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THE UNIVERSITY OF BRITISH COLUMBIA

REPORT TO THE BOARD OF GOVERNORS
Agenda Item #3.1

SUBJECT	**CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2015**
MEETING DATE	**JUNE 9, 2015**

Forwarded to the Board of Governors on the Recommendation of the President

APPROVED FOR SUBMISSION

Arvind Gupta, President and Vice-Chancellor

DECISION REQUESTED	**IT IS HEREBY REQUESTED that *the Board of Governors approve UBC's Consolidated Financial Statements as at March 31, 2015.***
Report Date	May 15, 2015
Presented By	David H. Farrar, Vice-President Academic and Provost Angela Redish, Vice-Provost and Associate Vice-President Enrolment and Academic Facilities Ian Burgess, Comptroller Frances Yip, Director, Financial Reporting

EXECUTIVE SUMMARY

These Financial Statements represent the consolidated operations and financial position of the University. They include the University Operating Fund as well as restricted and unrestricted activities of the University, including the Research, Capital, Endowment and other Specific Purpose Funds.

It is important to note that the Operating Fund results, which are a subset of the consolidated position, were balanced for the year. A net drawdown of $8 million in operating reserves was used primarily to fund Capital commitments. A one-time central uncommitted balance of $5.3 million at UBCV at March 31, 2015 is carried forward as a contingency in the 2015/16 Board approved operating budget.

The University reports a consolidated surplus of $31.4 million for the year March 31, 2015, an increase of $31.3 million over the prior fiscal year. This includes a $16 million surplus in the endowment, which is added to endowment principal and is not available for spending. The remainder represents spending on capital investments across all funds for which the depreciation expense will flow in future years.

Revenues have increased by $78.2 million. Tuition fees increased $43 million driven by higher international student enrolment; non-government grant revenue increased $32.0 million, which benefited from a $7 million unrestricted gift in the year, in addition to increased research activities; and sales and service revenues increased $22.0 million, which is largely attributable to expanded operations in Student Housing and Hospitality Services. Investment income increased $7 million. These increases were offset by a decrease in the amortization of deferred capital contributions as a result of the changes made to the depreciation policy in fiscal 2014/15 and a decrease in government grants of $14.8 million due to a decrease in the operating grant of $5 million and a decrease in the medical expansion funding of $10 million.

Expenses have increased by $46.9 million. Learning expenses have increased by $39.4 million, driven by higher costs incurred to improve IT activities in faculties and units, in addition to higher costs in most faculties, largely driven by wage increases. Research expenses are higher by $13.2 million as a result of increased activities during the year. Administration costs increased by $3.2 million while students costs increased by $7.7 million, which is the result of an increase in financial aid and award and increased costs for food services operations. These increases are offset by a decrease of $16.3 million for facilities costs, most of which is driven by the depreciation policy changes, in addition to a decrease in utilities costs and interest costs in the year.

Total assets have increased by $284.6 million, with financial assets increasing $105.7 million and non-financial assets increasing $179 million. Financial assets increased primarily due to endowment returns earned in the year. Accounts receivable are up $82.5 million, which is attributable to distributions receivable from UBCPT, as well as committed funding expected to be collected for capital and research projects. These increases are offset by a decrease in cash and investments, which were used primarily for capital purposes and a decrease in investments in government business enterprises as a larger amount of distributions, from UBCPT, were declared and therefore reclassified as a receivable. Non-financial assets benefited from an increase in tangible capital assets which have grown $365 million in the year, less $203 million of amortization. Endowment capital increased by $18.7 million and these were offset by a decrease in prepaid expenses.

Total liabilities have increased by $214.7 million year over year. Deferred contributions increased by $130 million, which are driven by unspent endowment investment income and unspent research funding. Deferred land sale revenues increased by $57 million due to new land. Accounts payable increased by $40 million, which is attributable to an increase in trade payables of which a large portion is due to UBCPT for construction services. Accrued liabilities also increased which is driven largely by accruals made for faculty wage increases. Deferred revenues also increased by $7.5 million but these are offset by a decrease of $5.6 million in deferred capital contributions, which dropped due to lower external funding received for capital projects, and a decrease of $7.6 million in debt, due to an increase in the value of sinking fund investments.

INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED

☐ **Learning** ☐ **Research** ☐ **Innovation** ☐ **Engagement (Internal / External)** ☐ **International**

or ✔ **Operational**

DESCRIPTION & RATIONALE

UBC is required to prepare audited consolidated financial statements on an annual basis, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

BENEFITS Learning, Research, Financial, Sustainability & Reputational	UBC is ranked amongst the best worldwide and is regarded as a globally influential university with a reputation for excellence in advanced research and learning. Ensuring that the consolidated financial statements are prepared in accordance with the required accounting framework would continue to support the University in maintaining its reputation and credibility.
RISKS Financial, Operational & Reputational	In light of funding constraints and continuing changes to the relevant accounting standards, it is imperative to ensure that the consolidated financial statements are prepared in accordance with the required accounting framework. Otherwise it may result in further financial pressures, restrictions on the University's ability to maintain required service levels, negative impacts to the University's reputation, in addition to other risks.
CONSULTATION Relevant Units, Internal & External Constituencies	The consolidated financial statements are audited by the external auditors for the University, KPMG LLP. Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect some of the reported amounts. Some of these areas require input from external parties, such as the valuation of financial instruments and the present value of employee future benefits and commitments.

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THE UNIVERSITY OF BRITISH COLUMBIA

CONSOLIDATED FINANCIAL STATEMENTS

For year ended March 31, 2015

Vancouver, B.C. Canada

Statement of Management Responsibility

The consolidated financial statements of the University of British Columbia (the University) have been prepared by management in conformity with Canadian public sector accounting standards and Treasury Board direction outlined in note 2(a). The financial statements present the financial position of the University as at March 31, 2015, 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, 2015.

