



**THE UNIVERSITY OF BRITISH COLUMBIA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31**  
(thousands of dollars)

<b>ASSETS</b>		<u>2006</u>	<u>2005</u>
<b>Current assets</b>			
Cash and short-term investments	(Note 4)	\$ 295,551	\$ 171,978
Accounts receivable		120,899	112,458
Inventory		9,239	8,931
Prepaid expenses		<u>3,252</u>	<u>3,418</u>
		428,941	296,785
<b>Investments</b>	(Note 5)	932,251	817,891
(fair value - \$1,032,100; March 2005 - \$912,758)			
<b>Property, plant and equipment</b>	(Note 7)	<u>1,704,673</u>	<u>1,430,968</u>
		<u>\$ 3,065,865</u>	<u>\$ 2,545,644</u>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 171,277	\$ 119,754
Current portion of employee future benefits	(Note 9)	819	3,055
Current portion of long-term debt	(Note 10)	<u>3,493</u>	<u>2,427</u>
		175,589	125,236
<b>Employee future benefits</b>	(Note 9)	3,931	4,102
<b>Deferred contributions</b>	(Note 11)	283,539	209,183
<b>Deferred capital contributions</b>	(Note 12)	978,533	882,955
<b>Deferred land lease revenue</b>	(Note 13)	98,695	76,880
<b>Long-term debt</b>	(Note 10)	<u>301,597</u>	<u>182,047</u>
		1,841,884	1,480,403
<b>Net assets</b>			
Unrestricted operating		5,224	4,911
Internally restricted reserves	(Note 14)	138,698	120,173
Endowment fund	(Note 15)	684,522	598,154
Related organizations		4,625	5,865
Invested in property, plant and equipment	(Note 8)	<u>390,912</u>	<u>336,138</u>
		<u>1,223,981</u>	<u>1,065,241</u>
		<u>\$ 3,065,865</u>	<u>\$ 2,545,644</u>

Approved:

Chair, Board of Governors

Chair, Audit Committee

Vice President,  
Administration and Finance

(See accompanying notes to the consolidated financial statements)



THE UNIVERSITY OF BRITISH COLUMBIA  
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET OPERATING ASSETS  
YEAR ENDED MARCH 31  
(thousands of dollars)

		<u>2006</u>	<u>2005</u>
<b>Revenues</b>			
Government grants and contracts	(Note 16)	\$ 780,327	\$ 636,557
Student fees		265,651	232,086
Non-government grants, contracts and donations		92,662	96,206
Investment income	(Note 6)	113,453	10,740
Sales and services		260,181	231,078
Amortization of deferred capital contributions	(Notes 8 and 12)	<u>57,488</u>	<u>48,279</u>
		<u>1,569,762</u>	<u>1,254,946</u>
<b>Expenses</b>			
Salaries		756,184	654,202
Employee benefits		107,692	96,787
Supplies and sundries		165,015	132,943
Depreciation		119,104	103,708
Cost of goods sold		49,106	41,795
Scholarships, fellowships and bursaries		51,738	52,907
Travel and field trips		36,963	32,284
Professional and consulting fees		46,748	39,832
Grants and reimbursements to other agencies	(Note 17)	61,314	54,559
Utilities		19,985	18,127
Interest on long term-debt		<u>33,906</u>	<u>14,000</u>
		<u>1,447,755</u>	<u>1,241,144</u>
<b>Excess of revenues over expenses</b>		<b>\$ <u>122,007</u></b>	<b>\$ <u>13,802</u></b>
 <b>Allocation of excess of revenues over expenses</b>			
Increase in invested in property, plant and equipment	(Note 8)	\$ (52,176)	\$ (71,741)
Transfers (to) from endowment fund	(Note 15)	(52,233)	43,346
Transfer (to) from internally restricted reserves	(Note 14)	(18,525)	11,899
Decrease in equity of related organizations		<u>1,240</u>	<u>3,415</u>
Change in unrestricted operating assets		313	721
Net unrestricted operating surplus, beginning of year		<u>4,911</u>	<u>4,190</u>
<b>Net unrestricted operating surplus, end of year</b>		<b>\$ <u>5,224</u></b>	<b>\$ <u>4,911</u></b>

(See accompanying notes to the consolidated financial statements)



**THE UNIVERSITY OF BRITISH COLUMBIA**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED MARCH 31**  
(thousands of dollars)

