



SUBJECT	UBC Consolidated Financial Statements as at March 31, 2023
SUBMITTED TO	Board of Governors
MEETING DATE	June 29, 2023
SESSION CLASSIFICATION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	APPROVAL REQUESTED IT IS HEREBY RESOLVED that the Audit Committee recommends to the Board of Governors approval of the audited UBC Financial Statements for the year ended March 31, 2023 as circulated.
LEAD EXECUTIVE	Frank Laezza, Vice-President Finance & Operations
SUPPORTED BY	Helen Yung, Comptroller Matt Boydston, Interim Comptroller Cheryl Berge, Director of Financial Reporting Sarah Lee, Director, Capital Financial Management & Reporting

PRIOR SUBMISSIONS

The Board of Governors approves UBC's audited financial statements annually, most recently in [June 2022](#).

EXECUTIVE SUMMARY

The audited Financial Statements for the year ended March 31, 2023, attached to the briefing note, represent the consolidated operations and financial position of the university.

UBC is reporting a consolidated surplus of \$83 million (FY22/23 Q3 forecast \$100 million surplus; FY21/22: \$160 million surplus) and an operating deficit of \$30 million (FY22/23 Q3 forecast \$32 million deficit); FY21/22: \$10 million surplus) for the fiscal year ended March 31, 2023.

The consolidated surplus represents 2.5% of consolidated revenue of \$3.4 billion.

A breakdown of significant factors impacting these results are as follows:

Operating Funds: UBC's operations reported an operating deficit of \$30 million in fiscal 2022/23; however, this was impacted by approximately \$50m in transfers to support approved capital projects (primarily Sauder School of Business Power House expansion, Land and Food Science Food and Beverage Innovation Centre, etc.) Removing the impact of these transfers brings the fiscal 2022/23 operating fund into a surplus position of \$20m.

The \$40m variance against prior year is driven in large part by the before-mentioned allocations of funding to capital activities in fiscal 2022/23. Additionally, the net operating funds variance was impacted by the gains from small investment sales in fiscal 2021/22. Helping to somewhat offset these items were improvements in ancillary activities (including student housing, food services, athletics and recreations) with the return to normal on campus activities.

Non-Operating Funds: The \$37 million decrease in non-operating funds (\$113 million surplus in fiscal 2022/23 compared to a \$150 million surplus in fiscal 2021/22) is mainly driven by:

- A \$25 million increase in Research funds which reflects a lower level of internally funded capital expenditures in support of research activities as compared to fiscal 2021/22.

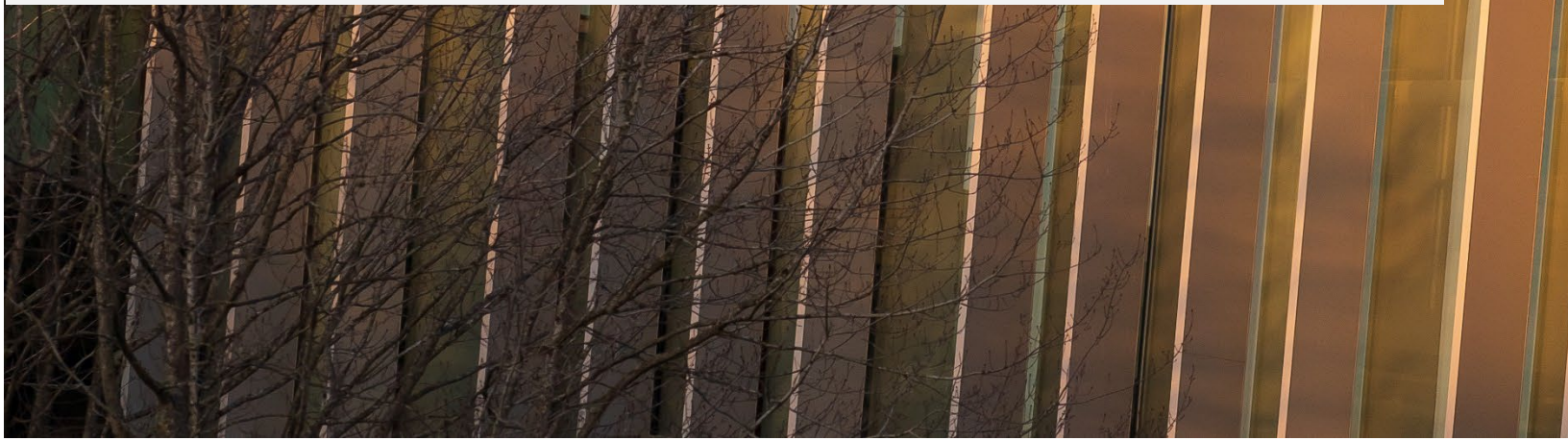
- A \$45 million decrease in the Endowment which reflects the significant gains from the portfolio restructuring plan and general increased returns on endowed funds due to market performance experienced in fiscal 2021/22, not repeated in fiscal 2022/23.
- A \$23m decrease in related organization funds comprised of recognizing a loss on a long-held investment, coupled with an accounting contribution reclassification (the contribution was initially recorded in Grants but moved to Endowment in fiscal 2022/23).

APPENDICES

1. UBC Audited Financial Statements Consolidated Year Ended March 31, 2023



UBC AUDITED FINANCIAL STATEMENTS



**CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023**

Statement of Management Responsibility

The consolidated financial statements of the University of British Columbia (the University) have been prepared by management in conformity 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 outlined in note 2(a). The consolidated financial statements present the financial position of the University as at March 31, 2023, 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, 2023.

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 the University's 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 consolidated financial statements, and overseeing management's performance of its financial reporting responsibilities.

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit Committee. 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 consolidated financial statements for the year ended March 31, 2023 have been reported on by the Office of the Auditor General of British Columbia. The Independent Auditors' Report outlines the scope of the audit and provides the audit opinion on the consolidated financial statements.

Deborah Buszard
Interim President and Vice-Chancellor

Frank Laezza
Vice-President Finance & Operations

June 29, 2023



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

	Note	2023 \$'000	2022 \$'000 Restated Note 2(l)
Financial Assets			
Cash and cash equivalents	3	249,366	294,225
Accounts receivable	4	285,396	226,144
Housing and other loans receivable	5	64,983	58,807
Inventories for resale		6,412	5,089
Portfolio investments	6	927,999	939,228
Endowment investments (expendable balance)	6	1,035,628	1,042,319
Investments in government business enterprises	7	56,760	47,893
Supplemental pension assets	11(a)	118,485	124,054
		<u>2,745,029</u>	<u>2,737,759</u>
Liabilities			
Accounts payable and accrued liabilities	9	381,797	337,233
Deferred revenue	10	147,149	140,953
Employee future benefits	11(c)	15,681	15,260
Supplemental pension liabilities	11(a)	118,485	124,054
Deferred contributions	12	1,492,817	1,555,983
Deferred capital contributions	13	1,753,943	1,624,327
Deferred land lease revenue	14	1,090,305	1,094,224
Debt	15	361,402	361,810
Asset retirement obligations	2, 16	53,974	61,424
		<u>5,415,553</u>	<u>5,315,268</u>
Net debt		(2,670,524)	(2,577,509)
Non-Financial Assets			
Tangible capital assets	17	4,109,553	3,940,729
Endowment investments (non-expendable balance)	6	1,087,854	1,062,404
Inventories held for use		4,096	4,065
Prepaid expenses		19,807	19,857
		<u>5,221,310</u>	<u>5,027,055</u>
Accumulated surplus		<u>2,550,786</u>	<u>2,449,546</u>
Accumulated surplus is comprised of:	18		
Investment in tangible capital assets		1,410,155	1,288,153
Externally restricted endowments		1,087,854	1,062,404
Internally restricted		362,126	302,412
Unrestricted		(318,089)	(217,967)
Accumulated operating surplus		2,542,046	2,435,002
Accumulated remeasurement gains		8,740	14,544
		<u>2,550,786</u>	<u>2,449,546</u>
Contractual obligations	22		

