



University
of Victoria

SUBMISSION TO THE UVIC BOARD OF GOVERNORS

May 20, 2021

FOR DECISION

To: AUDIT COMMITTEE

From: ACTING VICE-PRESIDENT FINANCE AND OPERATIONS

cc: PRESIDENT & VICE-CHANCELLOR

A handwritten signature in black ink, appearing to be 'K. S. S.', located to the right of the 'cc:' line.

Board Date: May 26, 2021

Title: 2020/21 FINANCIAL STATEMENTS

Basis for Jurisdiction:

- University Act 27 (1)

Strategic Relevance:

Strategy 5.2 - Review and renew our approach to sustainability in every domain (research, education, community engagement and campus operations) to move toward a comprehensive and integrated approach.

Strategy 5.5 - Ensure the financial sustainability of the university and our ability to pursue excellence by optimizing existing resources through careful planning, earning public support, attracting partnerships, and pursuing a revitalized program to grow and diversify resources through philanthropic and other means.

Recommendation:

THAT the Audit Committee recommend to the Board of Governors that the Board of Governors approve the 2020/21 Audited Financial Statements and the appropriations as set out in the attached schedule; and

THAT the Chair of the Board of Governors and the Acting Vice-President Finance and Operations be authorized to sign the statements on behalf of the Board of Governors.

Attachments:

Appendix 1 – Draft Audited Financial Statements 2020-2021

Appendix 2 – Appropriated Expendable Funds

Appendix 3 – Management Discussion and Analysis

Consolidated Financial Statements of

UNIVERSITY OF VICTORIA

And Independent Auditor's Report Thereon

Year ended March 31, 2021



University
of Victoria



STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR FINANCIAL STATEMENTS

The University is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and Treasury Board direction outlined in note 2 (a). This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting measurement of transactions in which objective judgment is required. In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University's management has developed and maintains a system of internal controls designed to provide reasonable assurance that the University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements. The system of internal controls is monitored by the University's management.

The Board of Governors carries out its responsibility for review of the financial statements principally through its audit committee. The members of the Audit Committee are not officers or employees of the University. The Audit Committee meets with management and with the internal and external auditors to discuss the results of audit examinations and financial reporting matters. The auditors have full access to the Audit Committee, with and without the presence of management.

The consolidated financial statements have been examined by KPMG LLP, an independent firm of Chartered Professional Accountants. The Independent Auditors' Report outlines the nature of the examination and the opinion on the consolidated financial statements of the University for the year ended March 31, 2021.

On behalf of the University:

_____ Chair, Board of Governors

_____ Vice-President Finance and Operations



University
of Victoria



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the University of Victoria (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2021 of the Entity 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter - Financial Reporting Framework

We draw attention to note 2 to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- Information, other than the financial statements and the auditors' report thereon, included in the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Information, other than the financial statements and the auditors' report thereon, included in the Management Discussion and Analysis as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Victoria, Canada
[DATE]

UNIVERSITY OF VICTORIA

Consolidated Statement of Financial Position

As at March 31, 2021

(in thousands of dollars)

		2021	2020
Financial Assets			
Cash and cash equivalents	(Note 3)	\$ 167,136	\$ 148,780
Accounts receivable	(Note 4)	17,127	20,394
Due from governments	(Note 5)	7,037	13,790
Inventories for resale		1,386	1,604
Portfolio investments	(Note 6)	291,388	166,319
Derivatives	(Note 6)	19,494	-
Loans receivable	(Note 7)	24,550	24,610
Employee future benefits	(Note 8)	15,706	14,082
Investments in government business enterprises	(Note 9)	8,621	9,195
		552,445	398,774
Liabilities			
Accounts payable and accrued liabilities	(Note 11)	47,710	35,902
Derivatives	(Note 6)	-	1,151
Due to governments		1,748	6,370
Deferred revenue		19,288	17,017
Deferred contributions	(Note 12)	241,943	173,404
Deferred capital contributions	(Note 13)	430,999	428,738
Debt	(Note 14)	131,183	45,747
		872,871	708,329
Net debt		(320,426)	(309,555)
Non-financial Assets			
Tangible capital assets	(Note 15)	824,755	785,843
Restricted endowment investments	(Note 6)	392,775	375,802
Inventories held for use		2,384	2,338
Prepaid expenses		19,851	18,285
		1,239,765	1,182,268
Accumulated surplus	(Note 17)	919,339	\$ 872,713
Accumulated surplus is comprised of:			
Endowments	(Note 18)	\$ 392,775	\$ 374,307
Invested in capital assets		282,858	331,604
Internally restricted		156,741	131,997
Unrestricted		58,708	29,776
Accumulated operating surplus		891,082	867,684
Accumulated remeasurement gains		28,257	5,029
Accumulated surplus		\$ 919,339	\$ 872,713