	<u>Unrestricted Operating</u>	<u>Internally Restricted Reserves</u>	<u>Endowment Fund</u>	<u>Related Organizations</u>	<u>Invested in Property, Plant and Equipment</u>	<u>Total</u>	
						<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 4,911	\$ 120,173	\$ 598,154	\$ 5,865	\$ 336,138	\$ 1,065,241	\$ 1,014,385
Excess (deficiency) of revenues over expenses	77,727	(8,472)	53,992	(1,240)	-	122,007	13,802
Interfund transfers	(68,004)	71,461	(3,457)	-	-	-	-
Net change in invested in property, plant & equipment	(8,995)	(42,973)	(208)	-	52,176	-	-
Transfers to endowment principal	(415)	(1,491)	1,906	-	-	-	-
Net change during the year	313	18,525	52,233	(1,240)	52,176	122,007	13,802
Donated land					2,598	2,598	
External endowment donations (note 15)	-	-	34,135	-	-	34,135	37,054
<b>Balance, end of year</b>	<b>\$ 5,224</b>	<b>\$ 138,698</b>	<b>\$ 684,522</b>	<b>\$ 4,625</b>	<b>\$ 390,912</b>	<b>\$ 1,223,981</b>	<b>\$ 1,065,241</b>

(See accompanying notes to the consolidated financial statements)



**THE UNIVERSITY OF BRITISH COLUMBIA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31**  
(thousands of dollars)

	<u>2006</u>	<u>2005</u>
<b>Cash provided from operating activities</b>		
Excess of revenues over expenses	\$ 122,007	\$ 13,802
Add non-cash items:		
Depreciation	119,104	103,708
Amortization of deferred capital contributions	(57,488)	(48,279)
Amortization of deferred land lease revenue	(545)	(377)
Employee future benefits	(717)	(525)
Write-down of investment		15,445
	<u>182,361</u>	<u>83,774</u>
Increase in non-cash current assets	(8,583)	(548)
Increase in current liabilities excluding current portion of long-term debt and employee future benefits	51,523	14,982
Payments of employee future benefits	<u>(1,690)</u>	<u>(3,197)</u>
	<u>223,611</u>	<u>95,011</u>
<b>Cash used in investing activities</b>		
Purchase of property, plant and equipment	(337,660)	(324,089)
Net increase in investments	<u>(114,360)</u>	<u>(28,844)</u>
	<u>(452,020)</u>	<u>(352,933)</u>
<b>Cash provided from financing activities</b>		
Net increase/(decrease) in deferred contributions	74,356	(26,974)
Net increase in long-term debt	113,701	9,840
Proceeds from land leases	22,360	33,626
Increase in deferred capital contributions	107,430	173,758
Endowment contributions	<u>34,135</u>	<u>37,054</u>
	<u>351,982</u>	<u>227,304</u>
Increase/(decrease) in cash and short-term investments	123,573	(30,618)
Cash and short-term investments, beginning of year	<u>171,978</u>	<u>202,596</u>
<b>Cash and short-term investments, end of year</b>	<u>\$ 295,551</u>	<u>\$ 171,978</u>

(See accompanying 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. 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 therefore exempt from income taxes under section 149 of the *Income Tax Act*.

## **2 SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

### (a) Basis of Presentation

The University reports its operations on a combined basis, which includes activities from various funds.

The General Purpose Operating Fund represents the unrestricted operating funds of the University, which account for the University's academic program delivery, service and administrative activities.

Internally restricted reserves are funds that have been restricted, subject to approval by the Board of Governors (Note 14).

### (b) Revenue Recognition

#### i) Restricted Revenues

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. These restricted contributions are recognized as revenue in the year in which the related expenses are incurred. In the case of contributions received for the purchase of property, plant and equipment having a limited life, an amount equivalent to the depreciation expense is reported as revenue each year, otherwise such contributions are treated as a direct increase in invested in property, plant and equipment.

Some restricted contributions must be retained in perpetuity, allowing only the investment income earned thereon to be spent. These contributions are recorded as an increase in endowments.

#### ii) Unrestricted Revenues

Revenues received without restrictions include tuition fees and sales of services and products. Monies received from these sources are reported as revenue at the time the product is delivered or the services are substantially provided. The operating grant from the Province of British Columbia is also considered unrestricted and is recorded in the period to which the operating funds relate.