Approved on behalf of the Board of Governors:

Nancy McKenzie
Chair, Board of Governors

Jessie Dusangh
Chair, Audit Committee

(See accompanying notes to the consolidated financial statements)



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

	Note	Budget \$'000	2023 \$'000	2022 \$'000
		Note 28		Restated Note 2(l)
Revenues				
Government grants and contributions	20	1,457,000	1,446,526	1,339,977
Tuition and student fees		1,042,000	1,004,298	983,194
Sales and services		505,000	481,361	385,264
Non-government grants, contributions and donations		186,000	225,302	198,144
Investment income		111,000	100,365	184,225
Income from government business enterprises	7	-	18,750	19,168
Amortization of deferred capital contributions	13	93,000	87,025	87,358
Gain on sale of government business enterprise	7(c)	-	-	9,447
		<u>3,394,000</u>	<u>3,363,627</u>	<u>3,206,777</u>
Expenses				
	25			
Learning		1,689,000	1,695,709	1,582,755
Research		636,000	598,406	549,968
Facilities		299,000	361,317	363,584
Students		415,000	409,225	360,269
Community engagement		88,000	88,049	77,516
Administration		167,000	128,218	113,344
		<u>3,294,000</u>	<u>3,280,924</u>	<u>3,047,436</u>
Annual operating surplus		100,000	82,703	159,341
Restricted endowment donations		<u>25,000</u>	<u>24,341</u>	<u>31,828</u>
Annual surplus		125,000	107,044	191,169
Accumulated surplus, beginning of year		2,840,000	2,435,002	2,243,833
Accumulated surplus, end of year		<u><u>2,965,000</u></u>	<u><u>2,542,046</u></u>	<u><u>2,435,002</u></u>

(See accompanying notes to the consolidated financial statements)



**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31**

	Budget	2023	2022
	\$'000	\$'000	\$'000
	Note 28		Restated Note 2(l)
Annual surplus	125,000	107,044	191,169
Exclude items not affecting net debt:			
Endowment donations and transfers received	<u>(25,000)</u>	<u>(25,450)</u>	<u>(47,188)</u>
	<u>100,000</u>	<u>81,594</u>	<u>143,981</u>
Acquisition of tangible capital assets, net of dispositions	(400,000)	(414,966)	(327,776)
Amortization of tangible capital assets	<u>282,000</u>	<u>246,142</u>	<u>239,854</u>
	<u>(118,000)</u>	<u>(168,824)</u>	<u>(87,922)</u>
Acquisition of inventories held for use	-	(6,783)	(6,786)
Acquisition of prepaid expenses	-	(19,655)	(19,573)
Consumption of inventories held for use	-	6,752	6,411
Use of prepaid expenses	<u>-</u>	<u>19,705</u>	<u>24,033</u>
	<u>-</u>	<u>19</u>	<u>4,085</u>
	(18,000)	(87,211)	60,144
Net remeasurement losses	<u>(10,000)</u>	<u>(5,804)</u>	<u>(165,165)</u>
Increase in net debt	(28,000)	(93,015)	(105,021)
Net debt, beginning of year	(2,577,509)	(2,577,509)	(2,472,488)
Net debt, end of year	<u>(2,605,509)</u>	<u>(2,670,524)</u>	<u>(2,577,509)</u>

(See accompanying notes to the consolidated financial statements)



**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31**

	2023	2022
	\$'000	\$'000
		Restated Note 2(l)
Cash provided by operating activities		
Annual surplus	107,044	191,169
Items not affecting cash:		
Amortization of tangible capital assets	246,142	239,854
Amortization of deferred capital contributions	(87,025)	(87,358)
Amortization of deferred land lease revenue	(11,969)	(11,091)
Income from government business enterprises	(18,750)	(19,168)
Gain on sale of investments	3,928	(67,419)
Other	(9,114)	(4,988)
	<u>230,256</u>	<u>240,999</u>
Change in non-cash operating balances:		
Accounts receivable	(62,104)	(11,305)
Inventories and prepaid expenses	(1,305)	3,866
Accounts payable and accrued liabilities	47,094	709
Deferred revenue	6,196	8,640
Deferred contributions	5,229	167,023
	<u>225,366</u>	<u>409,932</u>
Cash used in capital activities		
Acquisition of tangible capital assets	(416,710)	(329,001)
Proceeds from disposition of tangible capital assets	1,117	-
Deferred capital contributions received	153,394	117,930
	<u>(262,199)</u>	<u>(211,071)</u>
Cash provided by (used in) investing activities		
Purchase of portfolio investments	(108,395)	(460,725)
Proceeds from sale of portfolio investments	98,464	316,392
Distributions received from government business enterprises	20,500	99,600
Receipt of restricted endowment funds	(9,932)	(60,351)
	<u>637</u>	<u>(105,084)</u>
Cash used in financing activities		
Payment of long-term debt and sinking fund	(2,456)	(2,602)
Payments received from infrastructure development charges	-	252
Issuance of housing loans	(10,034)	(10,000)
Payment of housing and other loans	3,827	5,696
	<u>(8,663)</u>	<u>(6,654)</u>
Net (Decrease) increase in cash and cash equivalents	(44,859)	87,123
Cash and cash equivalents, beginning of year	294,225	207,102
Cash and cash equivalents, end of year	<u>249,366</u>	<u>294,225</u>
Supplemental cash flow information		
Cash paid for interest	20,680	20,727
Cash receipts from interest	71,085	70,816

(See accompanying notes to the consolidated financial statements)



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

	2023	2022
	\$'000	\$'000
Accumulated remeasurement gains, beginning of year	14,544	179,709
(Gains) losses reclassified to the Consolidated Statement of Operations from:		
Equity investments quoted in active markets	8,973	(58,549)
Other investments designated at fair value	(4,990)	(8,870)
Unrealized gains (losses) from:		
Equity investments quoted in active markets	(19,564)	(106,374)
Other investments designated at fair value	9,777	8,628
Net remeasurement losses for the year	(5,804)	(165,165)
Accumulated remeasurement gains, end of year	8,740	14,544

(See accompanying notes to the consolidated financial statements)



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 Summary of Significant Accounting Policies

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

(a) Basis of Accounting

These 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, referred to as the Financial Reporting Framework (“FRF”).

The *Budget Transparency and Accountability Act* requires that the consolidated financial statements be prepared in accordance with Canadian Public Sector Accounting Standards (“PSAS”) except as modified by regulation 198/2011. This regulation requires that restricted contributions for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset be accounted for as deferred capital contributions as described in note 2(d)(i).

Revenue recognized in the Consolidated Statement of Operations and Accumulated Surplus and certain related deferred capital contributions are recorded differently under FRF than under PSAS. Note 27 summarizes the impact of FRF versus PSAS on the consolidated financial statements.

(b) Basis of Consolidation

(i) Consolidated Entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations that are controlled by UBC, as well as its proportional interest in government partnerships. Government business enterprises are accounted for using the modified equity method.

The following organizations, which are 100% controlled by the University, are consolidated in these financial statements. Inter-organizational transactions, balances, and activities have been eliminated on consolidation.

- UBC Investment Management Trust Inc. manages the investment assets of the University, including the endowment funds, staff pension plan, working capital and other investment portfolios.
- UBC Foundation, a not-for-profit foundation that develops public awareness and encourages financial support for the University.
- American Foundation for UBC, an American charitable foundation that encourages financial support for the University.

2 Significant Accounting Policies (continued)

(b) Basis of Consolidation (continued)

(i) Consolidated Entities (continued)

- 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 Asia Pacific Regional Office Limited, a Hong-Kong based association that promotes and advances the academic and research interests of the University and its partners in the Asia Pacific region.
- entrepreneurship@UBC Management Inc., which manages UBC's investments in start-up ventures.