Contractual rights (Note 19)

Contingent liabilities (Note 21)

Contractual obligations (Note 20)

On behalf of the Board:

The accompanying notes are an integral part of these financial statements.



UNIVERSITY OF VICTORIA

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2021

(in thousands of dollars)

	Budget (Note 2(o))	2021	2020
Revenue:			
Province of British Columbia grants	\$ 221,000	\$ 237,562	\$ 223,274
Government of Canada grants	67,000	70,278	69,593
Other government grants	17,800	15,512	16,371
Student tuition - credit courses	144,447	163,543	159,228
Student tuition - non-credit courses	20,000	10,172	21,740
Donations, non-government grants and contracts	17,800	17,387	19,141
Sales of services and products	32,230	30,331	70,244
Investment income	23,400	23,458	23,834
Income/(loss) from government business enterprises	600	(43)	2,055
Other revenue	7,368	5,732	7,408
Revenue recognized from deferred capital contributions	27,886	27,427	26,037
Loss on disposal of capital assets		(1,489)	-
	579,531	599,870	638,925
Expenses: (Note 22)			
Instruction and non-sponsored research	255,410	245,874	249,911
Academic and student support	144,042	145,119	153,735
Administrative support and general expenses	23,783	26,596	22,738
Facility operations and maintenance	56,956	54,797	54,846
Sponsored research	114,180	109,337	111,956
External engagement	13,268	13,217	13,242
	607,639	594,940	606,428
Annual operating surplus (deficit)	(28,108)	4,930	32,497
Restricted endowment contributions			
Endowment principal donations	8,000	14,327	8,730
Donations capitalized	8,000	2,606	7,880
	16,000	16,933	16,610
Funding of previous years capitalizations to endowment		1,535	14,801
Annual surplus	(12,108)	23,398	63,908
Accumulated operating surplus, beginning of year	867,684	867,684	803,776
Accumulated operating surplus, end of year	\$ 855,576	\$ 891,082	\$ 867,684

The accompanying notes are an integral part of these financial statements.



UNIVERSITY OF VICTORIA

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2021

(in thousands of dollars)

	Budget (Note 2(o))	2021	2020
Annual surplus (deficit)	\$ (12,108)	\$ 23,398	\$ 63,908
Acquisition of tangible capital assets	(95,248)	(87,575)	(66,418)
Amortization of tangible capital assets	47,974	47,174	45,714
Loss on disposal of capital assets		1,489	-
	(47,274)	(38,912)	(20,704)
Sale of restricted endowment investments		(16,973)	(16,685)
Acquisition of inventories held for use		(1,149)	(1,352)
Acquisition of prepaid expense		(18,807)	(17,945)
Consumption of inventories held for use		1,103	1,181
Use of prepaid expense		17,241	15,931
		(18,585)	(18,870)
Net remeasurement gains (losses)		23,228	(17,184)
Decrease (increase) in net debt	(59,382)	(10,871)	7,150
Net debt, beginning of year	(309,555)	(309,555)	(316,705)
Net debt, end of year	\$ (368,937)	\$ (320,426)	\$ (309,555)

The accompanying notes are an integral part of these financial statements.



