Consolidated Financial Statements of

CAPILANO UNIVERSITY

Years ended March 31, 2013 and 2012

CAPILANO
UNIVERSITY

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation of the annual financial statements, and has prepared the accompanying consolidated financial statements for the years ended March 31, 2013 and March 31, 2012 in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which judgment is required.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that assets are safeguarded and that the financial records provide a reliable basis for the preparation of the financial statements.

The Board of Governors of the University carries out its responsibility for review of the consolidated financial statements. The Audit Committee of the Board meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

These consolidated financial statements have been reported on by KPMG LLP, the University's external auditors appointed by the Board of Governors. The external auditors have full access to the Board with and without the presence of management.

Kris Bulcroft

Dr. Kris Bulcroft, President

Cindy Turner, Vice-President, Finance & Administration

June 11, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Capilano University, and
To the Minister of Advanced Education, Innovation and Technology, Province of British Columbia

We have audited the accompanying consolidated financial statements of Capilano University, which comprise the consolidated statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the consolidated statements of operations, changes in net debt, remeasurement gains and losses and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements of Capilano University as at March 31, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012 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(a) 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 Accountants

June 11, 2013

Burnaby, Canada

CAPILANO UNIVERSITY

Consolidated Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Financial assets			
Cash and cash equivalents	$ 15,025,148	$ 8,212,921	$ 22,194,130
Investments (note 4)	22,267,990	21,634,772	20,677,469
Accounts receivable (note 5)	4,119,303	12,861,942	4,027,208
Inventories	606,887	587,492	630,367
	42,019,328	43,297,127	47,529,174
Liabilities			
Accounts payable and accrued liabilities (note 6)	13,559,469	15,579,499	16,299,971
Employee future benefits (note 7(b))	1,251,400	773,500	538,700
Deferred revenue and contributions (note 8)	8,375,188	7,296,218	5,827,201
Deferred capital contributions (note 9)	61,792,061	65,323,305	56,559,882
	84,978,118	88,972,522	79,225,754
Net debt	(42,958,790)	(45,675,395)	(31,696,580)
Non-financial assets			
Endowment investments	6,626,327	6,984,514	6,562,360
Tangible capital assets (note 10)	91,414,821	92,605,007	75,221,246
Prepaid expenses	432,784	523,318	1,349,355
	98,473,932	100,112,839	83,132,961
Accumulated surplus	$ 55,515,142	$ 54,437,444	$ 51,436,381
Accumulated surplus is comprised of:			
Accumulated surplus	$ 54,753,052	$ 54,437,444	$ 51,436,381
Accumulated remeasurement gains	762,090	-	-
	$ 55,515,142	$ 54,437,444	$ 51,436,381

Contractual obligations (note 12)
Contingent liabilities (note 13)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Robin Brayne
Chair, Board of Governors

Geri Prior
Chair, Audit Committee

CAPILANO UNIVERSITY

Consolidated Statements of Operations and Accumulated Surplus

Years ended March 31, 2013 and 2012

	2013 Budget	2013	2012
Revenue:			
Province of British Columbia (note 8(a))	$ 40,316,177	$ 42,350,264	$ 40,701,854
Tuition fees	34,221,137	32,843,312	30,711,533
Project and other revenue	4,834,000	4,793,319	5,097,578
Amortization of deferred capital contributions (note 9)	4,570,588	4,686,070	3,723,955
Sales of goods	2,796,000	3,003,506	2,998,113
Parking, childcare and theatre	1,545,750	1,800,028	1,678,722
Donations and gifts-in-kind	750,000	919,450	946,018
Investment income	1,070,000	1,289,469	1,250,915
	90,103,652	91,685,418	87,108,688
Expenses:			
Instruction and student support	56,655,532	58,217,172	52,173,833
Facilities and institutional support	28,939,319	28,012,887	27,351,109
Ancillary	4,508,801	5,313,649	4,916,160
	90,103,652	91,543,708	84,441,102
Annual operating surplus	-	141,710	2,667,586
Annual endowment donations	-	173,898	333,477
Annual surplus	-	315,608	3,001,063
Accumulated surplus, beginning of year	54,437,444	54,437,444	51,436,381
Accumulated surplus, end of year	$ 54,437,444	$ 54,753,052	$ 54,437,444