(ii) Investment in Government Business Enterprises

Government business enterprises are accounted for using the modified equity method. Under this method, the University's investment in the business enterprise, as well as its net income and other changes in equity, are recorded as earned. 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 the 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 remaining within the entities controlled by UBC.

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

- UBC Properties Investments Ltd. ("UBCPIL") (100% interest)
- Great Northern Way Campus Trust ("GNWCT") (25% interest)

(iii) Investment in Government Partnerships

Government partnerships are accounted for using the proportionate consolidation method. The University accounts for its interest in the partnership on a line-by-line basis in the consolidated financial statements and eliminates any inter-organizational transactions and balances. The accounting policies of the partnerships are conformed to those of UBC before being proportionately consolidated.

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

- Western Canadian Universities Marine Sciences Society ("WCUMSS")

The University has a 20% interest in WCUMSS, which operates as Bamfield Marine Sciences Centre and provides a base for marine research in Bamfield, B.C.

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

The University has a 33.33% interest in CVI, which is the commercialization partner of the Centre for Drug Research and Development (CDRD) and provides financial, managerial, and development support for start-up ventures.

2 **Significant Accounting Policies (continued)**

(b) Basis of Consolidation (continued)

(iii) Investment in Government Partnerships (continued)

- Tri-Universities Meson Facility (“TRIUMF”)

Effective June 1, 2021, TRIUMF changed its legal and governance structure. Under this revised structure TRIUMF no longer meets the requirements of a government partnership and the University has derecognized the assets and liabilities of TRIUMF.

(c) 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.

(d) Revenue Recognition

(i) Grants, Contributions, and Donations

Revenue recognition for grants, contributions, and donations depends on whether external restrictions exist over the use of the funds as set out by the contributor.

Unrestricted

Grants, contributions, and donations without external restrictions are recognized as revenue when received or receivable.

Restricted for Specific Purposes Other than Endowment or the Acquisition or Development of Tangible Capital Assets

Grants, contributions, and donations with external restrictions are initially recorded as deferred contributions and are recognized to revenue when the expenditures that satisfy the restrictions are incurred.

Restricted for the Acquisition or Development of Tangible Capital Assets

Grants, contributions, and donations received for the acquisition or development of tangible capital assets are initially recorded to deferred capital contributions and are recognized to revenue at the same rate that the amortization of the related tangible capital asset is recorded.

Restricted for Endowment

Donations received for restricted use endowments are recorded directly to the annual surplus in the Consolidated Statement of Operations and Accumulated Surplus when received or receivable.

(ii) Tuition and Student Fees and Sales and Services

Tuition and student fees, as well as sales and services, are recorded as revenue at the time the services or goods are provided. Amounts received in advance of the provision of services or goods are recorded as deferred revenue.

2 Significant Accounting Policies (continued)

(d) Revenue Recognition (continued)

(iii) Land Lease Revenue

The University enters into prepaid lease agreements for residential and commercial properties for a period of 99 years. The prepaid amount is initially recognized as deferred land lease revenue when the lease contract has been entered into and all performance obligations have been met. The prepaid lease amount is recognized as revenue over the 99-year term of the lease.

(iv) Investment Income

Portfolio Investments and Unrestricted Endowment Investments

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

Unrealized gains and losses representing the change in fair value of investments are initially recorded in the Statement of Remeasurement Gains and Losses and recognized as investment income upon the sale of the investments.

Restricted Endowment Investments

The total investment earnings on restricted endowment investments are initially recorded as deferred contributions and recorded as investment income when the expenditures that satisfy the restrictions are incurred.

Total investment earnings include investment income and unrealized gains and losses representing the change in fair value of the endowment investments.

(e) Financial Instruments

Financial instruments are classified into the following two categories:

(i) Fair Value Category

Cash equivalents, portfolio investments that are quoted in an active market, derivatives, private equity investments managed on a fair value basis, 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.

The carrying value of University's cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to the short-term maturity of these financial instruments.

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

2 Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

(i) Fair Value Category (continued)

- 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)

(ii) Cost / Amortized Cost Category:

Cash is recorded at cost. Other financial instruments including accounts receivable, housing and other loans receivable, and accounts payables, are recorded at amortized cost. Debt is measured at amortized cost adjusted for discounts, premiums, and issue costs using the effective interest rate method. Gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus upon derecognition or impairment.

(f) 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. It 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.

(g) Non-financial Assets

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

(i) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts directly attributable to the acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at fair value at the date of contribution.

Tangible 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 and renovations	5-50 years
Furnishings, equipment and systems	3-10 years
Library books	10 years

Assets under construction are not amortized until the asset are 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 is less than their net book value.

2 Significant Accounting Policies (continued)

(g) Non-financial Assets (continued)

(ii) Leased Tangible Capital Assets

Leases that 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.

(iv) Inventories Held for Use

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

(h) Employee Benefits

The pension plan for faculty members is a defined contribution plan, and the pension plan for staff is a target benefit plan. The assets and liabilities of these plans are not recognized in the University's financial statements. The University's contributions to these plans are recorded as an expense in the period in which they are due.

The supplemental pension arrangement is a defined contribution plan. The liabilities under this arrangement are the general liabilities of the University. The University is the sole legal and beneficial owner of the assets under this arrangement. These assets and liabilities are recognized in the University's financial statements and are managed on a fair value basis. The University's contributions to this arrangement are recorded as an expense in the period in which they are due.

Certain employee benefits that vest or accumulate are recognized as expenses and liabilities in the period in which the employee provides the services.

(i) Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment by 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:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the University is directly responsible or accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

2 Significant Accounting Policies (continued)

(j) 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, provisions for contingencies, and future cash flows associated with asset retirement obligations. When actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(k) Functional Classification of Expenses

Expenses in the Consolidated Statement of Operations and Accumulated Surplus have been classified based on 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, online delivery, information technology, specific purpose funding, and endowment non-award funding. Costs associated with this function include contract expenses, Deans/Directors and/or Chairs, 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 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 groundskeeping, 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 individual students or groups of students. These include student service administration, counseling, career services, social development and recreation, financial aid administration, scholarships and bursaries, 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.

2 Significant Accounting Policies (continued)

(k) Functional Classification of Expenses (continued)

(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.

(l) New Accounting Standard

PS 3280 Asset Retirement Obligations

Effective April 1, 2022, the University adopted PS 3280 Asset Retirement Obligations. This standard provides guidance on recognition and measurement of asset retirement obligations.

Asset retirement obligations are recorded for legal, contractual or statutory obligations related to future costs associated with the retirement of tangible capital assets. These costs may include removal of asbestos and the decommissioning of facilities and equipment. The obligation is measured based on management's estimate of future cash flows required to settle the liability and discounted using the University's cost of borrowing. Estimated asset retirement costs are capitalized as part of the carrying value of the underlying asset and amortized over the asset's remaining useful life.

The liability is accreted to reflect the passage of time. Subsequent to initial measurement, asset retirement obligations are adjusted annually for changes in the amount and timing of future cash flows, and discount rates, with the offsetting amount recorded to the carrying value of the underlying asset. Where the underlying asset is fully amortized, changes in the asset retirement obligation are recorded on the Consolidated Statement of Operations and Accumulated Surplus.

The University adopted this standard was adopted using the modified retroactive approach, allowing measurement of the liability on the date when legal obligations were incurred. Discount rates and assumptions used are as at the adoption date of April 1, 2022. The adoption of this standard has resulted in the restatement of the prior period, summarized as follows:

As at March 31, 2022
\$'000

	<u>As reported</u>	<u>Adjustment</u>	<u>Restated</u>
Total liabilities	5,253,844	61,424	5,315,268
Non-financial assets	5,026,172	883	5,027,055
Accumulated surplus, beginning of year	2,302,887	(59,054)	2,243,833
Annual surplus	192,656	(1,487)	191,169
Accumulated surplus, end of year	2,495,543	(60,541)	2,435,002

(m) Future Accounting Standard

PS 3400 Revenue

Effective April 1, 2023, the University will be required to adopt PS 3400 Revenue. This standard provides guidance on how to account for and report revenue. Under this standard, transactions are differentiated between revenue arising from performance obligations and those that do not. Revenues from transactions with performance obligations are recognized when they are satisfied. Revenues from transactions without performance obligations are recognized when they are received or receivable. This standard may be applied retroactively or prospectively and early adoption is permitted. The impact of adopting this standard on the University's financial results has not been determined at this time.