#### 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, realised gains or losses on the sale of investments, and write downs on investments where the loss in value is determined to be other than temporary. Investment transactions are recorded on a trade date basis. To the extent that investment income relates to externally restricted endowments, income is recorded in the year in which the related expenses are incurred.

(c) Consolidation

These financial statements include the accounts of three wholly owned subsidiaries of the University:

- UBC Properties Trust, which was established to carry out real estate development activities for the benefit of the University.
- UBC Investment Management Trust, whose primary purpose is to manage the investment assets of the University's endowment fund and the staff pension plan.
- UBC Research Enterprises Inc., which promotes the creation, testing, development, production and commercialization of intellectual property owned by the University.

These financial statements also include the accounts of the following related not-for-profit organizations whose activities are intended to benefit UBC:

- UBC Foundation, which was formed to develop public awareness and encourage financial support for the University.
- American Foundation for UBC, an American charitable foundation that encourages financial support of the University.
- Hong Kong Foundation for UBC, which is incorporated in Hong Kong as a not-for-profit organization, to promote and advance all matters concerning education in Hong Kong and elsewhere.
- San Rafael Research Foundation, which operates as a fund-raising vehicle for the University.
- UK Foundation for the University of British Columbia, an official charitable organization in the UK. The goals of the Foundation are to promote and advance all matters concerning education in the United Kingdom and elsewhere in the world.
- Legal Information Systems and Technologies Foundation, which is incorporated as a not-for-profit organization, to develop and establish computer technology applications of benefit to the legal profession, universities, government, industries and the public.
- UBC Society for the Education of Young Children, which maintains and operates an educational program for young children.



(d) Interest in Joint Ventures

i) Tri-Universities Meson Facility (TRIUMF)

These financial statements include the University's 16.7% (2005 – 16.7%) interest in TRIUMF using the proportionate consolidation method. TRIUMF is a joint venture, amongst the University and five other universities, which was established to operate a facility for research in sub-atomic physics. TRIUMF operates on the UBC campus and elsewhere.

ii) Western Canadian Universities Marine Sciences Society (WCUMSS)

These financial statements include the University's 20% interest in WCUMSS using the proportionate consolidation method. The University is one of five university members of WCUMSS.

iii) Great Northern Way Campus Trust

These financial statements include the University's 25% interest in the Great Northern Way Campus Trust (The Trust), using the proportionate consolidation method. 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.

(e) Investments

Short-term investments are recorded at the lower of cost and fair value.

Long-term investments are recorded at cost or, where donated, at fair value on the date of donation. Investment value is written down when there has been impairment in value considered other than temporary.

(f) Inventory

Inventory held for resale is recorded at the lower of cost and net realizable value. Supplies inventories are recorded at cost.

(g) Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost, except for donated assets from unrelated parties, which are recorded at fair value at the date of acquisition. Land granted to the University is recorded at nominal value. Transfers of property, plant and equipment from related parties are recorded at carrying value.

Library books and periodicals are recorded at cost.

Museum and art collections are recorded at nominal value.



The following property, plant and equipment are amortized on a straight-line basis over their estimated useful life with no charge in the year of acquisition and a full charge in the year of disposal:

Site improvements	25-80 years
Buildings	10-50 years
Building renovations	5-10 years
Furnishings, equipment and systems	3-10 years
Library books	10 years

(h) Gifts-in-Kind

Gifts-in-kind include securities, furnishings, equipment, books, manuscripts, artwork and artifacts. Only securities are recorded in the financial statements.

(i) Contributed Services

The University benefits from services provided by volunteers in assisting the institution in carrying out its activities. The fair value of these services is not determinable and accordingly is not included in the financial statements.

(j) Employee Future Benefits

i) Pension Plans

The University has two pension plans providing pension and other benefits to its employees.

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% of salary, 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 made.

Staff Pension Plan

The Staff Pension Plan provides benefits based on 2% of the average best three years' basic salary multiplied by the number of years of contributory service, less an adjustment for Canada Pension Plan contributory earnings. The University contribution for the Staff Pension Plan is 10% of salary, 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 expenses contributions to this plan in the year the contributions are made. Benefits security for employees is improved by the plan maintaining a contingency reserve. The contingency reserve recommended by the plan's actuary and approved by the pension board and Canada Revenue Agency is 40% of liabilities.

ii) Early Termination Arrangements and Income Replacement Plan

Early termination arrangements were available to tenured or tenure-track faculty members that had applied to the program prior to November 30, 2002. Effective November 30, 2002, the program was discontinued. An actuary determines the cost of employee future benefits and the cost is recognized over the service life of the employees. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations.