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

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

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

The financial statements for the year ended March 31, 2015 have been reported on by KPMG. The Independent Auditor's Report outlines the scope of the audit and provides the audit opinion on the consolidated financial statements.

Arvind Gupta
President

David H. Farrar
Provost and Vice President Academic

May 20, 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the University of British Columbia, which comprise the consolidated statement of financial position as at March 31, 2015, the consolidated statements of operations, remeasurement gains and losses, change in net debt and cash flows, for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the University of British Columbia as at March 31, 2015 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

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

Chartered Accountants

June 4, 2015

Vancouver, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31
(in thousands of dollars)

		March 31 2015	March 31 2014
FINANCIAL ASSETS			
Cash and cash equivalents	(Note 4)	$ 80,364	$ 90,565
Accounts receivable		230,558	148,063
Inventories for resale		7,051	6,593
Investments	(Note 5)		
Operating		335,045	375,758
Endowment (expendable balance)		621,832	492,706
Investments in government business enterprises	(Note 6)	11,672	67,123
		1,286,522	1,180,808
LIABILITIES			
Accounts payable and accrued liabilities	(Note 8)	242,412	199,463
Employee future benefits	(Note 9)	11,429	10,868
Deferred contributions	(Note 10)	819,826	689,619
Deferred capital contributions	(Note 11)	1,405,548	1,411,204
Deferred land lease revenue	(Note 12)	522,451	465,435
Debt	(Note 13)	365,976	373,622
		3,367,642	3,150,211
Net debt		(2,081,120)	(1,969,403)
NON-FINANCIAL ASSETS			
Tangible capital assets	(Note 14)	2,910,855	2,746,510
Investments			
Endowment (original contribution)	(Note 5)	847,887	829,155
Inventories held for use		2,490	2,560
Prepaid expenses		7,408	8,721
		3,768,640	3,586,946
Accumulated surplus		$ 1,687,520	$ 1,617,543
Accumulated surplus is comprised of:			
Accumulated surplus		$ 1,632,471	$ 1,583,277
Accumulated remeasurement gains		55,049	34,266
		$ 1,687,520	$ 1,617,543

Contractual obligations and contingent liabilities (Note 17)

Approved on behalf of the Board of Governors:

Chair, Board of Governors

Provost and Vice-President Academic

(See accompanying notes to the consolidated financial statements)

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED MARCH 31
(in thousands of dollars)

	Budget (Note 2(p))	2015	2014
Revenues			
Government grants and contracts (note 16)	$ 1,108,075	$ 1,089,173	$ 1,103,983
Tuition and student fees	511,971	518,877	475,846
Sales and services	297,819	306,507	284,563
Non-government grants, contracts and donations	86,212	117,326	85,309
Investment income	60,761	71,957	64,939
Income (loss) from government business enterprises (note 6)	643	(100)	643
Revenue recognized from deferred capital contributions (note 11)	95,563	87,985	98,222
	2,161,044	2,191,725	2,113,505
Expenses			
Learning	1,027,012	1,038,231	998,833
Research	467,413	475,522	462,322
Facilities	291,218	272,372	288,663
Students	262,289	259,492	251,808
Community engagement	48,669	47,586	47,838
Administration	64,443	67,079	63,913
	2,161,044	2,160,282	2,113,377
Annual surplus from operations	-	31,443	128
External endowment donations	24,000	17,751	23,882
Annual surplus	-	49,194	24,010
Accumulated surplus, beginning of period	$ 1,583,277	$ 1,583,277	$ 1,559,267
Accumulated surplus, end of period	$ 1,607,277	$ 1,632,471	$ 1,583,277

(See accompanying notes to the consolidated financial statements)

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31
(in thousands of dollars)

	Budget (Note 2(p))	2015 Total	2014 Total
Annual surplus	$ 24,000	$ 49,194	$ 24,010
Exclude items not affecting net debt:			
Endowment donations and transfers	(24,000)	(18,732)	(25,727)
	-	30,462	(1,717)
Acquisition of tangible capital assets	(496,830)	(367,480)	(262,283)
Amortization of tangible capital assets	228,023	203,135	222,381
	(268,807)	(164,345)	(39,902)
Acquisition of inventories held for use	-	(4,837)	(4,985)
Acquisition of prepaid expense	-	(6,733)	(8,075)
Consumption of inventories held for use	-	4,907	4,930
Use of prepaid expense	-	8,046	4,188
	-	1,383	(3,942)
	(268,807)	(132,500)	(45,561)
Net remeasurement gains	-	21,556	20,867
Self-supported subsidiary other comprehensive income	-	(773)	405
Increase in net debt	(268,807)	(111,717)	(24,289)
Net debt, beginning of year	(1,969,403)	(1,969,403)	(1,945,114)
Net debt, end of year	$ (2,238,210)	$ (2,081,120)	$ (1,969,403)

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31
(in thousands of dollars)

	2015	2014
Cash provided from operating activities		
Annual surplus	$ 49,194	$ 24,010
Add non-cash items:		
Amortization of tangible capital assets	203,135	222,381
Amortization of deferred capital contributions	(87,985)	(98,222)
Amortization of deferred land lease revenue	(5,045)	(4,645)
Change in employee future benefits	561	160
	159,860	143,684
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(82,495)	54,889
Decrease (increase) in inventories	(388)	98
Decrease (increase) in prepaid expenses	1,313	(3,887)
Increase (decrease) in accounts payable and accrued liabilities	42,949	(29,749)
	121,239	165,035
Cash used in capital activities		
Tangible capital asset acquisitions	(367,480)	(262,283)
Cash used in investing activities		
(Increase) decrease in investment in government business enterprises	55,451	(33,105)
Net (acquisitions) dispositions in investments	32,712	41,412
	88,163	8,307
Cash provided from financing activities		
Net increase (decrease) in deferred contributions	11,133	(12,459)
Net decrease in long-term debt	(7,646)	(5,853)
Increase in deferred land lease revenue	62,061	60,118
Increase in deferred capital contributions	82,329	87,917
	147,877	129,723
Increase (decrease) in cash and cash equivalents	(10,201)	40,782
Cash and cash equivalents, beginning of year	90,565	49,783
Cash and cash equivalents, end of year	$ 80,364	$ 90,565
Supplemental cash flow information		
Cash paid for Interest	$ 21,676	$ 23,152