UNIVERSITY OF VICTORIA

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2021

(in thousands of dollars)

	2021	2020
Accumulated remeasurement gains, beginning	\$ 5,029	\$ 22,213
Unrealized gains (losses) attributed to:		
Portfolio investments	2,571	(17,318)
Derivatives	20,645	(276)
Foreign currency translation	12	410
Net remeasurement gains (losses) for the year	23,228	(17,184)
Accumulated remeasurement gains, end of year	\$ 28,257	\$ 5,029

The accompanying notes are an integral part of these financial statements.



UNIVERSITY OF VICTORIA

Consolidated Statement of Cash Flows

Year ended March 31, 2021

(in thousands of dollars)

	2021	2020
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 23,398	\$ 63,908
Items not involving cash		
Amortization of tangible capital assets	47,174	45,714
Revenue recognized from deferred capital contributions	(27,427)	(26,037)
Change in employee future benefits	(1,624)	(3,205)
Equity in income of government business enterprises	574	(1,379)
Unrealized remeasurement gains on foreign exchange	12	410
Loss on disposal of capital assets	1,489	-
Changes in non-cash operating working capital:		
Decrease in accounts receivable	3,267	(3,180)
Decrease in loans receivable	60	425
Decrease (increase) in inventories	172	(118)
Increase in prepaid expenses	(1,566)	(2,014)
Increase in accounts payable and accrued liabilities	11,808	2,100
Decrease (increase) in due to/from government organizations	2,131	(5,105)
Increase (decrease) in deferred revenue	2,271	(2,784)
Decrease in deferred contributions	68,539	(25,251)
Net change from operating activities	130,278	43,484
Capital activities:		
Acquisition of tangible capital assets	(87,575)	(66,418)
Net change from capital activities	(87,575)	(66,418)
Investing activities:		
Net sale (acquisition) of portfolio investments	(60,294)	20,629
Net acquisition of endowment investments	(79,177)	(16,685)
Net change from investing activities	(139,471)	3,944
Financing activities:		
Proceeds of debt	87,114	-
Repayment of debt	(1,678)	(2,086)
Deferred capital contributions	29,688	33,423
Net change from financing activities	115,124	31,337
Net change in cash and cash equivalents	18,356	12,347
Cash and cash equivalents, beginning of year	148,780	136,433
Cash and cash equivalents, end of year	\$ 167,136	\$ 148,780

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

1. Authority, purpose and COVID-19

The University of Victoria (the “University”) operates under the authority of the *University Act* of British Columbia. The University is a not-for-profit entity governed by a 15 member Board of Governors, eight of whom are appointed by the government of British Columbia including two on the recommendation of the Alumni Association. The University is a registered charity and is exempt from income taxes under section 149 of the *Income Tax Act*.

On March 11, 2020, the COVID- 19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian federal and provincial governments enacting emergency measures to combat the spread of the virus. The economic conditions and the University’s response to the pandemic had a material impact on the University’s operating results and financial position for the fiscal year March 31, 2021. While these affects are expected to be temporary, the duration of the disruption and related financial impact cannot be reasonably estimated at this time. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty as compared to prior periods.

2. Summary of significant accounting policies

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

(a) Basis of accounting

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

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

Regulation 257/2010 requires all taxpayer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections related to not-for-profit accounting standards.

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 as follows:

- Contributions for the purposes of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be deferred and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded.

UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(a) Basis of accounting (continued)

- 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 period in which the stipulation or restriction on the contributions have been met.

For British Columbia taxpayer supported organizations, these contributions include government transfers and externally restricted contributions.

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

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the consolidated statement of operations and accumulated surplus and certain related deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(b) Basis of consolidation

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by the University. 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 organizations are controlled by the University and fully consolidated in these financial statements:

- UVic Industry Partnerships (formerly University of Victoria Innovation and Development Corporation) which facilitates research partnerships between the private sector and the University.
- University of Victoria Properties Investments Inc. which manages the University's real estate holdings including the Vancouver Island Technology Park Trust.



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

(i) Consolidated entities

- Ocean Networks Canada Society which manages the University's VENUS and NEPTUNE ocean observatories.
- Pacific Climate Impacts Consortium which stimulates collaboration to produce climate information for education, policy and decision making.
- University of Victoria Foundation, the Foundation for the University of Victoria, and the U.S. Foundation for the University of Victoria which encourage the financial support of the University and administer the University's endowment funds.
- Byron Price & Associates Ltd. which holds land in North Saanich.