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Consolidated Statements of Changes in Net Debt

Years ended March 31, 2013 and 2012

	2013 Budget	2013 Total	2012 Total
Annual surplus	$ -	$ 315,608	$ 3,001,063
Acquisition of tangible capital assets	(4,278,437)	(5,975,723)	(23,309,536)
Amortization of tangible capital assets	6,935,000	7,165,909	5,925,775
	2,656,563	1,190,186	(17,383,761)
Acquisition of prepaid expense	-	363,318	1,189,355
Use of prepaid expense	-	(272,784)	(363,318)
	-	90,534	826,037
Remeasurement gains	-	762,090	-
Change in endowment investments	-	358,187	(422,154)
Decrease (increase) in net debt	2,656,563	2,716,605	(13,978,815)
Net debt, beginning of year	(45,675,395)	(45,675,395)	(31,696,580)
Net debt, end of year	$ (43,018,832)	$ (42,958,790)	$ (45,675,395)

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

		2013		2012
Cash provided by (used in):				
Operations:				
Annual surplus	$	315,608	$	3,001,063
Items not involving cash:				
Amortization of tangible capital assets		7,165,909		5,925,775
Revenue recognized from deferred capital contributions		(4,686,070)		(3,723,955)
Fair value adjustment of investments		-		(248,468)
Change in non-cash operating working capital:				
Accounts receivable		8,742,639		(8,834,734)
Prepaid expenses		90,534		826,037
Inventories		(19,395)		42,875
Accounts payable and accrued liabilities		(2,020,030)		(720,472)
Accrued benefit liability		477,900		234,800
Deferred revenue		1,078,970		1,469,017
		11,146,065		(2,028,062)
Capital activities:				
Cash used to acquire tangible capital assets		(5,975,723)		(23,309,536)
Capital contributions received		1,154,826		12,487,378
		(4,820,897)		(10,822,158)
Investing activities:				
Disposal (purchase) of investments		487,059		(1,130,989)
Increase (decrease) in cash and cash equivalents		6,812,227		(13,981,209)
Cash and cash equivalents, beginning of year		8,212,921		22,194,130
Cash and cash equivalents, end of year	$	15,025,148	$	8,212,921

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Consolidated Statements of Remeasurement Gains and Losses

Year ended March 31, 2013

Accumulated remeasurement gains, beginning of year	$	-
Unrealized gains attributed to fair value of investments		762,090
Amounts reclassified to the statement of operations		-
Net remeasurement gains for the year		762,090
Accumulated remeasurement gains, end of year	$	762,090

See accompanying notes to consolidated financial statements.

1. Purpose of the University:

Capilano University (the "University") is a post secondary educational institution funded by the Provincial Government. The University is incorporated under the amended University Act (Bill 34 was enacted on September 1, 2008). The University is a special purpose teaching university and has regional campuses in the Province of British Columbia in North Vancouver, Squamish and the Sunshine Coast.

The University is a registered charity under the Income Tax Act and is exempt from income tax under Section 149 of the Income Tax Act.

These consolidated financial statements incorporate the financial position and results of operations and accumulated surplus and cash flows of the University and its controlled foundation, the Capilano University Foundation (the “Foundation”). The purpose of the Foundation is to raise funds for student financial assistance, capital needs, and program development at the University. The Foundation is a registered charity under the Income Tax Act and is exempt from income taxes under Section 149 of the Income Tax Act.

2. Summary of 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 the University 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 without any PS4200 elections effective their first fiscal year commencing after January 1, 2012.