(See accompanying notes to the consolidated financial statements)

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31
(in thousands of dollars)

		2015		2014
Accumulated remeasurement gains, beginning of year	$	34,266	$	12,994
Remeasurement gains realized and reclassified to the statement of operations from:				
Equity investments quoted in active market		(4,045)		809
Other investments designated at fair value		193		71
Unrealized gains (losses) generated during the year from:				
Equity investments quoted in active market		10,024		20,067
Other investments designated at fair value		15,384		(80)
Other comprehensive income from government business enterprises		(773)		405
Net remeasurement gains for the year		20,783		21,272
Accumulated remeasurement gains, end of year	$	55,049	$	34,266

(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 Significant Accounting Policies

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

(a) Basis of accounting:

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

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

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections effective their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

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

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

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

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

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with 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 Statement of Operations and Accumulated Surplus and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(b) Basis of Presentation

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

(c) Basis of consolidation:

(i) Consolidated entities

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

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

- UBC Foundation, a not-for-profit foundation formed to develop public awareness and encourage financial support for the University.

- American Foundation for UBC, an American charitable foundation that encourages financial support of the University.

- Hong Kong Foundation for UBC, a not-for-profit organization incorporated in Hong Kong that promotes and advances all matters concerning education in Hong Kong and elsewhere.

- UK Foundation for the University of British Columbia, an official charitable organization in the United Kingdom that promotes and advances all matters concerning education in the UK and elsewhere in the world.

- UBC Society for the Education of Young Children, a not-for-profit organization that maintains and operates an educational program for young children.

- UBC Asia Pacific Regional Office Limited, a Hong-Kong based association formed to promote and advance the academic and research interests of the University and its partners in the Asia Pacific region.

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

- UBC Investment Management Trust, whose primary purpose is to manage the investment assets of the University's endowment fund and the staff pension plan.

- UBC Research Enterprises Inc., which promotes the creation, testing, development, production and commercialization of intellectual property owned by the University.

(ii) Investment in government business enterprises

Government business enterprises are accounted for by the modified equity method. Under this method, the University's investment in the business enterprise and its net income and other changes in equity are recorded. No adjustment is made to conform the accounting policies of the government business enterprise to those of UBC other than if other comprehensive income exists, which is accounted for as an adjustment to accumulated surplus (deficit) of the University. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions between entities of assets that remain within the entities controlled by UBC.

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

- UBC Properties Investments Ltd. (UBCPIL) is controlled by UBC and is the bare trustee for UBC Properties Trust, which was established to carry out real estate development activities for the benefit of the University.

- Great Northern Way Campus Trust

  The University has a 25% (2014 – 25%) interest in the Great Northern Way Campus Trust. The Trust was formed on September 15, 2002 to include the lands and premises comprising the Great Northern Way Campus for the equal benefit of the University, Simon Fraser University, British Columbia Institute of Technology and the Emily Carr Institute of Art and Design.

(iii) Investment in government partnerships

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

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

The financial statements include the accounts of the following government partnerships, which are not business partnerships, and are accounted for by the University using the proportionate consolidation method of accounting:

- Tri-Universities Meson Facility (TRIUMF)

  The University has a 8.33% (2014 – 9.09%) interest in TRIUMF. TRIUMF is a joint venture amongst the University and eleven other universities, which was established to operate a facility for research in sub-atomic physics. TRIUMF operates on the UBC campus and elsewhere.

- Western Canadian Universities Marine Sciences Society (WCUMSS)

  The University has a 20% (2014 – 20%) interest in WCUMSS. The University is one of five university members of WCUMSS.

- CDRD Ventures Inc. (formerly DDI Drug Development Inc.), a development stage biotechnology enterprise.

  The University has a 33% (2014 – 33%) interest in CDRD. The University is one of three university members of CDRD.

(iv) Trusts under administration

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

(d) Cash and cash equivalents

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

(e) Revenue Recognition

(i) Restricted Revenue

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

- Non-capital contributions for specific purposes are recorded as deferred contributions and recognized as revenue in the year in which the stipulation or restriction on the contribution have been met; usually the year in which the related expense is incurred.

- 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. Where the capital asset involved has an unlimited life, the contribution is recorded in the Statement of Operations and Accumulated Surplus.

Some restricted contributions must be retained in perpetuity, allowing only the investment income earned thereon to be spent, and are recorded as external endowment donations 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.

(ii) Unrestricted Revenue

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

(iii) Deferred Land Lease Revenue

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

(iv) Investment Income

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

Investment transactions are recorded on a trade date basis. Transaction costs are expensed as incurred. To the extent that investment income relates to externally restricted endowments, income is recorded in the year in which the related expenses are incurred.

(f) Financial Instruments

(i) Classification, Disclosure and Presentation

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

Fair value category: Portfolio investments that are quoted in an active market, private equity investments, and long-term floating notes are all reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets, except those that are related to restricted endowments, are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses. Unrealized gains and losses on financial assets related to restricted endowments are included in deferred contributions.

Cost category: Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are included in the cost of the related investments.