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

3 Cash and Cash Equivalents

	2023	2022
	\$'000	\$'000
Cash	40,478	133,839
Cash equivalents	208,888	160,386
	<u>249,366</u>	<u>294,225</u>

4 Accounts Receivable

	2023	2022
	\$'000	\$'000
Research receivables	116,301	111,536
Distribution receivable from UBCPIL	44,397	46,962
Receivables from the Province of British Columbia	47,576	-
Other receivables	86,897	76,993
Total accounts receivable	295,171	235,491
Allowance for doubtful accounts	(9,775)	(9,347)
Net accounts receivable	<u>285,396</u>	<u>226,144</u>

5 Housing and Other Loans Receivable

	2023	2022
	\$'000	\$'000
Loans receivable	17,408	16,501
Housing and other loans receivable	47,575	42,306
	<u>64,983</u>	<u>58,807</u>

- (a) Loans receivable are issued for building construction and improvements in accordance with loan agreements between the University and student societies or student union, and are paid by student fees. The loans have terms ranging from 15 to 35 years at an interest rate of 5.75% per annum, are repayable at any time, and are unsecured.
- (b) Housing loans are issued in accordance with the University's Housing Action Plan. These loans include first and second mortgages with maturities of up to 30 years and are either interest-free or at the CRA prescribed interest rate. Payment terms involve interest only payments, with the principal becoming payable at the earliest occurrence of the following events: borrower's option, sale of the residence, termination of employment, or maturity of the loan.



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

6 Investments

(a) Investments are presented in the consolidated financial statements as follows:

	2023	2022
	\$'000	\$'000
Portfolio investments	927,999	939,228
Endowment (expendable balance)	1,035,628	1,042,319
Endowment (non-expendable balance)	1,087,854	1,062,404
	<u>3,051,481</u>	<u>3,043,951</u>

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

March 31, 2023	Total	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Portfolio investments:				
Fixed income and pooled mortgage	889,189	888,189	-	1,000
Canadian equities	5,953	1,267	-	4,686
United States equities	24,368	24,368	-	-
Private equity	8,489	-	-	8,489
Total portfolio investments recorded at fair value	<u>927,999</u>	<u>913,824</u>	<u>-</u>	<u>14,175</u>
Endowment investments:				
Cash and short-term notes	60,907	60,907	-	-
Fixed income mutual funds	48,006	48,006	-	-
Canadian equities	63,895	63,895	-	-
Canadian equities mutual funds	1,559	1,559	-	-
International equities mutual funds	950,885	950,885	-	-
Real estate	197,037	7,514	-	189,523
Private equity	213,948	-	-	213,948
Hedge fund	148,036	-	-	148,036
Infrastructure equity	230,394	-	-	230,394
Private debt	188,231	-	-	188,231
Other	20,584	-	19,950	634
Total endowment investments recorded at fair value	<u>2,123,482</u>	<u>1,132,766</u>	<u>19,950</u>	<u>970,766</u>
Total	<u>3,051,481</u>	<u>2,046,590</u>	<u>19,950</u>	<u>984,941</u>



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

6 Investments (continued)

(b) The composition of investments recorded at fair value is as follows (continued):

March 31, 2022	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Portfolio investments:				
Fixed income and pooled mortgage	895,146	894,146	-	1,000
Canadian equities	5,740	1,113	-	4,627
United States equities	29,095	29,095	-	-
Private equity	9,247	-	-	9,247
Total portfolio investments recorded at fair value	939,228	924,354	-	14,874
Endowment investments:				
Cash and short-term notes	42,526	42,526	-	-
Fixed income mutual funds	147,844	147,844	-	-
Canadian equities	101,243	20,443	80,800	-
Canadian equities mutual funds	1,553	1,553	-	-
International equities mutual funds	959,536	959,536	-	-
Real estate	178,375	-	-	178,375
Private equity	172,607	-	-	172,607
Hedge fund	148,528	-	-	148,528
Infrastructure equity	209,209	-	-	209,209
Private debt	117,915	-	-	117,915
Other	25,387	-	22,340	3,047
Total endowment investments recorded at fair value	2,104,723	1,171,902	103,140	829,681
Total	3,043,951	2,096,256	103,140	844,555

(c) The following table reconciles the changes in fair value of financial instruments classified as Level 3 during the year:

	2023 \$'000	2022 \$'000
Balance, beginning of year	844,555	705,786
Unrealized gains	62,624	50,415
Purchases	260,183	174,061
Dispositions	(182,421)	(85,707)
Balance, end of year	<u>984,941</u>	<u>844,555</u>



6 Investments (continued)

(d) Endowment Investments

- (i) Endowments investments are recorded as financial assets (expendable) and non-financial assets (non-expendable). The non-expendable component represents the original donation that is held in perpetuity and its use is restricted by the donors. The expendable portion is the total amount of the endowment assets less the non-expendable component and represents the accumulated net investment earnings less the accumulated spend.

The University's policy sets out an objective to maintain the purchasing power of the original contributions. Accordingly, on an annual basis, an amount based on inflation is internally allocated within the expendable portion of the endowment assets. However, in the event that net investment income is insufficient to fund the spending amount, this amount is available to fund the spending amount.

	2023 \$'000			2022 \$'000		
	Non-expendable	Expendable	Total	Non-expendable	Expendable	Total
Balance, beginning of year	1,062,404	1,042,319	2,104,723	1,015,216	993,247	2,008,463
Donations received	24,341	-	24,341	43,828	-	43,828
Internal transfers	1,109	15,500	16,609	3,360	13,163	16,523
Transfers to/from cash	-	2,765	2,765	-	1,845	1,845
Investment income (loss)	-	76,426	76,426	-	143,706	143,706
Expenses	-	(101,382)	(101,382)	-	(109,642)	(109,642)
Balance, end of year	<u>1,087,854</u>	<u>1,035,628</u>	<u>2,123,482</u>	<u>1,062,404</u>	<u>1,042,319</u>	<u>2,104,723</u>

- (ii) Endowments Held by Vancouver Foundation

Endowments with a fair value of \$18.3 million (March 31, 2022 - \$20.7 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. During the year ended March 31, 2023, \$nil transfers were made to the University's endowment (March 31, 2022 - \$8.4 million) from these funds.

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

6 Investments (continued)

(e) Derivative Instruments

The notional and fair values of the University's derivative financial instruments are as follows:

	2023 \$'000		2022 \$'000	
	Notional Amount	Fair Value Asset (Liabilities)	Notional Amount	Fair Value Asset (Liabilities)
Foreign currency forwards:				
Portfolio investments	16,980	(95)	39,392	(76)
Total	16,980	(95)	39,392	(76)

Unrealized gains and losses on forward currency contracts held within the endowment funds are recognized in endowment investments on the Consolidated Statement of Financial Position. Unrealized gains and losses on forward currency contracts held within portfolio investments are recognized in accounts payable and accounts receivable on the Consolidated Statement of Financial Position.

During the year ended March 31, 2023, the University recognized \$4.4 million (March 31, 2022 - \$5.4 million gain) of net realized losses on forward currency contracts of which \$1.1 million (March 31, 2022 - \$1.3 million) was recorded in investment income on the Consolidated Statement of Operations and Accumulated Surplus and \$3.3 million (March 31, 2022 - \$4.1 million) was recorded in deferred contributions on the Consolidated Statement of Financial Position.

