$9.6 paid monthly | 2020 | 3.39% | 228 | 243 |
| | | | <u>382,195</u> | <u>383,072</u> |
| Less sinking fund investments (Note 4a) | | | (26,960) | (22,671) |
| Total | | | <u>\$ 355,235</u> | <u>\$ 360,401</u> |

The principal portion of debt repayments over the next five years and thereafter are as follows:

| | |
|------------|-------------------|
| 2019 | \$ 856 |
| 2020 | 648 |
| 2021 | 749 |
| 2022 | 596 |
| 2023 | 433 |
| Thereafter | <u>375,000</u> |
| | <u>\$ 378,282</u> |

Interest expense for the year on outstanding debt is \$20.9 million (2017 – \$20.9 million), which is recorded in the Consolidated Statement of Operations and Accumulated Surplus.

In addition to principal repayments, sinking fund payments are made into government invested funds, to be applied against repayment of provincial debentures on maturity. The market value of sinking fund investments as at March 31, 2018 is \$27.0 million (Note 4a) and is invested in government and corporate bonds. The University will make sinking fund payments over the next five years and thereafter as follows:

| | |
|------------|------------------|
| 2019 | \$ 2,006 |
| 2020 | 2,006 |
| 2021 | 2,006 |
| 2022 | 2,006 |
| 2023 | 2,006 |
| Thereafter | <u>30,086</u> |
| | <u>\$ 40,116</u> |



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018
(all tabular amounts are in thousands of dollars)

13 Tangible Capital Assets

| Cost | Balance at March 31 2017 | Net Additions (Transfers) | Disposals | Balance at March 31 2018 |
|------------------------------------|---|--------------------------------------|------------------|---|
| Land | \$ 19,622 | \$ 1,834 | \$ - | \$ 21,456 |
| Site improvements | 230,941 | 13,017 | 295 | 243,663 |
| Buildings and renovations | 3,646,051 | 307,252 | 6,494 | 3,946,809 |
| Assets under construction | 196,683 | (101,296) | - | 95,387 |
| Furnishings, equipment and systems | 603,527 | 87,667 | 78,559 | 612,635 |
| Library books | 140,764 | 15,892 | 11,554 | 145,102 |
| Total | \$ 4,837,588 | \$ 324,366 | \$ 96,902 | \$ 5,065,052 |

| Accumulated Amortization | Balance at March 31 2017 | Disposals | Amortization | Balance at March 31 2018 |
|------------------------------------|---|------------------|---------------------|---|
| Land | \$ - | \$ - | \$ - | \$ - |
| Site improvements | 39,636 | 295 | 5,647 | 44,988 |
| Buildings and renovations | 1,164,084 | 6,494 | 95,119 | 1,252,709 |
| Assets under construction | - | - | - | - |
| Furnishings, equipment and systems | 319,674 | 78,559 | 82,662 | 323,777 |
| Library books | 65,106 | 11,554 | 14,292 | 67,844 |
| Total | \$ 1,588,500 | \$ 96,902 | \$ 197,720 | \$ 1,689,318 |

| | Net book value March 31 2018 |
|------------------------------------|---|
| Land | \$ 21,456 |
| Site improvements | 198,675 |
| Buildings and renovations | 2,694,100 |
| Assets under construction | 95,387 |
| Furnishings, equipment and systems | 288,858 |
| Library books | 77,258 |
| Total | \$ 3,375,734 |



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

13 Tangible Capital Assets (continued)

| Cost | Balance at March 31 2016 | Net Additions (Transfers) | Disposals | Balance at March 31 2017 |
|------------------------------------|---|--------------------------------------|------------------|---|
| Land | \$ 19,622 | \$ - | \$ - | \$ 19,622 |
| Site improvements | 219,269 | 11,941 | 269 | 230,941 |
| Buildings and renovations | 3,432,301 | 216,717 | 2,967 | 3,646,051 |
| Assets under construction | 183,210 | 13,473 | - | 196,683 |
| Furnishings, equipment and systems | 605,360 | 73,381 | 75,214 | 603,527 |
| Library books | 135,811 | 18,488 | 13,535 | 140,764 |
| Total | \$ 4,595,573 | \$ 334,000 | \$ 91,985 | \$ 4,837,588 |