2. Summary of significant accounting policies (continued):

(a) Basis of accounting (continued):

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.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard 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 public sector accounting standard PS3100.

As a result, revenue recognized in the consolidated statement of operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(b) Cash and cash equivalents:

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

2. Summary of significant accounting policies (continued):

(c) Financial instruments:

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

(i) Fair value category: Portfolio instruments that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses. Unrealized gains and losses on endowment investments where earnings are restricted as to use are recorded as deferred contributions and recognized in revenue when disposed and when related expenses are incurred.

(ii) Amortized cost category: Investments with specified or determinable maturity dates are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

Accounts receivable and accounts payable and accrued liabilities are measured at amortized cost using the effective interest rate method. Any gains, losses or interest expense is recorded in the annual surplus depending on the nature of the financial liability that gave rise to the gain, loss or expense. Valuation allowances are made when collection is in doubt.

(d) Inventories:

Inventories held for resale, including books and materials are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated selling costs less any costs to sell.

2. Summary of significant accounting policies (continued):

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. 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 be recognized at nominal value. Land is not amortized as it is deemed to have a permanent value. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a basis over their estimated useful lives shown below:

Asset	Rate
Buildings, concrete/steel	40 years
Buildings, wood frame	20 years
Computer equipment	4 years
Furniture, fixtures and equipment	5 years
Library books	10 years
Public works	10 years
Software	3 years
Vehicles	10 years

Assets under construction are not amortized until the asset is available for productive use. Borrowing costs, if any, attributable to the construction of tangible capital assets are capitalized during the construction period.

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

(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. As at March 31, 2013, the University did not have leased tangible capital assets (March 31, 2012 - nil; April 1, 2011 - nil).

2. Summary of significant accounting policies (continued):

(f) Employee future benefits:

The University and its employees make contributions to the College Pension Plan and Municipal Pension Plan, which are multi-employer joint trusteed plans. These plans are a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plan are not segregated by institution, the plan is accounted for as a defined contribution plan and any contributions of the University to the plan are expensed as incurred.

The University also has a defined benefit plan for employees on long-term disability. The University accrues its obligations under this defined benefit plan as the employees render the services necessary to earn these benefits. The effective date of the most recent valuation is December 31, 2012, and the next required valuation will be as of December 31, 2015. This actuarial valuation has been extrapolated to March 31, 2013, March 31, 2012 and April 1, 2011.

The University accrues vacation for employees as earned. However, revenue for funding for these is not accrued, as the Province does not provide special funding for vacations and retiring allowances. As the majority of employees are paid salaries, management anticipates that vacation accruals will be reversed when these employees take their standard vacations and that no additional funding will be required above authorized salaries.

(g) Revenue recognition:

Tuition and student fees and sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured. Fees received prior to the year end where the course is delivered subsequent to the year end are recorded as deferred revenue.

Project revenue and expenses are recognized as the related activities are performed. The zero profit margin method is used when a contract's financial outcome is not reasonably determinable. This method of accounting requires that equal amounts of revenue and expense be recognized until the financial outcome of a contract can be reasonably estimated. Provision for anticipated losses is made in the period in which they become evident.

2. Summary of significant accounting policies (continued):

(g) Revenue recognition (continued):

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the University or the transfer of property is completed.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

(ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.

(iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as endowment contributions on the statement of operations and accumulated surplus for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investment and write downs on investments where the loss in value is determined to be other-than-temporary.

(h) Use of estimates:

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the useful lives of tangible capital assets, accrued losses on contracts and employee future benefits payable. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

3. Adoption of new financial reporting framework:

Effective April 1, 2012, the University adopted the financial reporting framework described in note 2(a). These financial statements are the first financial statements for which the University has applied this financial reporting framework.

The impact of the adoption to this financial reporting framework on accumulated surplus at the date of transition and the comparative annual surplus is presented below. These accounting changes have been applied retroactively with restatement of prior periods.