7 Investments in Government Business Enterprises

The University's investment in government business enterprises is as follows:

	Note	2023 \$'000	2022 \$'000
UBC Properties Investments Ltd.	7(a)	43,126	34,294
Great Northern Way Campus Trust	7(b)	13,634	13,599
Total		56,760	47,893

The University's income from government business enterprises is as follows:

	Note	2023 \$'000	2022 \$'000
UBC Properties Investments Ltd.	7(a)	18,715	18,581
Great Northern Way Campus Trust	7(b)	35	587
Total		18,750	19,168



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

7 Investments in Government Business Enterprises (continued)

(a) UBC Properties Investments Ltd.

UBCPIL was created on January 20, 1999, under the Business Corporations Act of British Columbia, and is a wholly-owned subsidiary of the University. UBCPIL is the sole trustee of UBC Properties Trust which develops, owns and operates a portfolio of residential, mixed-use, and commercial properties on behalf of the University.

The University's 100% interest in UBCPIL is classified as a government business enterprise and accounted for using the modified equity basis utilizing the annual audited financial statements of UBCPIL prepared as at March 31.

The continuity of the University's investment in UBCPIL is as follows:

	2023 \$'000	2022 \$'000
Investment, beginning of year	34,294	30,253
Net income	26,766	86,536
Distributions declared	(17,934)	(82,495)
Investment, end of year	<u>43,126</u>	<u>34,294</u>

Condensed financial information of UBCPIL is as follows:

Consolidated Statement of Financial Position

	2023 \$'000	2022 \$'000
Financial assets	154,276	75,420
Liabilities	800,615	692,157
Net liabilities	(646,339)	(616,737)
Non-financial assets	689,465	651,031
Accumulated surplus	<u>43,126</u>	<u>34,294</u>

Consolidated Statement of Operations

	2023 \$'000	2022 \$'000
Revenue	82,445	149,707
Expenses	55,680	63,171
Surplus for the year	26,765	86,536
Adjustment to defer land sales	(8,050)	(67,955)
Surplus	<u>18,715</u>	<u>18,581</u>

UBCPIL recognizes revenue from sales of 99-year leases when the contract has been entered into and all performance obligations have been met, including the transfer of control of the prepaid lease. The University defers these revenues in its Consolidated Statement of Financial Position and amortizes the balance to its Consolidated Statement of Operations and Accumulated Surplus over the duration of the leases (Note 14).

During the year ended March 31, 2023, UBCPIL declared \$17.9 million in distributions to the University (March 31, 2022 - \$82.5 million). UBCPIL invoiced the University \$4.9 million (March 31, 2022 - \$3.5 million) for project management fees. The University collected \$1.0 million in infrastructure development charges from UBCPIL (March 31, 2022 - \$2.4 million).



7 Investments in Government Business Enterprises (continued)

(b) Great Northern Way Campus Trust

GNWCT was formed on September 15, 2002 for the equal benefit of the University, Simon Fraser University, the British Columbia Institute of Technology, and the Emily Carr University of Art + Design. GNWCT manages and operates real estate and property management, financial and endowment management and supports the academic programs at the Centre for Digital Media, including the Master of Digital Media graduate degree program. The University has a 25% interest in GNWCT.

The University's 25% interest in GNWCT is classified as a government business enterprise, accounted for using the modified equity basis utilizing the annual audited financial statements of GNWCT prepared as at December 31. As the fiscal periods of GNWCT and the University differ, any significant financial transactions that occur during the intervening period are recorded in these consolidated financial statements based on the fiscal year of the University.

The continuity of the University's investment in GNWCT is as follows:

	2023 \$'000	2022 \$'000
Investment, beginning of year	13,599	13,094
Share of net income	35	587
Distributions declared	-	(82)
Investment, end of year	<u>13,634</u>	<u>13,599</u>

Condensed financial information of GNWCT is as follows:

Consolidated Statement of Financial Position

	2023 \$'000	2022 \$'000
Financial assets	47,117	46,937
Liabilities	<u>8,085</u>	<u>8,709</u>
Net assets	39,032	38,228
Non-financial assets	<u>15,503</u>	<u>16,169</u>
Accumulated surplus	<u>54,535</u>	<u>54,397</u>
UBC's proportionate share of accumulated surplus (25%)	<u>13,634</u>	<u>13,599</u>

Consolidated Statement of Operations

	2023 \$'000	2022 \$'000
Revenue	6,245	9,860
Expenses	<u>6,106</u>	<u>7,512</u>
Net income	<u>139</u>	<u>2,348</u>
UBC's proportionate share of net income (25%)	<u>35</u>	<u>587</u>

During the year ended March 31, 2023, GNWCT declared \$nil in distributions to the University (March 31, 2022 - \$0.1 million).

CONSOLIDATED FINANCIAL STATEMENTS
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7 Investments in Government Business Enterprises (continued)

(c) Paragon Testing Enterprises Inc.

On March 31, 2021, the shareholders of Paragon sold their shares for a total purchase price up to \$47.0 million which included \$35.0 million of cash consideration and up to \$12.0 million of contingent consideration based on future revenues.

During the year ended March 31, 2022, the University recognized \$9.0 million representing the maximum amount of the contingent consideration and \$0.4 million from post-close adjustments. These are recorded in the Gain on sale of Government Business Enterprise on the University's Consolidated Statement of Operations and Accumulated Surplus.

8 Investments in Government Partnerships

The financial results of WCUMSS and CVI are proportionately consolidated with those of the University based on the University's share of total contributions.

During the year ended March 31, 2023, the University approved the termination of its agreements with CVI. The University recognized a loss of \$4.1 million from the derecognition of its carrying value of CVI which is recorded as investment income in the University's Consolidated Statement of Operations and Accumulated Surplus.

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

Consolidated Statement of Financial Position

	2023	2022
	\$'000	\$'000
Financial assets	240	7,128
Liabilities	312	2,904
Net assets (liabilities)	(72)	4,224
Non-financial assets	1,344	1,294
Accumulated surplus	1,272	5,518

Consolidated Statement of Operations

	2023	2022
	\$'000	\$'000
Revenue	890	3,687
Expenses	995	3,686
Surplus (deficit) for the year	(105)	1



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

9 Accounts Payable and Accrued Liabilities

	2023	2022
	\$'000	\$'000
Accounts payable and accrued liabilities	201,179	209,326
Salaries and benefits payable	110,770	63,970
Accrued vacation pay	46,361	52,021
Amounts payable to UBCPIL	23,487	11,916
	<u>381,797</u>	<u>337,233</u>

10 Deferred Revenue

	2023	2022
	\$'000	\$'000
Tuition and fees	78,740	70,736
Student housing	29,393	30,574
Infrastructure funding	17,381	17,835
Other	21,635	21,808
	<u>147,149</u>	<u>140,953</u>

11 Employee Future Benefits

(a) Description of the Pension Plans

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

Faculty Pension Plan

The Faculty Pension Plan is a defined contribution plan that provides benefits on a money purchase basis. The cost of pension benefits includes the current service cost based on 10.0% of salary (2022 – 10.0%), less a fixed offsetting amount related to Canada Pension Plan contributory earnings. The University recognizes its contributions as expenses when the related service is provided.

Staff Pension Plan

The Staff Pension Plan is a target benefit plan that provides benefits based on 1.8% (March 31, 2022 - 1.8%) 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 9.4% of salary (March 31, 2022 - 9.4%). In the event of funding deficiencies, the University's contributions remain fixed and benefits for members may be reduced. The University accounts for this as a defined contribution plan and expenses its contributions when the related service is provided. 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.



11 Employee Future Benefits (continued)

(a) Description of the Pension Plans (continued)

Supplemental Arrangement

The Supplemental Arrangement was established for employees whose aggregate annual pension contributions exceed the contribution limit allowed under the Income Tax Act for registered plans. The University contributes the excess amounts to each member's supplemental account. These supplemental accounts under this arrangement are the general liability of the University. The University invests these funds and retains the sole legal and beneficial ownership of the assets.