(g) Short-term investments

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

(h) Inventories for resale

Inventories held for resale, including books, food services, and gift shop items, are recorded at the lower of cost or net realizable value. Cost is determined using the weighted average basis. Cost includes invoice cost and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated not to be recoverable. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of write-down previously recorded is reversed.

(i) Non-financial assets

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

(i) Tangible capital assets

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

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

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

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

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

(ii) Works of art and historic assets

Works of art and historic assets are not recorded as assets in these financial statements.

(iii) Inventories held for use

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

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

(iv) 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.

(j) Employee Future Benefits

(i) Pension Plans

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

Faculty Pension Plan

The Faculty Pension Plan is a defined contribution plan providing benefits on a money purchase basis. The cost of pension benefits includes the current service cost based on 10% of salary, less a fixed offsetting amount relating to Canada Pension Plan contributory earnings. The University expenses contributions to this plan in the year the contributions are related to.

Staff Pension Plan

The Staff Pension Plan provides benefits based on 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 10% of salary, less a fixed offsetting amount relating to Canada Pension Plan contributory earnings. In the event of funding deficiencies, the University's contributions remain fixed and benefits for members may be reduced. Accordingly, the University expenses contributions to this plan in the year of the related contributions. Benefits security for employees is improved by the plan maintaining a contingency reserve. The contingency reserve ceiling recommended by the plan's actuary and approved by the pension board and Canada Revenue Agency is 40% of liabilities.

Supplemental Arrangement

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

(ii) Income Replacement Plan

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

(iii) Sick Leave Benefits

Sick leave benefits are also available to UBC's employees. Employees are entitled to sick leave in accordance with the terms and conditions of their employment contracts. The costs of those benefits which vest or accumulate are actuarially determined based on service and estimates of retirement ages and expected future salary or wage increases. The obligation is accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees.

(k) Liability for contaminated sites

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

(i) an environmental standard exists;

(ii) contamination exceeds the environmental standard;

(iii) the University is directly responsible or accepts responsibility;

(iv) It is expected that future economic benefits will be given up; and

(v) a reasonable estimate of the amount can be made.

(l) Use of Estimates

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

(m) Debt Issue Costs

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

(n) Asset Retirement Obligation

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

(o) Functional Classification of Expenses

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

(i) Learning – This function includes expenses related to all direct educational delivery within the institution and activities that directly support the academic functions of the institution. This includes credit and non-credit courses, diploma, certificate and degree programs; continuing education; curriculum and program development; libraries and galleries; on-line delivery; information technology; specific purpose funding; and Endowment non-award funding. Costs associated with this function include contract expenses; Deans/Directors and/or Chairs; and instructional administration (general and financial), support staff and support costs directly related to these activities.

(ii) Research - This function includes research activities specifically funded by contracts and/or grants from external organizations and undertaken within the institution to produce research outcomes. Costs associated with this function include such things as research administration, research accounting, support costs established to conduct all research projects, and research related amortization.

(iii) Facilities – This function includes all capital asset related expenditures for the operation of the University. These include the operation and maintenance of physical plant and equipment for all institutional activities; utilities; facilities administration; custodial services; landscaping and grounds keeping; major repairs and renovations; security services; administration of infrastructure development; amortization expense (other than research related) and debt servicing costs related to the entire university.

(iv) Students - This function includes activities that directly support the individual students or groups of students. These include: student service administration; counseling; career services; social development and recreation; financial aid administration; scholarships and bursaries; and any other centralized general and financial administration and support costs related to these activities. It also includes ancillary operations that provide goods and services to the students, Endowment Award related funding and Award Funds that support students. Costs associated with this function include general and financial administration and support costs directly related to these activities.

(v) Community engagement – This function includes activities that support the relationship between the University and the community. It includes campus planning; advancement and development office; alumni; public / government relations; community affairs, and any other centralized institution wide external affairs. Costs associated with this function include general, financial administration and support costs directly related to these activities.

(all tabular amounts are in thousands of dollars)

(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.

(p) Budget Figures

Budget figures have been provided for comparative purposes and have been derived from the 2014/15 Consolidated Budget approved by the Board of Governors of UBC on July 7, 2014. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt. Note 19 reconciles the approved budget to the budget information presented in these consolidated financial statements.

3 Change in Accounting Policy

Effective April 1, 2014, the University adopted the PSA Handbook Section PS 3260 – *Liability for contaminated sites,* which applies to fiscal years beginning on or after April 1, 2014. The new standard includes the requirements for recognition, measurement and disclosure of liabilities for remediation of contaminated sites which are no longer in productive use and which result from an unexpected event. This accounting change had no impact on the University's consolidated financial statements.

4 Cash and Cash Equivalents

		March 31, 2015		March 31, 2014
Cash and outstanding cheques	$	10,682	$	19,921
Cash equivalents		69,682		70,644
	$	80,364	$	90,565

The University has a seasonal revolving line of credit. During September 1 to May 31, the line of credit is CAD $40 million, and during June 1 to August 31, the line of credit is increased to CAD $60 million. This operating facility includes, as a sub-limit, a US dollar current account overdraft facility up to US $5 million (March 31, 2014 the University had a CAD $40 million revolving line of credit with a sub limit of US $5 million line of credit).

5 Investments

Investments include operating, endowment and sinking fund investments. Operating investments consist of research, capital, and other funds received and held in advance for future expenditures. Endowment investments consist of donations held in perpetuity and land lease revenues received by the University to benefit current and future generations. Sinking fund investments are managed by the provincial government and will be applied against repayment of provincial debentures on maturity (Note 13).