The income replacement plan provides income for disabled employees. The income replacement plan commences after a qualifying period of six months disability. When an employee is in receipt of income replacement benefits, the University continues to pay the costs of certain member benefits. The costs of the plan are employee funded. The University is not required to contribute to the plan nor is it responsible for any deficit that the plan may incur.

(k) Derivative Financial Instruments

The University may enter into interest rate swaps to manage its exposure to the impact of changes in interest rates and foreign currency derivative contracts to manage its exposure to the impact of changes in exchange rates.

Where derivative financial instruments meet specified criteria to be designated as hedges for accounting purposes, income and expenses are recognized in the Consolidated Statement of Operations in the same period as the related hedged item. Derivative financial instruments that do not qualify for hedge accounting are carried at fair value on the Consolidated Statement of Financial Position and subsequent changes in fair values are recorded in the Consolidated Statement of Operations.

(l) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates, as additional information becomes available in the future.

(m) Comparative Figures

Comparative figures have been reclassified where necessary to be consistent with the presentation adopted in the current year.

### **3 FINANCIAL INSTRUMENTS**

(a) Fair Value Disclosure

The fair values of cash and short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their carrying values because of the short-term maturity of these instruments.

The fair values of investments are estimated to be market values as disclosed in Note 5. The fair value of long term debt is disclosed in Note 10. The fair value of derivative financial instruments investments is disclosed in Note 18.

b) Interest Rate Risk

The University is not at risk for changes in interest rates as all borrowings are denominated in Canadian dollars and are at fixed rates of interest.

c) 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.



**4 CASH AND SHORT-TERM INVESTMENTS**

	<b>2006</b>		<b>2005</b>	
	Cost (thousands of dollars)	Fair value	Cost (thousands of dollars)	Fair value
Cash and unrepresented cheques	\$ (22,145)	\$ (22,145)	\$ (8,487)	\$ (8,487)
Short term investments maturing less than 90 days	241,105	241,141	148,451	148,166
Bonds maturing between 90 days and one year	76,591	75,876	32,014	31,494
	<u>\$ 295,551</u>	<u>\$ 294,872</u>	<u>\$ 171,978</u>	<u>\$ 171,173</u>

UBC has a \$20 million revolving line of credit and a US \$5 million line of credit.

**5 INVESTMENTS**

	<b>2006</b>		<b>2005</b>	
	Cost (thousands of dollars)	Fair value	Cost (thousands of dollars)	Fair value
Short-term notes and treasury bills	\$ 7,510	\$ 7,441	\$ 3,087	\$ 3,062
Government and corporate bonds	349,572	348,054	377,845	379,535
Canadian equities	292,740	369,737	163,001	252,918
United States equities	109,238	118,811	171,553	169,997
Other international equities	149,187	157,412	79,724	79,572
Other	24,004	30,645	22,681	27,674
	<u>\$ 932,251</u>	<u>\$ 1,032,100</u>	<u>\$ 817,891</u>	<u>\$ 912,758</u>

**6 INVESTMENT INCOME**

	<b>2006</b>	<b>2005</b>
	(thousands of dollars)	
Interest and dividend income	\$ 32,245	\$ 39,538
Capital gains and losses	73,113	(21,771)
Foreign exchange	770	1,358
Other	7,325	7,070
Write-down of investment	-	(15,455)
	<u>\$ 113,453</u>	<u>\$ 10,740</u>



**7 PROPERTY, PLANT AND EQUIPMENT**

	<u>2006</u>			<u>2005</u>
	<u>Cost</u>	Less <u>Accumulated Depreciation</u>	Net <u>Book Value</u>	Net <u>Book Value</u>
	(thousands of dollars)			
Land	\$ 19,648	\$ -	\$ 19,648	\$ 16,914
Site improvements	50,091	14,239	35,852	29,688
Buildings and renovations	1,747,364	439,981	1,307,383	1,093,637
Furnishings, equipment and systems	422,560	158,672	263,888	217,690
Library books	<u>133,406</u>	<u>55,504</u>	<u>77,902</u>	<u>73,039</u>
	<u>\$ 2,373,069</u>	<u>\$ 668,396</u>	<u>\$ 1,704,673</u>	<u>\$ 1,430,968</u>