The Supplemental Arrangement is a money purchase plan, and the amount in the member's supplemental account will be adjusted for investment experience. No payments are made out of the Supplemental Arrangement account before the earliest of the member's termination, retirement, or death.

(b) Contributions to Pension Plans

The University's contributions to each of the pension plans were as follows:

	2023	2022
	\$'000	\$'000
Faculty Pension Plan	51,745	49,767
Staff Pension Plan	68,091	62,822
Supplemental Arrangement	4,312	5,000
	<u>124,148</u>	<u>117,589</u>

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

(i) Income Replacement Plan / Disability Benefit Plan

The income replacement plan for faculty and the disability benefit plan for all other employees provide income for disabled employees. These plans commence after a qualifying period of four months for CUPE 2950 employees and six months for all other employees. When an employee receives income replacement or disability benefits, the University continues to cover the costs of certain member benefits. The costs of these plans are employee funded. The University is not required to contribute to the plans or responsible for any deficit that the plans may incur.

(ii) Sick Leave Benefits

The University's employees are entitled to sick leave in accordance with the terms and conditions of their employment contracts. The costs of these benefits which vest or accumulate, are actuarially determined based on service, estimates of retirement ages, and expected future salary or wage increases. The obligation is accrued based on projected benefits as employees render services necessary to earn the future benefits. Actuarial gains and losses from event-driven benefits that do not vest or accumulate are recognized immediately in the Consolidated Statement of Operations and Accumulated Surplus.

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YEAR ENDED MARCH 31, 2023

11 **Employee Future Benefits (continued)**

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

(iii) The accrued benefit obligations of these benefits are as follows:

	Sick Leave \$'000	IRP and DBP \$'000	2023 \$'000	2022 \$'000
Balance, beginning of year	3,138	12,122	15,260	14,648
Current service and interest cost	1,118	2,326	3,444	3,421
Benefits paid	(1,171)	(1,852)	(3,023)	(2,862)
Actuarial loss	-	-	-	53
Balance, end of year	<u>3,085</u>	<u>12,596</u>	<u>15,681</u>	<u>15,260</u>
Components of net benefit expense:			2023	2022
			\$'000	\$'000
Service cost			2,991	2,975
Interest cost			453	446
Net benefit expense			<u>3,444</u>	<u>3,421</u>

(iv) The actuarial assumptions are as follows:

	Sick Leave \$'000		IRP and DBP \$'000	
	2023	2022	2023	2022
Discount rate	3.10%	3.10%	2.60%	2.60%
Expected wage and salary increases	2.50%	2.50%	2.00%	2.00%

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

12 Deferred Contributions

Deferred contributions represent unspent externally restricted grants, contributions, and donations. The deferred contributions for endowments represent the accumulated investment return, which includes an amount for the preservation of capital purchasing power, less the accumulated expenditure on restricted endowments.

	2023 \$'000	2022 \$'000
Research	561,292	571,045
Capital	-	41,791
Trust	181,819	188,293
Endowment	749,706	754,854
Balance, end of year	<u>1,492,817</u>	<u>1,555,983</u>

Changes in deferred contributions are as follows:

	2023 \$'000				
	Research	Capital	Trust	Endowment	Total
Balance, beginning of year	571,045	41,791	188,293	754,854	1,555,983
Grants, contributions, donations and endowment income	529,428	-	296,097	63,058	888,583
Transferred to deferred capital contributions (Note 13)	(11,672)	(41,791)	(9,784)	-	(63,247)
Recognized to revenue	<u>(527,509)</u>	<u>-</u>	<u>(292,787)</u>	<u>(68,206)</u>	<u>(888,502)</u>
Balance, end of year	<u>561,292</u>	<u>-</u>	<u>181,819</u>	<u>749,706</u>	<u>1,492,817</u>

	2022 \$'000				
	Research	Capital	Trust	Endowment	Total
Balance, beginning of year	488,507	5,506	176,714	710,366	1,381,093
Grants, contributions, donations and endowment income	604,392	115,090	301,373	109,751	1,130,606
Transferred to deferred capital contributions (Note 13)	(39,302)	(78,628)	-	-	(117,930)
Recognized to revenue	<u>(482,552)</u>	<u>(177)</u>	<u>(289,794)</u>	<u>(65,263)</u>	<u>(837,786)</u>
Balance, end of year	<u>571,045</u>	<u>41,791</u>	<u>188,293</u>	<u>754,854</u>	<u>1,555,983</u>



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13 Deferred Capital Contributions

Deferred capital contributions represent amounts that are specifically restricted for the purpose of acquiring or developing a tangible capital asset.

	2023 \$'000	2022 \$'000
Balance, beginning of year	1,624,327	1,594,980
Transferred from deferred contributions (Note 12)	63,247	117,930
Grants, contributions and donations	153,394	-
Current year amortization	(87,025)	(87,358)
Derecognition of TRIUMF	-	(1,225)
Balance, end of year	<u>1,753,943</u>	<u>1,624,327</u>

Deferred capital contributions are comprised of the following:

Contributions used to acquire tangible capital assets	1,680,477	1,624,327
Unspent capital contributions	73,466	-
	<u>1,753,943</u>	<u>1,624,327</u>

Effective April 1, 2022, contributions that are specifically restricted for capital are directly recorded as deferred capital contributions when received. Previously, contributions for capital were initially recorded as deferred contributions and transferred to deferred capital contributions when spent.

14 Deferred Land Lease Revenue

Deferred land lease revenue represents the unamortized land leases of the 99-year prepaid:

	2023 \$'000	2022 \$'000
Balance, beginning of year	1,094,224	1,035,555
Additions	8,050	69,760
Current year amortization	(11,969)	(11,091)
Balance, end of year	<u>1,090,305</u>	<u>1,094,224</u>



CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

15 Debt

Debt is measured at amortized cost as follows:

	Maturity Date	Interest Rate	2023 \$'000	2022 \$'000
Debentures, Series A, unsecured	2031	6.65%	127,001	126,935
Debentures, Series B, unsecured	2035	4.82%	125,642	125,615
Mortgages	2022 - 2035	7.25% - 7.88%	-	442
Debentures, Province of BC, unsecured	2037	4.70%	126,636	126,634
Debentures, Province of BC, unsecured	2050	2.95%	18,535	18,618
Demand loan	Demand	2.45% - 3.76%	233	249
			<u>398,047</u>	<u>398,493</u>
Less sinking fund investments			<u>(36,645)</u>	<u>(36,683)</u>
Total			<u>361,402</u>	<u>361,810</u>

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

	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000	2028 \$'000	Thereafter \$'000
Debentures, Series A	-	-	-	-	-	125,000
Debentures, Series B	-	-	-	-	-	125,000
Debentures Province of BC	-	-	-	-	-	140,282
Demand loan	<u>233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,282</u>

Interest expense for the year on outstanding debt was \$20.7 million (March 31, 2022 - \$20.7 million) and is recorded on the Consolidated Statement of Operations and Accumulated Surplus.

In addition to principal repayments, sinking fund payments were made into government invested funds, to be applied towards the repayment of provincial debentures upon maturity. The market value of sinking fund investments as at March 31, 2023 was \$36.6 million (March 31, 2022 - \$36.7 million) and is invested in government and corporate bonds. The University will make sinking fund payments over the next five years and thereafter as follows:

	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000	2028 \$'000	Thereafter \$'000
Sinking fund investments	<u>2,006</u>	<u>2,006</u>	<u>2,006</u>	<u>2,006</u>	<u>2,006</u>	<u>20,058</u>

The University has a seasonal revolving line of credit. From September 1 to May 31, the line of credit is CAD \$40 million, and from 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 of up to US \$5 million (March 31, 2022 - \$5 million). As at March 31, 2023 and 2022, there were no amounts outstanding on the line of credit.