(all tabular amounts are in thousands of dollars)

(a) Analysis of Investments

		March 31, 2015		March 31, 2014
Government and corporate bonds				
Maturity				
Less than 1 year	$	45,338	$	133,199
1 - 5 years		259,357		163,294
Greater than 5 years		26,817		69,774
Various - pooled		270,192		232,735
		601,704		599,002
Short-term notes and treasury bills		8,049		6,788
Canadian equities		171,043		153,311
Canadian pooled funds		287,049		276,548
United States equities and pooled funds		172,008		146,648
Other international pooled funds		540,561		473,834
Other		43,037		53,501
	$	1,823,451	$	1,709,632

These investments are presented in the consolidated financial statements as:

		March 31, 2015		March 31, 2014
Operating investments	$	335,045	$	375,758
Endowment (expendable balance)		621,832		492,706
Endowment (original contribution)		847,887		829,155
Sinking fund investments (Note 13)		18,687		12,013
	$	1,823,451	$	1,709,632

Investments maturing between 90 days and one year include promissory notes of $45.3 million (March 31, 2014 – $56.5 million) with a related party, UBC Properties Trust (Note 6(b)). The promissory notes are unsecured with floating interest rates set at the greater of either prime rate less 1.0% or a floor rate of 2.5% per annum.

Other investments include cash and short-term investments related to endowments and real estate investments, promissory notes issued by unrelated parties, and Long Term Floating Notes (LTFN).

(all tabular amounts are in thousands of dollars)

(b) Endowment Investments

(i) Endowment investments are reported as financial assets (expendable portion) and non-financial assets (externally restricted principal portion). The portion reported as non-financial assets comprise investments representing the original donation, which cannot be spent per external restriction by donors and, therefore, is not considered a financial asset.

	March 31, 2015			March 31, 2014		
	Principal	Expendable	Total	Principal	Expendable	Total
Balance, beginning of year	829,155	492,706	1,321,861	$ 803,428	$ 363,566	$ 1,166,994
Donations	17,751		17,751	23,882	-	23,882
Internal transfers	981	(2,666)	(1,685)	1,845	-	1,845
Transfers to/from cash		(4,046)	(4,046)	-	3,084	3,084
Investment income		181,029	181,029	-	165,725	165,725
Expenses		(45,191)	(45,191)	-	(39,669)	(39,669)
Balance, end of year	847,887	621,832	1,469,719	$ 829,155	$ 492,706	$ 1,321,861

(ii)Endowments held by Vancouver Foundation

Endowments with a fair value of $22.5 million (March 31, 2014 – $21.6 million) are held by the Vancouver Foundation in perpetuity for the benefit of the University and are not included in the University's financial statements. The capital of these endowment funds are held permanently by Vancouver Foundation and invested in accordance with the provisions of the Vancouver Foundations Act.

Endowments with a fair value of $24.7 million (March 31, 2014 – $23.7 million) are held and managed by Vancouver Foundation and are included in the University's financial statements. The University has the discretion to direct Vancouver Foundation to transfer the whole or any part of the capital of these endowment funds to the University.

(c) Fair Value of Financial Instruments

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties. UBC uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Consolidated Statement of Financial Position under the following captions:

Financial assets and liabilities recorded at fair value are comprised of the following:

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

- Operating investments

- Endowment investments

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(all tabular amounts are in thousands of dollars)

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

March 31, 2015	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Endowment investments:				
Cash and short-term notes	$ 16,562	$ 16,562	$ -	$ -
Fixed income			-	-
Mutual funds	175,426	175,426	-	-
Canadian equities	244,054	244,054	-	-
Canadian equities mutual funds	194,332	194,332	-	-
United States equities mutual funds	143,560	143,560	-	-
International equities mutual funds	235,480	235,480	-	-
Real estate	34,841	-	-	34,841
Private equity	390,547	-	-	390,547
Other	24,716	-	24,716	-
Total endowment investments recorded at fair value	1,459,518	1,009,414	24,716	425,388
Operating investments:				
Short term investments	-	-	-	-
Fixed income				
Government	323,806	323,806	-	-
Mutual funds	1,184	-	-	1,184
Canadian equities	2,742	2,742	-	-
United States equities	20	20	-	-
Private equity	6,293	-	-	6,293
Total operating investments recorded at fair value	334,045	326,568	-	7,477
Total	$ 1,793,563	1,335,982	24,716	432,865

(all tabular amounts are in thousands of dollars)

March 31, 2014	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Endowment investments:				
Cash and short-term notes	$ 12,181	$ 12,181	$ -	$ -
Fixed income				
Mutual funds	220,723	220,723	-	-
Canadian equities	148,757	148,757	-	-
Canadian equities mutual funds	198,775	198,775	-	-
United States equities mutual funds	126,065	126,065	-	-
International equities mutual funds	227,213	227,213	-	-
Real estate	34,779	-	-	34,779
Private equity	316,426	-	-	316,426
Other	23,742	-	23,742	-
Total endowment investments recorded at fair value	1,308,661	933,714	23,742	351,205
Operating investments:				
Short term investments	-	-	-	-
Fixed income				
Government	362,095	362,095	-	-
Mutual funds	2,661	-	-	2,661
Canadian equities	4,179	4,179	-	-
United States equities	-	-	-	-
Private equity	5,823	-	-	5,823
Total operating investments recorded at fair value	374,758	366,274	-	8,484
Total	$ 1,683,419	$ 1,299,988	$ 23,742	$ 359,689

(all tabular amounts are in thousands of dollars)

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

	March 31, 2015	March 31, 2014
Balance, beginning of year	$ 359,689	$ 355,217
Unrealized gains or (losses)	32,624	19,391
Purchases	78,393	29,635
Dispositions	(37,841)	(44,554)
Balance, end of year	$ 432,865	$ 359,689

6 Investments in Government Business Enterprises

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

Financial information in respect of these entities is disclosed below.