(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 the University other than if other comprehensive income exists, it is accounted for as an adjustment to accumulated surplus (deficit). 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 the University.

The following organizations are controlled by the University and consolidated in these financial statements using the modified equity basis:

- Heritage Realty Properties Ltd. which manages the property rental and downtown hotel and brew-pub operation donated by the late Michael C. Williams.
- Vancouver Island Technology Park Trust which provides leased space to high-technology companies on Vancouver Island.
- GSB Executive Education Inc. provides executive training and other non-credit education.

(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.

UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

(iii) Investment in government partnerships (continued)

Government partnerships that are not wholly controlled 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 the University before it is proportionately consolidated.

The following organizations are government partnerships and are proportionately consolidated in these financial statements:

- Tri-Universities Meson Facility (TRIUMF) which operates a research facility for sub-atomic physics located at the University of British Columbia. These financial statements include the University's 7.14% interest.
- Western Canadian Universities Marine Sciences Society (WCUMSS) which operates a marine research facility at Bamfield on the west coast of Vancouver Island. These financial statements include the University's 20% interest.

(iv) Trusts under administration

Trusts administered by the University are not consolidated in the financial statements as the assets are not held for the benefit of the University.

(v) Funds held in trust

Funds held in trust by the University as directed by agreement or statute for certain beneficiaries are not included in the University's consolidated financial statements.

(c) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than investing.

(d) Loans receivable

Loans receivable are recorded at amortized cost. Interest is accrued on loans receivable to the extent it is deemed collectable.

UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(e) Financial instruments

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

(i) Fair value category

Portfolio instruments that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Other financial instruments designated to be recorded at fair value are endowment and portfolio investments. Transaction costs related to the acquisition of investments are recorded as an expense. Sales and purchases of investments are recorded at trade date. Unrealized gains and losses on financial assets are recognized in the consolidated statement of remeasurement gains and losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the consolidated statement of operations and accumulated surplus and related balances reversed from the consolidated statement of remeasurement gains and losses. Unrealized gains and losses in endowment investments, where earnings are restricted as to use, are recorded as deferred contributions and recognized in revenue when disposed and when related expenses are incurred. Restricted unrealized gains spent to meet current year endowment expenses or capitalization transfers are recorded in the consolidated statement of remeasurement gains and losses. Canadian public sector accounting standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in an active market for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in active markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(ii) Cost category

Gains and losses are recognized in the consolidated statement of operations and accumulated surplus when the financial asset is derecognized due to disposal or impairment and the gains and losses are recognized at amortized cost using the effective interest method; accounts payable and accrued liabilities and long-term debt are measured at amortized cost using the effective interest method.

UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(ii) Cost category (continued)

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.

(f) Short-term investments

Short-term investments are comprised of money market securities and other investments with maturities that are capable of prompt liquidation. Short-term investments are cashable on demand and are recorded at cost based on the transaction price on the trade date. All interest income, gains and losses are recognized in the period in which they arise.

(g) Inventories for resale

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

(h) 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 that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is capitalized during construction whenever external debt is issued to finance the construction of tangible capital assets. The cost, less residual value of the tangible capital assets, are amortized on a straight line basis over their estimated useful lives. Land is not amortized as it is deemed to have a permanent value.

UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(i) Tangible capital assets (continued)

Asset	Straight line Rate
Buildings - Concrete	50 years
Buildings - Woodframe	30 years
Buildings - Heritage	35 years
Site Improvements	30 years
Equipment - Computing	3 years
Equipment - Other	8 years
Information Systems	8 years
Furnishings	8 years
Library Holdings	10 years
Ships/Vessels	25 years

(h) Non-financial assets (continued)

(i) Tangible capital assets (continued)

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 recorded at a nominal value.

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 the University's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

(ii) Works of art and historic assets

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

(iii) Leased 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.

(iv) Inventories held for use

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



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(i) Employee future benefits

The costs of pension and other future employee benefits are recognized on an accrual basis over the working lives of employees as detailed in Note 8.