**8 INVESTED IN PROPERTY, PLANT AND EQUIPMENT**

Invested in property, plant and equipment represents the portion of property, plant and equipment funded by the University, net of outstanding debt. It excludes those assets funded through capital contributions. Invested in property, plant and equipment is made up of the following:

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Total property, plant and equipment (Note 7)	\$ 1,704,673	\$ 1,430,968
Less:		
Deferred capital contributions (Note 12)	(978,533)	(882,955)
Long-term debt, excluding related organizations debt	(294,855)	(152,466)
Property, plant and equipment of related organizations	<u>(40,373)</u>	<u>(59,409)</u>
Invested in property, plant and equipment	<u>\$ 390,912</u>	<u>\$ 336,138</u>

The net change in invested in property, plant and equipment is calculated as follows:

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Acquisition of property, plant and equipment	\$ 390,211	\$ 324,089
Net changes in debt used for the purchase of property, plant and equipment	(142,389)	(9,982)
Depreciation expense	(119,104)	(103,708)
Amortization of deferred capital contributions	57,488	48,279
Property, plant and equipment purchased with restricted contributions (Note 12)	(153,066)	(173,758)
Change in related organizations	<u>19,036</u>	<u>(13,179)</u>
	52,176	71,741
Donated land	<u>2,598</u>	<u>-</u>
Net change in invested in property, plant and equipment	<u>\$ 54,774</u>	<u>\$ 71,741</u>



9 **EMPLOYEE FUTURE BENEFITS**

(a) Contributions to Pension Plans

University contributions made to each of the pension plans were:

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Faculty Pension Plan	\$ 23,975	\$ 21,294
Staff Pension Plan	<u>20,739</u>	<u>19,355</u>
	<u>\$ 44,714</u>	<u>\$ 40,649</u>

(b) Early Termination Arrangements and Income Replacement Plan

At March 31, 2006, the accrued benefit obligation for employee future benefits was actuarially valued at \$4.75 million. The accrued benefit obligation as at March 31, 2006 is calculated as follows:

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Balance, beginning of year	\$ 7,157	\$ 10,879
Current costs or recoveries and interest on benefit obligation	(717)	(525)
Less actual payments during the year	<u>(1,690)</u>	<u>(3,197)</u>
	4,750	7,157
Less current portion	<u>(819)</u>	<u>(3,055)</u>
Balance, end of year	<u>\$ 3,931</u>	<u>\$ 4,102</u>



10 **LONG-TERM DEBT**

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2006</u> (thousands of dollars)	<u>2005</u>
Series A Debentures Unsecured	2031	6.65%	\$125,000	\$125,000
Unamortized debt issue cost and discounts			(1,300)	(1,350)
Net outstanding			<u>123,700</u>	<u>123,650</u>
Series B Debentures Unsecured	2035	4.817%	125,000	-
Unamortized debt issue cost and discounts			(611)	-
Net outstanding			<u>124,389</u>	<u>-</u>
Canada Mortgage and Housing Corporation Mortgages Unsecured	2012 to 2023	5.125% to 7.875%	<u>13,024</u>	<u>13,639</u>
Province of BC Unsecured Debentures	2006 to 2013	8.5% to 10.04%	69,930	61,700
Sinking Funds			(47,235)	(39,807)
Unamortized discounts			(300)	(340)
Net outstanding			<u>22,395</u>	<u>21,553</u>
Secured Mortgages	2011 to 2028	5.38% to 6.64%	<u>21,582</u>	<u>25,632</u>
Total long-term debt			<u>305,090</u>	<u>184,474</u>
Less current portion			<u>(3,493)</u>	<u>(2,427)</u>
Balance, end of year			<u><u>\$301,597</u></u>	<u><u>\$182,047</u></u>

The principal portion of long-term debt repayments over the next five years is:

(thousands of dollars)

2007	3,493
2008	2,158
2009	2,234
2010	2,314
2011	2,775

Earnings are received from investments in the sinking fund, which are approximately \$2.8 million for this fiscal year. The current portion of the long-term debt does not reflect these sinking fund earnings. The fair value of the long-term debt at March 31, 2006 is \$338,475,000.