	UBC Properties Investments Ltd.		Great Northern Way	
Consolidated Statement of Financial Position:	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Financial assets	$ 62,311	$ 127,197	$ 65,278	$ 67,348
Liabilities	363,798	319,640	17,036	21,446
Net liabilities	(301,487)	(192,443)	48,242	45,902
Non-financial assets	306,880	252,893	14,845	15,721
Accumulated surplus	$ 5,393	$ 60,450	$ 63,087	$ 61,623
Adjustment for IIC's	(9,493)	(8,733)		-
Adjusted accumulated surplus	$ (4,100)	$ 51,717	$ 63,087	$ 61,623
UBC's proportionate share	$ (4,100)	$ 51,717	$ 15,772	$ 15,406

	UBC Properties Investments Ltd.		Great Northern Way	
Consolidated Statement of Operations:	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Revenue	$ 48,459	$ 72,977	13,072	$ 6,714
Expenses	6,852	13,883	8,515	6,609
Surplus (deficit) for the year	41,607	59,094	4,557	105
Adjustment to defer land sales	(43,056)	(58,687)	-	-
Adjustment for IIC's	210	210	-	-
Adjusted accumulated surplus	$ (1,239)	$ 617	4,557	$ 105
UBC's proportionate share	$ (1,239)	$ 617	1,139	$ 26

(all tabular amounts are in thousands of dollars)

(a) UBC Properties Investments Ltd. recognizes revenue from sales of 99-year leases in its income statement in the year that the transaction is completed. The University defers these revenues on the Statement Financial Position and amortizes the balance to the Statement of Operations and Accumulated Surplus over the duration of the lease (Note 12).

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

UBC Properties Trust, a subsidiary of UBC Properties Investment Ltd, invoiced the University $4.1 million (2014 – $3.3 million) for project management fees.

UBC Properties Trust issued promissory notes in favour of the University amounting to $45.3 million (March 31, 2014 – $56.5 million). This is reflected within investments (Note 5). The University charged UBC Properties Trust interest in the amount of $1.1 million (2014 – $1.1 million).

The University collected $21.2 million from UBC Properties Trust (2014 - $2.0 million) for infrastructure impact charges. These charges have been eliminated in the consolidated financial statements.

7 Investments in Government Partnerships

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

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

	TRIUMF		WCUMSS		CDRD Ventures Inc.	
Consolidated Statement of Financial Position:	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Financial assets	$ 26,382	$ 25,524	$ 696	$ 995	$ 1,579	$ 121
Liabilities	34,275	42,545	2,204	2,415	6,910	3,455
Net Liabilities	(7,893)	(17,021)	(1,508)	(1,420)	(5,331)	(3,334)
Non-financial assets	25,032	29,197	5,360	5,450	79	6
Accumulated surplus (deficit)	$ 17,139	$ 12,176	$ 3,852	$ 4,030	$ (5,252)	$ (3,328)
UBC's proportionate share	$ 1,428	$ 1,107	$ 770	$ 806	$ (1,751)	$ (1,109)
Consolidated Statement of Operations:						
Revenue	$ 84,564	$ 78,906	$ 3,136	$ 3,356	$ 911	$ 224
Expenses	79,602	77,588	3,314	3,368	2,835	2,135
Surplus (deficit) for the year	$ 4,962	$ 1,318	$ (178)	$ (12)	$ (1,924)	$ (1,911)
UBC's proportionate share	$ 414	$ 120	$ (36)	$ (2)	$ (641)	$ (637)

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

(all tabular amounts are in thousands of dollars)

8 Accounts Payable and Accrued Liabilities

	March 31, 2015	March 31, 2014
Accounts payable and accrued liabilities	$ 197,828	$ 166,048
Salaries and benefits payable	17,110	13,348
Accrued vacation pay	7,376	6,914
Amounts payable to government organizations	20,098	13,153
	$ 242,412	$ 199,463

Included in accounts payable and accrued liabilities at March 31, 2015 is a balance of $38.6 million owing to UBC Properties Investments Ltd (March 31, 2014 - $23.7 million).

9 Employee Future Benefits

(a) Contributions to Pension Plans

University contributions made to each of the pension plans were:

	March 31, 2015	March 31, 2014
Faculty Pension Plan	$ 38,145	$ 38,824
Staff Pension Plan	37,304	35,619
Supplemental Arrangement	3,180	3,560
	$ 78,629	$ 78,003

(all tabular amounts are in thousands of dollars)

(b) Accumulated Sick Leave Benefit and Income Replacement Plan

The accrued sick leave benefit and accrued income replacement plan benefit obligations as at March 31, 2015 are based on actuarial valuations prepared as of March 31, 2013 and 2015 respectively. The accrued benefit obligations are calculated as follows:

Accrued benefit obligation and accrued benefit liability	Sick leave	Income replacement plan	March 31, 2015 Total	March 31, 2014 Total
Balance, beginning of year	$ 2,163	$ 8,705	$ 10,868	$ 10,708
Current service and interest cost	874	1,481	2,355	2,344
Benefits paid	(950)	(1,303)	(2,253)	(2,184)
Actuarial loss	-	459	459	-
Balance, end of year	$ 2,087	$ 9,342	$ 11,429	$ 10,868

The accrued benefit liability is recorded as part of accounts payable and accrued liabilities.