| Accumulated Amortization | Balance at March 31 2016 | Disposals | Amortization | Balance at March 31 2017 |
|------------------------------------|---|------------------|---------------------|---|
| Land | \$ - | \$ - | \$ - | \$ - |
| Site improvements | 34,559 | 269 | 5,346 | 39,636 |
| Buildings and renovations | 1,082,005 | 2,967 | 85,046 | 1,164,084 |
| Assets under construction | - | - | - | - |
| Furnishings, equipment and systems | 313,963 | 75,214 | 80,925 | 319,674 |
| Library books | 64,812 | 13,535 | 13,829 | 65,106 |
| Total | \$ 1,495,339 | \$ 91,985 | \$ 185,146 | \$ 1,588,500 |

| | Net book value March 31 2017 |
|------------------------------------|---|
| Land | \$ 19,622 |
| Site improvements | 191,305 |
| Buildings and renovations | 2,481,967 |
| Assets under construction | 196,683 |
| Furnishings, equipment and systems | 283,853 |
| Library books | 75,658 |
| Total | \$ 3,249,088 |



13 Tangible Capital Assets (continued)

(a) Assets Under Construction

As at March 31, 2018, assets under construction having a value of \$95.4 million (March 31, 2017 - \$196.7 million) have not been amortized. Amortization of these assets will commence when the assets are put into service.

(b) Write-Down of Tangible Capital Assets

Write-downs of tangible capital assets during the year were nil (2017 - nil).

14 Financial Risk Management

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

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

(a) 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.

(b) Liquidity Risk

The University is exposed to liquidity risk which may arise from the possibility that the University is not able to meet its financial obligations as they become due, or can only do so at excessive costs. The University establishes budgets and cash flow projections to ensure it has the necessary funds, including access to a revolving line of credit to fulfill its obligations when due.

(c) Credit Risk

The University is exposed to credit risk if a counterparty to a financial instrument fails to meet its obligations. The University accounts for a specific bad debt provision when management considers that the expected recovery is less than the account receivable.

(d) Foreign Exchange Risk

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

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018
(all tabular amounts are in thousands of dollars)

15 Government Grants and Contracts

| | <u>March 31</u> <u>2018</u> | <u>March 31</u> <u>2017</u> |
|---|--------------------------------|--------------------------------|
| Province of British Columbia | | |
| Core Academic Funding | \$ 613,902 | \$ 598,893 |
| Post Graduate Medical Education Program | 135,048 | 126,520 |
| Other funding | 35,830 | 55,457 |
| Total Province of British Columbia | <u>784,780</u> | <u>780,870</u> |
| Government of Canada | 273,439 | 254,293 |
| Other governments | 18,877 | 23,789 |
| | <u>\$ 1,077,096</u> | <u>\$ 1,058,952</u> |

During the year, the University received restricted and unrestricted funding from the Province of British Columbia in the amount of \$842 million (2017 - \$792.3 million). \$784.8 million has been recognized as revenue from funding received in the current year and prior years (2017 - \$780.9 million). Unspent funding represents restricted contributions and is deferred in the Consolidated Statement of Financial Position.

16 Contractual Rights

The University has entered into contracts or agreements in the normal course of operations that it expects will result in the realization of assets and revenues in future fiscal years. UBC is the recipient of research grants from various federal, provincial, and municipal funding agencies. These funding agreements do not abnormally impact the University's financial position and do not guarantee the University the right to future funding.

17 Contractual Obligations and Contingent Liabilities

Contractual obligations and contingent liabilities are as follows:

(a) Capital Projects

At March 31, 2018, outstanding commitments totalled \$20.2 million (March 31, 2017 - \$134.9 million) for capital projects. These commitments are payable in subsequent years, and are funded by provincial contributions, private donations and earnings from sales and services.

(b) Litigation

The University is involved from time to time in litigation, which arises in the normal course of operations. Liabilities on any litigation are recognized in the consolidated financial statements when the outcome becomes reasonably determinable. In management's judgement, there is no material negative exposure at this time from existing litigations.

(c) Derivative Financial Instruments

At March 31, 2018, the University had outstanding forward currency contracts with notional values of \$298.3 million (2017 - \$209.2 million) whose settlements extend to May 4, 2018. The unrealized loss at March 31, 2018 was \$2.5 million (2017 - loss of \$1.6 million) and has been reflected in the Statement of Remeasurement and in the fair value of investments.



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

17 Contractual Obligations and Contingent Liabilities (continued)

(d) Self Insurance

Effective January 1, 2013, the University became a member of the University, College and Institute Protection Program (UCIPP), which is an actuarially valuated program of self-insurance for the Province of British Columbia that has been in place since 1987. It is one of several self-insurance programs operated within the Insurance and Risk Management Account (IRMA), which is a special account established under the Financial Administration Act, controlled by the Risk Management Branch of the Ministry of Finance. Annually, an independent actuarial firm reviews the claims history, funding levels and balances in the various programs making up IRMA to ensure that it is maintained at a level sufficient to pay both known claims and incurred, but not reported, losses.