Under the new framework, endowment contributions are recoded as revenue when received in the statement of operations and accumulated surplus. Previously, $333,477 in endowment contributions were recorded as a direct increase to net assets. Furthermore, changes relating to the valuation of employee future benefits results in an increase of $414,500 to annual surplus. As a result, the annual surplus has increased by $747,977 for the year ended March 31, 2012.

During the transition process, other prior period balances have been adjusted for immaterial changes relating to employee future benefits and matching of funds for endowment balances.

Key adjustments on the University's financial statements resulting from the adoption of the new framework and due to other prior period adjustments are as follows:

(a) Accumulated surplus:

Accumulated surplus:	
As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2011	$ 51,571,108
Adjustments from adoption of new framework:	
Recognition of accrued benefit liability for employees on long-term disability	(538,700)
Adjustments due to prior period errors:	
Reversal of accrual for paid educational leave	403,973
Adjusted, April 1, 2011	$ 51,436,381

These adjustments resulted in a reduction to accounts payable and accrued liabilities of $403,973 and an increase to employee future benefits of $538,700 as at April 1, 2011.

3. Adoption of new financial reporting framework (continued):

(b) Annual surplus:

Annual operating surplus:		
As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2012	$	2,332,848
Adjustments from adoption of new framework:		
Adjusted for accrued benefit liability for employees on long-term disability		414,500
Reclassification of endowment contributions received		333,477
Adjustments due to prior period errors:		
Reversal of accrual for paid educational leave		(7,110)
Reclassification of matching funds for endowments		(72,652)
Adjusted for the year ended March 31, 2012	$	3,001,063

These adjustments resulted in a reduction to accounts payable and accrued liabilities of $272,663 and an increase to employee future benefits of $773,500 as at March 31, 2012. The liability relating to the employee future benefits was previously included in accounts payable and accrued liabilities.

4. Financial instruments:

Generally accepted accounting principles define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The University uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Statement of Financial Position under the following captions:

- Cash and cash equivalents, accounts receivable and accounts payables and accrued liabilities - the carrying amounts approximate fair value because of the short maturity of the instruments.

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

- 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).

4. Financial instruments (continued):

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

(a) Financial assets, non-financial assets and liabilities recorded at fair value are comprised of the following:

	March 31, 2012	March 31, 2012	April 1, 2011
Pooled funds	$ 28,894,317	$ 28,619,286	$ 27,239,829
Less: endowment investments	(6,626,327)	(6,984,514)	(6,562,360)
Investments	$ 22,267,990	$ 21,634,772	$ 20,677,469

The University's investment portfolio was established in February 2008 and the Foundation's investment portfolio was established in June 2009. Both are managed by Genus Capital Management.

(b) Financial assets and liabilities recorded at amortized costs are comprised of accounts receivable and accounts payable and accrued liabilities.

5. Due from government and other government organizations:

Included in accounts receivable are the following balances from government organizations:

	March 31, 2013	March 31, 2012	April 1, 2011
Provincial government	$ -	$ 2,590,000	$ -
Federal government	2,003,877	8,366,913	951,052
	$ 2,003,877	$ 10,956,913	$ 951,052

6. Accounts payable and accrued liabilities:

	March 31, 2013	March 31, 2012	April 1, 2011
Accounts payable and accrued liabilities	$ 3,716,481	$ 5,863,468	$ 6,608,588
Salaries and benefits payable	6,378,798	6,286,829	6,386,346
Accrued vacation pay	3,464,190	3,429,202	3,305,037
	$ 13,559,469	$ 15,579,499	$ 16,299,971

7. Employee future benefits:

(a) Pension:

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has approximately 13,000 active members from college senior administration and instructional staff and approximately 4,500 retired members. The Municipal Pension Plan has about 176,000 active members, with approximately 5,700 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plans and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2009 indicated an unfunded liability of $28 million for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent valuation for the Municipal Pension Plan as at December 31, 2009 indicated an unfunded liability of $1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013.