(j) Revenue recognition

Tuition and student fees and sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

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

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.
- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as restricted endowment contributions in the statement of operations and accumulated surplus for the portion to be held in perpetuity and as deferred contributions for any restricted investment income earned thereon.

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

(k) Pledges, gifts-in-kind and contributed services

Pledges from donors are recorded when payment is received by the University or the transfer of property is completed since their ultimate collection cannot be reasonably assured until that time. Gifts-in-kind include securities and equipment which are recorded in the financial statements at their fair market value at the time of donation. The value of contributed services is not determinable and is not recorded in the financial statements.

UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(l) Use of estimates

Preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the amortization period of tangible capital assets, valuation allowances for receivables and inventories, the valuation of financial instruments and assets and obligations related to employee future benefits. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(m) Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the statement of financial position date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the consolidated statement of remeasurement gains and losses. In the period of settlement, any exchange gain or loss is reversed out of the consolidated statement of remeasurement gains and losses, and reflected in the consolidated statement of operations and accumulated surplus.

(n) Functional classification of expenses

Expenses on 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) Instruction and non-sponsored research - This function includes expenses related to all direct educational delivery within the institution. This would include credit and non-credit courses, diploma, certificate and degree granting programs; continuing education; developmental education and on-line delivery. Costs associated with this function include the Deans, Directors and Chairs; instructional administration; and support staff and support costs related to these activities. Non-sponsored research is research activity funded by the university and includes faculty research start-ups; the Office of the Vice President of Research and Innovation and associated research projects; and research centres.



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(n) Functional classification of expenses (continued)

- (ii) Academic and student support - This function includes activities that directly support the academic functions of the University as well as centralized functions that support individual students or groups of students. These include: libraries; records and admissions; scheduling; student service administration; student recruitment; co-op programming; counseling and career services; financial aid administration; scholarships and bursaries; student social development and recreation; Office of Indigenous Affairs; student computer labs. Also included are costs associated with Ancillary Operations (including interest and amortization) such as the bookstore and regalia; residence housing, food, conference and child care services.
- (iii) Administrative support and general expenses - This function includes activities that support the institution as a whole such as the Office of the President; the University Secretary and the Board of Governors; finance and financial operations; internal audit; budget and planning; human resources; general counsel; institutional research; and a portion of informational technology and telecommunications.
- (iv) Facility operations and maintenance - This function includes the operations and maintenance of the physical plant and plant equipment for all institutional activities; capital asset amortization expense for building, site and plant equipment; utilities; facilities administration; custodial services; landscaping and grounds keeping; major repairs and renovations; security services and capital-related interest. This function also includes the ancillary operations of parking services and the University of Victoria Broad St. properties; Heritage Realty Properties Ltd.; and University of Victoria Properties Investments Inc.
- (v) Sponsored research - This function includes research activities specifically funded by contracts with and/or grants from external organizations and undertaken within the institution to produce research outcomes. Also included are joint ventures such as TRIUMF and WCUMSS and subsidiaries such as the Pacific Climate Impacts Consortium and Ocean Networks Canada Society, solely incorporated for sponsored research.
- (vi) External engagement - This function includes all activities provided in support of ongoing external relations. These activities include advancement and development (fundraising); alumni relations; community and government relations; corporate relations; marketing and communications; ceremonies; and art galleries.

(o) Budget figures

Budget figures have been provided for comparative purposes. The budget was approved by the Board of Governors of the University on September 29, 2020 and provided to the Province. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

3. Cash and cash equivalents

	2021	2020
Cash	\$ 35,127	\$ 10,069
Short-term investments	131,137	137,873
Restricted cash	872	838
	<u>\$ 167,136</u>	<u>\$ 148,780</u>

Restricted cash is comprised of an escrow account balance related to TRIUMF's asset retirement obligations.