Components of net benefit expense	2015	2014
Service cost	$ 1,870	$ 1,864
Interest cost	485	480
Net benefit expense	$ 2,355	$ 2,344

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

	March 31, 2015	March 31, 2014
Discount rate	5.80%	5.80%
Expected wage and salary increases	2.00%	2.00%

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

	March 31, 2015	March 31, 2014
Discount rate	2.45%	3.75%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary increases	3.00%	3.00%

(all tabular amounts are in thousands of dollars)

10 Deferred Contributions

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

	March 31, 2015	March 31, 2014
Research	$ 253,558	$ 241,247
Capital	30,294	27,758
Trust	93,786	88,168
Endowment	442,188	332,446
Balance, end of year	$ 819,826	$ 689,619

Changes in deferred contributions are as follows:

	March 31, 2015				
	Research	Capital	Trust	Endowment	Total
Balance, beginning of year	$ 241,247	$ 27,758	$ 88,168	$ 332,446	$ 689,619
Grants, contributions, donations and endowment income	424,762	71,246	173,026	173,798	842,832
Transferred to deferred capital contributions (Note 11)	(29,309)	(53,020)	-	-	(82,329)
Recognized to revenue	(383,142)	(15,690)	(167,408)	(64,056)	(630,296)
Balance, end of year	$ 253,558	$ 30,294	$ 93,786	$ 442,188	$ 819,826

	March 31, 2014				
	Research	Capital	Trust	Endowment	Total
Balance, beginning of year	$ 227,917	$ 42,174	$ 86,360	$ 237,842	$ 594,293
Grants, contributions, donations and endowment income	413,044	53,021	170,581	148,830	785,476
Transferred to deferred capital contributions (Note 11)	(25,189)	(62,179)	-	(549)	(87,917)
Recognized to revenue	(374,525)	(5,258)	(168,773)	(53,677)	(602,233)
Balance, end of year	$ 241,247	$ 27,758	$ 88,168	$ 332,446	$ 689,619

11 Deferred Capital Contributions

Contributions that are restricted for capital 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).

(all tabular amounts are in thousands of dollars)

Changes in the deferred capital contributions balance are as follows:

	March 31, 2015	March 31, 2014
Balance, beginning of year	$ 1,411,204	$ 1,421,509
Grants, contributions and donations spent (Note 10)	82,329	87,917
Current year amortization	(87,985)	(98,222)
Balance, end of year	$ 1,405,548	$ 1,411,204

12 Deferred Land Lease Revenue

	March 31, 2015	March 31, 2014
Balance, beginning of year	$ 465,435	$ 409,962
Lease additions during the year	61,890	60,118
Recognized to revenue	(4,874)	(4,645)
Balance, end of year	$ 522,451	$ 465,435

13 Debt

Debt is measured at amortized cost as follows:

	Maturity Date	Interest Rate	March 31, 2015	March 31, 2014
Series A Debentures Unsecured, to be repaid at maturity	2031	6.65%	$ 126,575	$ 126,536
Series B Debentures Unsecured, to be repaid at maturity	2035	4.817%	125,460	125,442
Canada Mortgage and Housing Corporation $721.5 paid semi-annually	2018 to 2023	6.125% to 7.875%	5,728	6,735
Province of BC Unsecured Debentures to be repaid at maturity	2037	4.70%	126,621	126,619
Royal Bank of Canada Demand Loans $3.6 paid monthly	2015 to 2016	Prime+0.04% to 4.93%	279	303
			384,663	385,635
Less Sinking fund investments (Note 5)			(18,687)	(12,013)
Total			$ 365,976	$ 373,622

(all tabular amounts are in thousands of dollars)

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

2016	818
2017	872
2018	932
2019	857
2020	650
Thereafter	376,777
	$ 380,906

Interest expense for the year on outstanding debt is $20.9 million (2014 - $22.5 million), which is recorded on the Statement of Operations and Accumulated Surplus.

In addition to principal repayments, sinking fund payments are made into government invested funds, to be applied against repayment of provincial debentures on maturity. The market value of sinking fund investments as at March 31, 2015 is $18.7 million (Note 5) and is invested in government and corporate bonds. The University will make sinking fund payments over the next five years and thereafter as follows:

2016	2,006
2017	2,006
2018	2,006
2019	2,006
2020	2,006
Thereafter	36,104
	$ 46,134

(all tabular amounts are in thousands of dollars)

14 Tangible Capital Assets

Cost	Balance at March 31, 2014	Additions	Disposals	Balance at March 31, 2015
Land	$ 19,622	$ -	$ -	$ 19,622
Site improvements	97,577	95,215	232	192,560
Buildings and renovations	3,152,787	31,073	51,497	3,132,363
Assets under construction	115,615	134,661	-	250,276
Furnishings, equipment and systems	594,212	89,849	78,319	605,742
Library books	153,711	16,682	36,957	133,436
Total	$ 4,133,524	$ 367,480	$ 167,005	$ 4,333,999

Accumulated Amortization	Balance at March 31, 2014	Disposals	Amortization Expense	Balance at March 31, 2015
Land	$ -	$ -	$ -	$ -
Site improvements	34,476	232	8,054	42,298
Buildings and renovations	978,831	51,497	82,121	1,009,455
Assets under construction	-	-	-	-
Furnishings, equipment and systems	296,941	78,319	86,229	304,851
Library books	76,766	36,957	26,731	66,540
Total	$ 1,387,014	$ 167,005	$ 203,135	$ 1,423,144

	Net book value March 31, 2015
Land	19,622
Site improvements	150,262
Buildings and renovations	2,122,908
Assets under construction	250,276
Furnishings, equipment and systems	300,891
Library books	66,896
Total	2,910,855

(all tabular amounts are in thousands of dollars)

Cost	Balance at March 31, 2013	Additions	Disposals	Balance at March 31, 2014
Land	$ 19,622	$ -	$ -	$ 19,622
Site improvements	96,984	974	381	97,577
Buildings and renovations	3,027,955	200,184	75,352	3,152,787
Assets under construction	141,055	(25,440)	-	115,615
Furnishings, equipment and systems	611,888	70,786	88,462	594,212
Library books	152,034	15,779	14,102	153,711
Total	$ 4,049,538	$ 262,283	$ 178,297	$ 4,133,524