The actuary does not attribute portions of the unfunded liability to individual employers.

The University records pension expense as cash contributions to the plans are made. During the year, the University contributed $4,148,290 (2012 - $4,077,548) to the above plans.

(b) Benefits for employees on long-term disability:

Information about liabilities for the University's employee benefit plans is as follows:

	2013	2012
Balance, beginning of year	$ 773,500	$ 538,700
Immediate recognition of continuation of benefits for disabled employees	477,900	234,800
Balance, end of year	$ 1,251,400	$ 773,500

7. Employee future benefits (continued):

(b) Benefits for employees on long-term disability (continued):

	March 31, 2013	March 31, 2012	April 1, 2011
Accrued benefit obligation	$ 1,251,400	$ 773,500	$ 538,700
Fair value of plan assets	-	-	-
Funded status – plan deficit	1,251,400	773,500	538,700
Unamortized actuarial loss	-	-	-
Accrued benefit liability	$ 1,251,400	$ 773,500	$ 538,700

As the employee future benefit liability is an event-driven obligation, the expense recorded in the statement of operations is comprised only of the immediate recognition of the liability.

The significant actuarial assumptions adopted in measuring the University accrued benefit obligation are as follows:

	2013	2012
Obligation discount rate	2.75%	3.10%
Extended health trend	7.125%	7.125%
Dental trend	4.5%	4.5%

8. Deferred revenue and contributions:

Deferred revenue and contributions consists of deferred tuition fees, deferred government contributions and contract revenue, deferred restricted donations and deferred restricted investment income as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Tuition fees	$ 4,095,686	$ 4,068,593	$ 3,768,068
Deferred government contributions and contract revenue (a)	2,523,922	1,749,798	835,371
Restricted donations and restricted investment income (b)	1,755,580	1,477,827	1,223,762
	$ 8,375,188	$ 7,296,218	$ 5,827,201

8. Deferred revenue and contributions (continued):

(a) Included in deferred government contributions and contract revenue is the following related to government organizations:

	March 31, 2013	March 31, 2012
Provincial contributions:		
Beginning of year	$ 321,595	$ 643,190
Amounts received during the year	5,624,482	2,591,463
Recognized as revenue	(4,561,468)	(2,913,058)
	$ 1,384,609	$ 321,595

Operating grants from the Province of British Columbia of $37,788,796 (2012 - $37,788,796) were immediately recognized as revenue in the statements of operations when received. Amounts recognized as revenue are included in the Province of British Columbia in the statement of operations and accumulated surplus.

(b) Included in restricted donations and restricted investment income is the following related to amounts from non-government organizations:

	March 31, 2013	March 31, 2012
Beginning of year	$ 1,477,827	$ 1,223,762
Amounts received and earned during the year	1,171,399	864,694
Recognized as revenue	(893,646)	(610,629)
	$ 1,755,580	$ 1,477,827

9. Deferred capital contributions:

Contributions for capital that meet the definition of a liability are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. Treasury Board provided direction on accounting treatment as disclosed in note 2(a). Changes in the deferred capital contributions balance are as follows:

	2013	2012
Balance, beginning of year	$ 65,323,305	$ 56,559,882
Contributions received during the year	1,154,826	12,487,378
Revenue recognized from deferred capital contributions	(4,686,070)	(3,723,955)
Balance, end of year	$ 61,792,061	$ 65,323,305

Included in the above is the following related to government organizations:

	March 31, 2013	March 31, 2012
Provincial contributions:		
Beginning of year	$ 46,038,597	$ 47,683,428
Amounts received during the year	-	1,519,430
Recognized as revenue	(3,479,486)	(3,164,261)
	$ 42,559,111	$ 46,038,597

	March 31, 2013	March 31, 2012
Federal contributions:		
Beginning of year	$ 17,616,564	$ 7,881,052
Amounts received during the year	-	9,967,948
Recognized as revenue	(663,845)	(232,436)
	$ 16,952,719	$ 17,616,564

Revenue is recognized as amortization of deferred capital contributions on the statement of operations and accumulated surplus.