The University has a letter of credit facility of \$5.6 million available as of March 31, 2023 (March 31, 2022 - \$10.6 million). This letter of credit is provided as security to BC Hydro for electrical infrastructure upgrade work completed in November 2020. The University does not anticipate any draws on the letter of credit as BC Hydro is expected to recover its costs through increased electrical billings.



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16 Asset Retirement Obligations

	2023 \$'000	2022 \$'000
Balance, beginning of year	61,424	60,061
Accretion expense	1,406	1,363
Adjustment for change in discount rate	(8,856)	-
Balance, end of year	<u>53,974</u>	<u>61,424</u>

During the year ended March 31, 2023, the University recorded a reduction in asset retirement obligations of \$8.9 million resulting from a change in discount rate (March 31, 2022 - \$nil), of which \$8.3 million has been recorded as a recovery of facilities expense and \$0.6 million has been recorded as a reduction in tangible capital assets.

The estimated undiscounted cash flows required to settle asset retirement obligations are \$99.3 million, expected to be paid during the years ending March 31, 2024, to 2069. As at March 31, 2023, the estimated cash flows were discounted using the University's estimated long-term borrowing rate of 4.35% (March 31, 2022 - 3.06%).

17 Tangible Capital Assets

Cost	2022 \$'000 Restated Note 2(l)	Additions and Transfers \$'000	Change in Assets Under Construction \$'000	Disposals \$'000	2023 \$'000
Land	18,094	-	-	-	18,094
Site improvements	289,105	3,450	1,005	1,083	292,477
Buildings and renovations	4,427,538	31,911	212,235	40,220	4,631,464
Furnishings, equipment and systems	712,884	50,844	33,270	74,313	722,685
Library books	154,709	15,247	-	11,737	158,219
Assets under construction	357,662	313,627	(246,510)	-	424,779
Leasehold improvements	7,867	1,004	-	-	8,871
Total	<u>5,967,859</u>	<u>416,083</u>	<u>-</u>	<u>127,353</u>	<u>6,256,589</u>

Accumulated Amortization	2022 \$'000 Restated Note 2(l)	Amortization \$'000	Disposals \$'000	2023 \$'000
Site improvements	68,170	7,191	1,083	74,278
Buildings and renovations	1,553,053	123,964	40,220	1,636,797
Furnishings, equipment and systems	330,266	98,613	73,196	355,683
Library books	75,248	15,536	11,737	79,047
Leasehold improvements	393	838	-	1,231
Total	<u>2,027,130</u>	<u>246,142</u>	<u>126,236</u>	<u>2,147,036</u>



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17 Tangible Capital Assets (continued)

Cost	2021	Additions and Transfers \$'000	Change in Assets Under Construction \$'000	Disposals \$'000	2022
	\$'000				\$'000
	Restated Note 2(l)				
Land	18,094	-	-	-	18,094
Site improvements	288,352	338	1,045	630	289,105
Buildings and renovations	4,360,037	24,975	87,809	45,283	4,427,538
Furnishings, equipment and systems	693,579	58,850	26,597	66,142	712,884
Library books	152,398	15,384	-	13,073	154,709
Assets under construction	251,526	228,215	(122,079)	-	357,662
Leasehold improvements	-	1,239	6,628	-	7,867
Total	<u>5,763,986</u>	<u>329,001</u>	<u>-</u>	<u>125,128</u>	<u>5,967,859</u>

Accumulated Amortization	2021	Amortization \$'000	Disposals \$'000	2022
	\$'000			\$'000
	Restated Note 2(l)			
Site improvements	61,660	7,140	630	68,170
Buildings and renovations	1,478,135	118,976	44,058	1,553,053
Furnishings, equipment and systems	298,428	97,980	66,142	330,266
Library books	72,956	15,365	13,073	75,248
Leasehold improvements	-	393	-	393
Total	<u>1,911,179</u>	<u>239,854</u>	<u>123,903</u>	<u>2,027,130</u>

Net Book Value

	2023	2022
	\$'000	\$'000
		Restated Note 2(l)
Land	18,094	18,094
Site improvements	218,199	220,935
Buildings and renovations	2,994,667	2,874,485
Furnishings, equipment and systems	367,002	382,618
Library books	79,172	79,461
Assets under construction	424,779	357,662
Leasehold improvements	7,640	7,474
Total	<u>4,109,553</u>	<u>3,940,729</u>



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18 Accumulated Surplus

Accumulated surplus is comprised of the following:

	2023	2022
	\$'000	\$'000
Investment in tangible capital assets	1,410,155	1,288,153
Externally restricted endowments	1,087,854	1,062,404
Internally restricted	362,126	302,412
Unrestricted	(318,089)	(217,967)
Accumulated remeasurement gains	8,740	14,544
Total	<u>2,550,786</u>	<u>2,449,546</u>

Investment in tangible capital assets represents the cost of capital assets acquired by the University, net of funding from restricted capital contributions, debt, amounts received from land development activities, and asset retirement obligations.

Externally restricted endowments represent donor funding held in perpetuity.

Internally restricted represents amounts set aside by the University's Board of Governors for research, academic support, student financial aid, and the University's Liquidity Fund.

Unrestricted represents amounts from the University's operating and ancillary activities.

19 Financial Risk Management

The University is exposed to financial risks from its financial instruments.

Market Risk

Market risk is the risk of fluctuations in the value of financial instrument due to changes in market prices, whether caused by factors specific to the individual financial instrument or factors affecting financial instruments traded in the market.

The University's primary exposure to market risk is through its financial instruments that are held in cash and cash equivalents, portfolio and endowment investments. The market risks that the University is exposed to include interest rate risk, foreign exchange risk, and price risk.

The University manages these risks by establishing investment policies and frameworks for these investments. These policies set out the return and risk objectives of each fund and establish parameters for asset mix, investment managers, credit quality, and foreign exchange exposure. These policies are approved by the University's Board of Governors who also reviews and monitors the financial performance against these frameworks and policies.

Liquidity and Working Capital Fund (WCF)

The University's cash and cash equivalents and portfolio investments are primarily held in the Liquidity Fund and WCF.

The Liquidity Fund represents \$100 million of the University's working capital held to meet short-term operating requirements and is invested to preserve capital and maintain liquidity. Investments are limited to bank deposits, high quality money market securities, and senior government deposits. The Liquidity Fund is not exposed to foreign exchange risk as it does not hold any foreign currency investments.



19 **Financial Risk Management (continued)**

The primary objective of the WCF is to preserve capital and provide additional liquidity to the University beyond the \$100 million in the Liquidity Fund. The WCF is invested in pooled institutional fixed income and mortgage funds, and the Province of B.C.'s Provincial Central Deposit Program. Foreign currency risk is managed by limiting foreign currency exposure to 10% of the investment portfolio.

Main Endowment Pool (MEP)

The MEP holds 95% of the carrying value of the endowment funds and is governed by a statement of investment policy (SIP) approved by the University's Board of Governors. The SIP defines the investment governance structure, return objective and tolerance for investment risk. The objective of the MEP is to earn investment returns to support a long-term sustainable spend rate and maintain the inflation-adjusted value of the capital to preserve intergenerational equity within the stated risk tolerance level.

The UBC Board of Governors has approved a reference portfolio for the MEP that represents the University's risk tolerance and serves as a benchmark to measure the investment risk in the actual investment portfolio. Market risk is managed by setting parameters and constraints for the weighting of various investment asset classes and with careful evaluation and due diligence in the selection of investment managers. The University reviews the investment portfolio returns, asset mix weightings and the forward-looking volatility of the investment portfolio compared to the reference portfolio on a quarterly basis to ensure it is in alignment with the University's selected risk tolerance. The University also considers Environmental, Social and Governance (ESG) factors as potential investment risks in the MEP and integrates monitoring of ESG risks into its assessment and monitoring of investment managers as well as climate risk analysis into the evaluation of the MEP's future returns.

The remaining endowment assets are held in investment funds as per the agreements with the respective donors.