Accumulated Amortization	Balance at March 31, 2013	Disposals	Amortization expense	Balance at March 31, 2014
Land	$ -	$ -	$ -	$ -
Site improvements	27,346	381	7,511	34,476
Buildings and renovations	938,464	75,352	115,719	978,831
Assets under construction	-	-	-	-
Furnishings, equipment and systems	301,539	88,462	83,864	296,941
Library books	75,581	14,102	15,287	76,766
Total	$ 1,342,930	$ 178,297	$ 222,381	$ 1,387,014

	Net book value March 31, 2014
Land	$ 19,622
Site improvements	63,101
Buildings and renovations	2,173,956
Assets under construction	115,615
Furnishings, equipment and systems	297,271
Library books	76,945
Total	$ 2,746,510

(a) Assets under construction

Assets under construction having a value of $250.3 million (March 31, 2014 - $115.6 million) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Works of art and historical treasures

The University manages and controls various works of art and non-operational historical cultural assets including artifacts, paintings and sculptures located at UBC sites. These assets are not recorded as tangible capital assets and are not amortized.

(c) Write-down of tangible capital assets

Write-downs of tangible capital assets during the year were $5,584 (2014 - $nil).

(d) Change in estimated useful lives

During the year, the University undertook a comprehensive review of its estimated useful lives for property, plant and equipment. As a result of this review, the University reassessed certain estimated useful lives, effective April, 1, 2014, as follows:

Site improvements – 15 to 80 years (previously at 5 to 80 years)
Building renovations – 5 to 40 years (previously at 5 to 10 years)

These changes to useful lives, when compared to the prior useful lives, had the effect of decreasing amortization expense and revenue recognized from deferred capital contributions for the year ended March 31, 2015 by $33.4 million and $15.0 million, respectively.

15 Financial Risk Management

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

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

(i) Interest Rate Risk

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

(ii) Liquidity Risk

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

(all tabular amounts are in thousands of dollars)

(iii) Credit Risk

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

(iv) Foreign Exchange Risk

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

16 Government Grants and Contracts

	March 31 2015	March 31 2014
Province of British Columbia		
Core Academic Funding	$ 585,616	$ 594,460
Post Graduate Medical Education Program	122,490	111,191
Other funding	49,425	68,482
Total Province of British Columbia	757,531	774,133
Government of Canada	318,590	321,215
Other governments	13,052	8,635
	$ 1,089,173	$ 1,103,983

During the year, the University received funding from the Province of British Columbia in the amount of $760.1 million (2014 – $753.9 million). $757.5 million has been recognized as revenue from funding received in the current year and prior years (2014 - $774.1 million). Unspent funding represents restricted contributions and is deferred on the Statement of Financial Position.

17 Contractual Obligations and Contingent Liabilities

Contractual obligations and contingent liabilities are as follows:

(a) Capital Projects

(i) At March 31, 2015, outstanding commitments totalled $148.7 million (March 31, 2014 – $132.2 million) for capital projects. These commitments are payable in subsequent years, and are funded by provincial contributions, private donations and earnings from sales and services.

(ii) In its capacity as development manager, UBC Properties Investment Ltd. has provided letters of guarantee of $5.8 million (2014 – $5.8 million).

(b) Litigation

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

(c) Derivative Financial Instruments

At March 31, 2015 the University had outstanding forward currency contracts with notional values of \$65.1 million (2014 – \$174.7 million) whose settlements extend to May 6, 2015. The unrealized gain at March 31, 2015 was \$0.5 million (2014 – gain of \$0.8 million) and has been reflected in the Statement of Remeasurement and in the fair value of investments.

(d) Self Insurance

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

(e) Funding Commitments

Under its endowment investment strategy, the University has outstanding commitments to fund infrastructure, private equity and real estate investments totalling approximately \$75.8 million (March 31, 2014 - \$78.6 million); \$44.5 million (March 31, 2014 – \$17.8 million) and \$38.7 million (March 31, 2014 – \$8.0 million), respectively. The University has no outstanding commitments to previous hedge fund investments (March 31, 2014 – \$4.3 million).

(all tabular amounts are in thousands of dollars)

18 Expenses by object

The following is a summary of expenses by object:

		March 31, 2015		March 31, 2014
Salaries	$	1,144,012	$	1,111,550
Employee benefits		176,281		168,564
Supplies and sundries		209,925		196,786
Amortization		203,135		222,381
Cost of goods sold		35,354		36,133
Scholarships, fellowships and bursaries		76,135		69,899
Travel and field trips		50,800		51,130
Professional and consulting fees		87,160		88,223
Grants and reimbursements to other agencies		121,301		108,869
Utilities		35,318		37,343
Interest on long-term debt		20,861		22,499
	$	2,160,282	$	2,113,377

19 Budget Figures

Subsequent to the original budget approval by the Board of Governors, the budget reflected in the Statement of Operations and Accumulated Surplus was amended to reclassify certain revenues and expenses to be consistent with classification changes made to current year’s results. These include $14.1 million of sales and services revenue, which are now offset against $14.1 million of corresponding community engagement expenses, and $8.0 million reclassified from learning expenses to administration expenses.

20 Grants and Reimbursements to Other Agencies

During the year, the University distributed research and other funds to agencies totalling $121.3 million (2014 – $108.9 million). These funds were distributed under agreements with granting agencies, whereby the University is the administrative head and a portion of the research is undertaken at other agencies.

Reimbursements of $85.5 million (2014 - $80.1 million) were made to the Health Authorities for payments made on behalf of the University for the postgraduate medical education program.

21 Comparative Information

Certain comparative figures have been reclassified to provide presentation consistency.