10. Tangible capital assets:

Cost	Balance at March 31, 2012	Additions	Disposals	Balance at March 31, 2013
Land	$ 10,000,370	$ -	$ -	$ 10,000,370
Buildings	114,655,850	810,333	-	115,466,183
Computer equipment	10,596,107	1,350,338	-	11,946,445
Construction in progress	-	1,309,989	-	1,309,989
Library books	1,278,585	-	-	1,278,585
Media equipment	253,641	-	-	253,641
Other furniture and equipment	8,582,877	1,824,718	-	10,407,595
Public works	4,148,537	-	-	4,148,537
Software	1,765,514	680,345	-	2,445,859
Vehicles	76,495	-	-	76,495
Total	$ 151,357,976	$ 5,975,723	$ -	$ 157,333,699

Accumulated amortization	Balance at March 31, 2012	Disposals	Amortization expense	Balance at March 31, 2013
Land	$ -	$ -	$ -	$ -
Buildings	42,324,120	-	3,186,498	45,510,618
Computer equipment	6,180,721	-	1,836,694	8,017,415
Construction in progress	-	-	-	-
Library books	1,096,521	-	63,979	1,160,500
Media equipment	247,338	-	6,303	253,641
Other furniture and equipment	4,342,049	-	1,407,135	5,749,184
Public works	3,339,777	-	291,991	3,631,768
Software	1,194,339	-	368,215	1,562,554
Vehicles	28,104		5,094	33,198
-				
Total	$ 58,752,969	$ -	$ 7,165,909	$ 66,918,878

	Net book value March 31, 2012	Net book value March 31, 2013
Land	$ 10,000,370	$ 10,000,370
Buildings	72,331,730	69,955,565
Computer equipment	4,415,386	3,929,030
Construction in progress	-	1,309,989
Library books	182,064	118,085
Media equipment	6,303	-
Other furniture and equipment	4,240,828	4,658,411
Public works	808,760	516,769
Software	571,175	883,305
Vehicles	48,391	43,297
Total	$ 92,605,007	$ 91,414,821

10. Tangible capital assets (continued):

Cost	Balance at April 1, 2011	Additions	Disposals	Balance at March 31, 2012
Land	$ 10,000,370	$ -	$ -	$ 10,000,370
Buildings	77,947,822	36,708,028	-	114,655,850
Computer equipment	7,640,052	2,956,055	-	10,596,107
Construction in progress	19,608,905	-	(19,608,905)	-
Library books	1,278,585	-	-	1,278,585
Media equipment	253,641	-	-	253,641
Other furniture and equipment	5,840,451	2,742,426	-	8,582,877
Public works	4,148,537	-	-	4,148,537
Software	1,304,520	460,994	-	1,765,514
Vehicles	25,557	50,938	-	76,495
Total	$ 128,048,440	$ 42,918,441	(19,608,905)	$ 151,357,976

Accumulated amortization	Balance at April 1, 2011	Disposals	Amortization expense	Balance at March 31, 2012
Land	$ -	$ -	$ -	$ -
Buildings	39,826,341	-	2,497,779	42,324,120
Computer equipment	4,549,764	-	1,630,957	6,180,721
Construction in progress	-	-	-	-
Library books	998,091	-	98,430	1,096,521
Media equipment	233,858	-	13,480	247,338
Other furniture and equipment	3,233,673	-	1,108,376	4,342,049
Public works	3,002,952	-	336,825	3,339,777
Software	956,958	-	237,381	1,194,339
Vehicles	25,557	-	2,547	28,104
Total	$ 52,827,194	$ -	$ 5,925,775	$ 58,752,969