**11 DEFERRED CONTRIBUTIONS**

Deferred contributions represent unspent externally restricted grants, donations and contributions. Changes in deferred contributions are as follows:

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Balance, beginning of year	\$ 209,183	\$ 236,157
Grants, contributions, and donations received	611,037	536,837
Transferred to deferred capital contributions (Note 12)	(153,066)	(173,758)
Transferred to revenue	(383,504)	(390,045)
Related organizations	<u>(111)</u>	<u>(8)</u>
Balance, end of year	<u>\$ 283,539</u>	<u>\$ 209,183</u>

The balances consist of funds restricted for:

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Research	\$ 183,745	\$ 148,430
Capital	42,139	32,069
Other specific purposes	56,949	27,867
Related organizations	<u>706</u>	<u>817</u>
Balance, end of year	<u>\$ 283,539</u>	<u>\$ 209,183</u>

**12 DEFERRED CAPITAL CONTRIBUTIONS**

Capital contributions received to purchase property, plant and equipment are deferred and recognized as revenue as related assets are amortized.

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Balance, beginning of year	\$ 882,955	\$ 757,476
Grants, contributions and donations received (Note 11)	153,066	173,758
Current year amortization	<u>(57,488)</u>	<u>(48,279)</u>
Balance, end of year	<u>\$ 978,533</u>	<u>\$ 882,955</u>

**13 DEFERRED LAND LEASE REVENUE**

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Balance, beginning of year	\$ 76,880	\$ 43,631
Net proceeds received for land leases	22,360	33,626
Recognition of revenue	<u>(545)</u>	<u>(377)</u>
Balance, end of year	<u>\$ 98,695</u>	<u>\$ 76,880</u>



#### 14 INTERNALLY RESTRICTED RESERVES

Funds that are internally restricted include employee benefits, faculty and department carry-forwards, specific purpose, ancillary and research reserves. These internally restricted reserves are described in more detail below:

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Employee benefits	\$ 265	\$ (1,940)
Faculty and department carry-forwards	41,823	16,805
Specific purpose reserves	36,770	74,641
Ancillary reserves	19,936	(2,196)
Research reserves	39,904	32,863
	<u>\$ 138,698</u>	<u>\$ 120,173</u>

(a) Employee Benefits

This amount represents the funding of the future obligations of the early termination arrangements, vacation pay and the benefit liabilities related to the income replacement plan.

(b) Faculty and Department Carry-forwards

These reserves are the unspent general purpose operating fund budgets which faculties and departments are permitted to carry forward at the end of each year.

(c) Specific Purpose Reserves

These reserves are set aside to fund future obligations for continuing education and fee for service operations that are expected to be self-sustaining and fund their operations on an ongoing basis. Also included are funds set aside to fulfill future financial obligations for various projects, including internally funded capital.

(d) Ancillary Reserves

These reserves represent the net assets set aside related to the operations of the ancillary units. Ancillary enterprises are expected to operate on a financially sustainable basis and, as such, funds need to be set aside for future maintenance, renovations and reinvestment in the business.

(e) Research Reserves

These reserves represent the commitments made to fund future overhead costs of research and internally funded research projects.



**15 ENDOWMENT FUND**

The endowment fund consists of restricted donations to the University and internal allocations by the University. The book value of endowments held by the University directly is as follows:

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Balance, beginning of year	\$ 598,154	\$ 604,446
Donations	34,135	37,054
Transfers to (from) endowment fund:		
Internal transfers to endowments	1,906	5,747
Investment income (loss)	90,014	(11,159)
Use of endowment funds	<u>(39,687)</u>	<u>(37,934)</u>
	<u>52,233</u>	<u>(43,346)</u>
Balance, end of year	<u>\$ 684,522</u>	<u>\$ 598,154</u>

Endowments of \$13,057,688 (2005 - \$10,727,000) are held by the Vancouver Foundation for the benefit of the University.