Credit Risk

Credit risk is the risk a counterparty to a financial instrument fails to meet its contractual obligations. The University is exposed to credit risk through its accounts receivable balances, which includes receivables from the Province of British Columbia and the federal government of Canada, tuition receivables, and the distribution receivable from UBCPIL. The remaining receivables from other sources are limited.

Credit risk from receivables from senior governments is low. Credit risk from tuition receivables is managed by restricting enrollment activities for students with delinquent balances and through collection management. The University manages credit risk to the distribution receivable from UBCPIL by monitoring its real estate development activities and has representation on the Board of Directors of UBCPIL. Counterparties to derivative instruments must have a long-term credit rating of A or higher.

Foreign Exchange Risk

The functional currency of the University is the Canadian dollar. The University conducts some transactions in foreign currencies, particularly the U.S. dollar

Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows associated with those instruments will fluctuate due to changes in foreign exchange rates. The University is exposed to foreign exchange risk on financial instruments denominated in foreign currencies, including foreign currency bank accounts and currency forward contracts. The foreign exchange risk of these instruments has an insignificant impact on the University's results of operations.

Liquidity Risk

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

19 Financial Risk Management (continued)

The University manages liquidity risk through active cash management through the Liquidity Fund and the Working Capital Fund. The University maintains a short-term liquidity target of 45 days of operating expenses, and an intermediate liquidity target of 90 days of operating expenses. In addition, the University maintains a seasonal line of credit ranging from \$40 to \$60 million and a \$5 million USD current account overdraft facility.

The University prepares an annual operating budget to ensure that the University does not allocate any funding beyond its expected earnings. The operating budget, including capital expenditures, is monitored and updated as necessary. Significant capital projects require approval by the Board of Governors before commencement.

Interest Rate Risk

Interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with those instruments will fluctuate due to changes in market interest rates.

The University is not exposed to changes in its cash flow due to changes in interest rates on its long-term debt as these borrowings are at fixed rates of interest. The University is exposed to interest rate risk through its sinking fund which is invested in fixed income funds

20 Government Grants and Contributions

	2023	2022
	\$'000	\$'000
Province of British Columbia		
Core academic funding	789,729	710,573
Postgraduate Medical Education program	170,085	170,147
Other funding	81,159	84,070
Total Province of British Columbia	<u>1,040,973</u>	<u>964,790</u>
Government of Canada	372,871	347,854
Other governments	32,682	27,333
	<u><u>1,446,526</u></u>	<u><u>1,339,977</u></u>

During the year, the University received restricted and unrestricted funding from the Province of British Columbia in the amount of \$1,082 million (March 31, 2022 - \$1,037 million). The amount recognized as revenue from funding received in the current year and prior years was \$1,041 million (March 31, 2022 - \$964.8 million). Unspent funding represents restricted contributions and is deferred in the Consolidated Statement of Financial Position.

21 Contractual Rights

The University has entered into multi-year research funding agreements whereby it has the opportunity to earn revenue of \$18.9 million up to the year ending March 31, 2028. The timing of revenue is dependent on the University incurring eligible expenditures as defined within the funding agreements.

22 Contractual Obligations

The University has entered into multi-year contracts for property leases, delivery of services, and the purchase of private equity investments. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Amounts related to the unperformed portion of the contracts are shown in the tables below.

a) Commitments related to property leases and delivery of services are as follows:

	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000	2028 \$'000	Thereafter \$'000
Construction contracts	360,607	149,257	36,025	432	-	-
Property leases	5,025	3,795	3,680	3,239	2,935	36,291
Services contracts	8,803	10,077	7,423	7,423	-	-
Student awards	3,801	-	-	-	-	-
Total	<u>378,236</u>	<u>163,129</u>	<u>47,128</u>	<u>11,094</u>	<u>2,935</u>	<u>36,291</u>

Construction contracts include \$72.8 million (March 31, 2022 - \$58.9 million) in construction commitments of UBCPIL.

b) Commitments related to the purchase of private equity investments are as follows:

	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000	2028 \$'000	Thereafter \$'000
Private equity investments	<u>208,018</u>	<u>143,568</u>	<u>132,300</u>	<u>63,274</u>	<u>15,047</u>	<u>-</u>

23 Contingent Liabilities

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

The University is a member of the University, College and Institute Protection Program (UCIPP), which is an actuarially valued 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), a special account established under the *Financial Administration Act* and 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 it is adequately funded to cover both known claims and incurred (but not reported) losses.

24 Related Party Transactions

The University is related through common control to the Province of British Columbia's 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 upon between the University and the related parties.

During the year, the University recorded expenses in the Statement of Operations of \$211.6 million (March 31, 2022 - \$210.7 million), mostly related to medical education programs and research activities with health authorities and other post-secondary institutions.

24 Related Party Transactions (continued)

The University has entered into operating leases and licensing agreements with entities under common control and non-business government partnerships in which the University charges nominal rates. Due to the nature and exchange of benefits between the University and the related parties, the fair values of these lease and licensing transactions are currently not determinable. All properties are located at either the Vancouver or Okanagan campus. The related parties are responsible for their operational and other applicable costs as defined in the agreements.

	<u>Type</u>	<u>Term</u>	<u>Expiry</u>
Vancouver Coastal Health Authority	Building lease	Monthly	-
Vancouver Coastal Health Authority	Building lease	25 years	2038
Translink	Land lease and license	40 years	2055
BC Transit	License	15 years	2032

Transactions and balances between the University and UBCPIL have been reported separately in Notes 4, 7 and 9. Grants received from the Province of British Columbia are discussed in Note 20.

25 Expenses by Object

	2023	2022
	\$'000	\$'000
		Restated Note 2(l)
Salaries	1,753,302	1,633,796
Supplies and sundries	332,699	305,525
Employee benefits	326,968	295,458
Amortization of tangible capital assets	246,142	239,854
Scholarships, fellowships and bursaries	174,852	184,657
Grants and reimbursements to other agencies	167,538	152,830
Professional and consulting fees	127,155	132,179
Cost of goods sold	48,442	31,960
Travel and field trips	46,589	11,918
Utilities	36,542	38,527
Interest on long-term debt	20,695	20,732
	<u>3,280,924</u>	<u>3,047,436</u>

26 Grants and Reimbursements to Other Agencies

During the year ended March 31, 2023, the University distributed research and other funds to agencies totalling \$167.5 million (March 31, 2022 - \$152.8 million). These funds were distributed under agreements where the University acts as the administrative head and a portion of the activities are carried out at other agencies.

Reimbursements amounting to \$119 million (March 31, 2022 - \$112.8 million) were made to BC health authorities for payments made on behalf of the University for the Postgraduate Medical Education program.

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27 Difference between FRF and PSAS

	2023 \$'000		
	<u>FRF</u>	<u>PSAS</u>	<u>Difference</u>
Liabilities			
Deferred capital contributions	1,753,943	-	1,753,943
Accumulated surplus	2,550,786	4,304,729	(1,753,943)
Revenues			
Government grants and contributions	1,446,526	1,625,402	(178,876)
Non-government grants, contributions and donations	225,302	263,067	(37,765)
Amortization of deferred capital contributions	87,025	-	87,025
Annual surplus	107,044	236,661	(129,617)

	2022 \$'000		
	<u>FRF</u>	<u>PSAS</u>	<u>Difference</u>
	Restated Note 2(l)	Restated Note 2(l)	
Liabilities			
Deferred capital contributions	1,624,327	-	1,624,327
Accumulated surplus	2,449,546	4,073,873	(1,624,327)
Revenues			
Government grants and contributions	1,339,977	1,450,409	(110,432)
Non-government grants, contributions and donations	198,144	204,417	(6,273)
Amortization of deferred capital contributions	87,358	-	87,358
Annual surplus	191,169	220,516	(29,347)

28 Budget Figures

The budget was approved by the Board of Governors on March 31, 2022. These figures have been provided for comparative purposes.

29 Comparative Information

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