(e) Funding Commitments

Under its endowment investment strategy, the University has outstanding commitments to fund infrastructure, private debt, private equity and real estate investments totalling approximately \$3.6 million (March 31, 2017 - \$18.9 million); \$54.6 million (March 31, 2017 - nil); \$137.7 million (March 31, 2017 - \$79.0 million); and \$48.5 million (March 31, 2017 - \$68.4 million), respectively. The University has no outstanding commitments to previous hedge fund investments (March 31, 2017 - nil).

(f) Letter of Credit

The University has a letter of credit facility of CAD \$26.3 million available as of March 31, 2018 (March 31, 2017 - \$1.3 million). This letter of credit is provided as security to BC Hydro for electrical infrastructure upgrade work to be completed by October 2020. The University does not expect to draw on the letter of credit as BC Hydro is expected to recover its costs via increased electrical billings.

18 Related Party Transactions

The University is related through common control to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these related parties, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at their exchange amounts, which is the amount of consideration established and agreed to between the University and the related parties.



**CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

(all tabular amounts are in thousands of dollars)

19 Expenses by Object

The following is a summary of expenses by object:

| | <u>March 31 2018</u> | <u>March 31 2017</u> |
|---|--------------------------|--------------------------|
| Salaries | \$ 1,267,799 | \$ 1,203,356 |
| Employee benefits | 195,107 | 187,798 |
| Supplies and sundries | 240,110 | 229,555 |
| Amortization | 197,720 | 185,146 |
| Cost of goods sold | 45,570 | 38,120 |
| Scholarships, fellowships and bursaries | 130,935 | 115,514 |
| Travel and field trips | 55,028 | 51,847 |
| Professional and consulting fees | 113,862 | 100,346 |
| Grants and reimbursements to other agencies | 135,691 | 125,942 |
| Utilities | 38,317 | 37,939 |
| Interest on long-term debt | 20,854 | 20,980 |
| | <u>\$ 2,440,993</u> | <u>\$ 2,296,543</u> |

20 Budget Figures

A reconciliation of the budget approved by the Board and amounts disclosed in these statements is as follows:

| | <u>2018 Approved Budget</u> | <u>Re-categorization of Budget</u> | <u>2018 Budget</u> |
|---|-------------------------------------|--|------------------------|
| Revenues | | | |
| Government grants and contracts | \$ 1,083,728 | \$ - | \$ 1,083,728 |
| Tuition and student fees | 680,854 | - | 680,854 |
| Sales and services | 367,276 | - | 367,276 |
| Non-government grants, contracts and donations | 175,933 | - | 175,933 |
| Investment income | 82,239 | - | 82,239 |
| Income from government business enterprises | 2,382 | - | 2,382 |
| Revenue recognized from deferred capital contributions | 85,074 | - | 85,074 |
| | <u>2,477,486</u> | <u>-</u> | <u>2,477,486</u> |
| Expenses | | | |
| Learning | 1,133,806 | 92,908 | 1,226,714 |
| Research | 432,254 | 41,139 | 473,393 |
| Facilities | 340,832 | (39,625) | 301,207 |
| Students | 360,672 | (57,186) | 303,486 |
| Community engagement | 57,323 | 636 | 57,959 |
| Administration | 119,201 | (37,872) | 81,329 |
| | <u>2,444,088</u> | <u>-</u> | <u>2,444,088</u> |
| Annual surplus from operations | 33,398 | - | 33,398 |
| External endowment donations | 30,000 | - | 30,000 |
| Annual surplus | <u>\$ 63,398</u> | <u>\$ -</u> | <u>\$ 63,398</u> |



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(all tabular amounts are in thousands of dollars)

21 Grants and Reimbursements to Other Agencies

During the year, the University distributed research and other funds to agencies totalling \$135.7 million (2017 – \$125.9 million). These funds were distributed under agreements with granting agencies, whereby the University is the administrative head and a portion of the research is undertaken at other agencies.

Reimbursements of \$98.4 million (2017 - \$92.9 million) were made to BC health authorities for payments made on behalf of the University for the postgraduate medical education program.

22 Comparative Information

Certain comparative figures have been reclassified in order to provide presentational consistency with the current year.