The fair value of all endowment investments is:

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Endowment funds held directly by the University	\$ 810,705	\$ 683,102
Endowments held at the Vancouver Foundation	<u>18,271</u>	<u>14,198</u>
	<u>\$ 828,976</u>	<u>\$ 697,300</u>

**16 GOVERNMENT GRANTS AND CONTRACTS**

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Province of British Columbia		
Core Academic Funding	\$ 420,877	\$ 350,642
Extraordinary mandate contract settlement	41,444	-
Post Graduate Medical Education Program	53,213	54,363
Other funding	<u>68,190</u>	<u>48,207</u>
Total Province of British Columbia	583,724	453,212
Government of Canada	188,165	177,153
Other governments	<u>8,438</u>	<u>6,192</u>
	<u>\$ 780,327</u>	<u>\$ 636,557</u>





## **17 GRANTS AND REIMBURSEMENTS TO OTHER AGENCIES**

During the year, the University distributed research and other funds to agencies totalling \$61.3 million (2005 - \$54.6 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 were made to the Health Authorities for payments made on behalf of the University for the postgraduate medical education program.

## **18 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES**

Contractual obligations and contingent liabilities are as follows:

### (a) Capital Projects

- i) At March 31, 2006, outstanding commitments totalled \$55.6 million (2005 - \$111.9 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.
- ii) In its capacity as development manager, UBC Properties Trust is committed to payment of any cost overruns on the Clement's Green project. To date, no cost overruns have occurred.

### (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 financial statements when the outcome becomes reasonably determinable. In management's judgement, no material exposure exists at this time on the eventual settlement of any existing litigation.

### (c) Derivative Financial Instruments

At March 31, 2006 the University had outstanding forward currency contracts of \$125,000,000 which mature in June, 2006. The fair value of such contracts at March 31, 2006 was not significant.

### (d) Self Insurance

The University is a member of a self-insurance co-operative in association with other Canadian universities that provides property and general liability insurance coverage. Under this arrangement, referred to as the Canadian University Reciprocal Insurance Exchange (C.U.R.I.E.), the University is required to share in any net losses experienced by C.U.R.I.E. However, the University also receives periodic return premium distributions when C.U.R.I.E. is in an acceptable surplus position.

### (e) Investments

Under its endowment investment strategy, the University has outstanding commitments to fund private equity and real estate investments totalling approximately \$111 million (2005 - \$76 million) and \$79 million (2005 - Nil) over the following four years.



**19 DONATION PLEDGES AND GIFTS-IN-KIND**

The estimated value of donations, which have been pledged but not received as at March 31, 2006, was approximately \$163.6 million (2005 - \$114.8 million). These amounts are not reflected in the financial statements of the University.

For the fiscal year 2006, gifts-in-kind with an estimated value of \$11.6 million were received (2005 - \$13.1 million), of which \$7.0 million (2005 - \$4.7 million) is not recorded in the financial statements.

**20 ASSETS HELD IN TRUST**

The Rick Hansen Trust holds several endowments for the benefit of the Rick Hansen Institute at the University. The total assets held in the Rick Hansen Trust are \$25.6 million (2005 - \$24.7 million). These assets are not controlled by UBC and are therefore not included in the financial statements.



## 21 ASSET TRANSFER

Effective July 1, 2005, certain net assets of the Okanagan College were transferred to UBC, to form the UBC Okanagan campus, in accordance with the Memorandum of Understanding between the Ministry of Advanced Education, Okanagan College and UBC (the legal transfer of the land was April 26, 2006, but beneficial ownership occurred on July 1, 2005). The results of operations from July 1, 2005 of the Okanagan campus have been included in the Statement of Operations for the year ended March 31, 2006. The assets and related liabilities transferred have been included in the Statement of Financial Position at book value. The contribution of unrestricted assets has been reflected as revenue in the Statement of Operations. Where assets are considered restricted as to use they have been reflected as deferred contributions, or deferred capital contributions on the Statement of Financial Position.

The following table provides a breakdown of the contributed assets and related liabilities as at July 1, 2005.

	(thousands of dollars)
Current assets	\$ 8,694
Property, plant and equipment	<u>55,149</u>
	<u>\$ 63,843</u>
Current liabilities	
Deferred contributions	\$ 3,257
Deferred capital contributions	<u>45,636</u>
	48,893
Long-term debt	<u>6,915</u>
	<u>\$ 55,808</u>
Net assets	
Unrestricted operating	635
Internally restricted reserves	886
Endowment fund	3,916
Invested in property, plant and equipment	<u>2,598</u>
	<u>8,035</u>
	<u>\$ 63,843</u>