	Net book value April 1, 2011	Net book value March 31, 2012
Land	$ 10,000,370	$ 10,000,370
Buildings	38,121,481	72,331,730
Computer equipment	3,090,288	4,415,386
Construction in progress	19,608,905	-
Library books	280,494	182,064
Media equipment	19,783	6,303
Other furniture and equipment	2,606,778	4,240,828
Public works	1,145,585	808,760
Software	347,562	571,175
Vehicles	-	48,391
Total	$ 75,221,246	$ 92,605,007

10. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of $1,309,989 (March 31, 2012 - nil; April 1, 2011 - $19,608,905) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Write-down of tangible capital assets:

There was no write-down or reversal of a previous write-down of tangible capital assets during the year (2012 - nil).

11. Financial risk management:

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

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

(a) Credit risk:

Credit risk is the risk of financial loss to the University if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the University consisting of cash, investments, accounts receivable and restricted investments. The University assesses these financial assets, on a continuous basis for any amounts that are not collectible or realizable.

(b) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect University’s income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

It is management's opinion that the University is exposed to significant market or interest rate risk arising from its financial instruments.

(c) Liquidity risk:

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they become due.

The University manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University’s reputation.

12. Contractual obligations:

The nature of the University activities can result in multiyear contracts and obligations whereby the University will be committed to make future payments. Significant contractual obligations related to security and janitorial services that can be reasonably estimated are as follows:

2014	$ 869,240
2015	154,240
2016	154,240
2017	69,240
2018	24,400

13. Contingent liabilities:

(a) Litigation:

The University may, from time to lime, be involved in legal proceedings, claims, and litigation that arise in the normal course of business, in the event that any such claims or litigation are resolved against the University such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of the University. A reasonable estimate of these future liabilities has been made where possible and is recorded in the financial statements as a liability. Where the outcomes of amounts or losses are uncertain, no amounts have been recorded.

(b) Post-retirement benefits:

A grievance in regards to health-care related post-retirement benefits for retirees has been filed against the University. The University is currently contesting the grievance. Should the University be unsuccessful, management estimates the amount of the potential liability as at March 31, 2013 to range from nil to approximately $4.4 million. Due to the uncertainty of both the eventual outcome of the grievance and the potential amount of the liability, if any, no amount has been recorded in the financial statements.

14. Expenses by object:

The following is a summary of expenses by object:

	2013	2012
Amortization of tangible capital assets	$ 7,165,909	$ 5,925,775
Buildings and grounds maintenance	6,177,360	4,583,168
Cost of goods sold	2,099,576	2,113,512
Other operating expenses	13,570,372	11,394,246
Salaries and benefits	61,152,100	59,112,588
Student support activities	1,378,391	1,311,813
	$ 91,543,708	$ 84,441,102

15. Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the consolidated approved by the Board of Governors of the University on January 15, 2013. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Financial Assets and is reconciled to the Statement of Operations as follows:

	Approved budget	Reallocation	Statement of operations
Revenue:			
Grants from the Province of British Columbia	$ 40,316,177	$ -	$ 40,316,177
Amortization of deferred capital contributions	4,570,588	-	4,570,588
Tuition fees	34,221,137	-	34,221,137
Project revenue	4,834,000	-	4,834,000
Investment income	1,070,000	-	1,070,000
Sales of goods	2,796,000	-	2,796,000
Parking, childcare and theatre	1,545,750	-	1,545,750
Donations and gifts-in-kind	750,000	-	750,000
	90,103,652	-	90,103,652
Expenses by function:			
Instruction and student support	-	56,655,532	56,655,532
Facility and institutional support	-	28,939,319	28,939,319
Ancillary	-	4,508,801	4,508,801
	-	90,103,652	90,103,652
Expenses by object:			
Amortization of tangible capital assets	6,935,000	(6,935,000)	-
Other operating expenses	18,741,352	(18,741,352)	-
Salaries and benefits	64,427,300	(64,427,300)	-
	90,103,652	(90,103,652)	-
	$ -	$ -	$ -