4. Accounts receivable

	2021	2020
Revenues receivable	\$ 20,547	\$ 23,558
Accrued interest receivable	1,202	1,246
Less: provision for doubtful accounts	(4,622)	(4,410)
	<u>\$ 17,127</u>	<u>\$ 20,394</u>

5. Due from governments

	2021	2020
Federal government	\$ 5,259	\$ 12,894
Provincial government	1,407	783
Other	371	113
	<u>\$ 7,037</u>	<u>\$ 13,790</u>



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Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

6. Financial instruments

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

(a) Portfolio investments

Fair Value Hierarchy		2021	2020
Portfolio investments carried at fair value:			
Bonds	Level 2	\$ 16,656	\$ 11,460
Various pooled bond and mortgage funds	Level 1	166,339	102,167
Canadian equities	Level 1	16,412	8,978
Global equities	Level 1	64,770	27,869
Infrastructure and real estate	Level 3	21,819	14,804
		285,996	165,278
Portfolio investments at cost which approximates fair value:			
Short-term investments		4,305	512
Cash		1,037	474
Other		50	55
Total portfolio investments		\$ 291,388	\$ 166,319

(b) Restricted endowment investments

Fair Value Hierarchy		2021	2020
Restricted endowment investments carried at fair value:			
Bonds	Level 2	\$ 40,938	\$ 52,364
Various pooled bond and mortgage funds	Level 1	46,251	52,483
Canadian equities	Level 1	43,077	42,455
Global equities	Level 1	181,799	140,323
Infrastructure and real estate	Level 3	64,933	82,676
		376,998	370,301
Restricted endowment investments at cost which approximates fair value:			
Short-term investments		12,814	2,862
Cash		2,963	2,639
Total restricted endowment investments		\$ 392,775	\$ 375,802



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

6. Financial instruments (continued)

(c) Derivatives (See note 14 for breakdown of debt related to derivatives):

	Fair Value Hierarchy	2021	2020
Derivatives - interest rate swaps on debt quoted at fair value:			
Province of BC floating interest rate fixed at 1.86%, commencing 2023 through 2053, unsecured	Level 2	\$ 17,241	\$ -
Province of BC floating interest rate fixed at 1.90%, commencing 2024 through 2054, unsecured	Level 2	2,981	-
Royal Bank of Canada floating interest rate fixed at 5.38%, through an interest rate swap due in 2025, unsecured	Level 2	(403)	(499)
BC Immigrant Investment Fund floating interest rate fixed at 3.56%, commencing 2023 through 2033, unsecured	Level 2	(325)	(652)
Total derivatives		\$ 19,494	\$ (1,151)

7. Loans receivable

	2021	2020
Various faculty and senior administrators		
Home relocation loans, interest free for 5 years with option for further renewal unless employment ceases, secured by second mortgages	\$ 4,639	\$ 3,842
Heritage Realty Properties Ltd.		
Promissory note receivable, interest at Royal Bank Prime + 5.0%, due May 31, 2021, secured by an unregistered equitable mortgage	9,608	9,608
Vancouver Island Technology Park Trust loans receivable		
Interest at 5.13%, due April 2030, unsecured	8,242	8,936
Interest at 6.13%, due April 2030, unsecured	2,061	2,224
	\$ 24,550	\$ 24,610

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Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

8. Employee future benefits

Employee future benefits arise in connection with the University's group life insurance and accumulated sick leave plans. The University also maintains pension plans, and other retirement and supplementary benefit arrangements for substantially all of its continuing employees.

Summary of employee future benefit assets:

		2021	2020
Staff pension plan	(Note 8(a)(ii))	\$ (28,189)	\$ (24,773)
Supplemental pension obligations	(Note 8(a))	8,854	7,191
Special accumulated sick leave	(Note 8(b))	2,738	2,627
Basic group life insurance plan		891	873
		\$ (15,706)	\$ (14,082)

(a) Pension benefits

(i) Combination plan

The pension fund for full-time continuing faculty and administrative and academic professional staff is referred to as the Combination Plan. The plan's benefits are derived primarily from defined contributions with a defined benefit minimum. The plan has been accounted for as a defined contribution plan. The employees make contributions equal to 4.00% of salary up to the year's maximum pensionable earnings ("YMPE") plus 6.00% of salary in excess of the YMPE. The University makes contributions equal to 6.37% of salary up to the YMPE plus 8.00% of salary in excess of the YMPE. The university also contributes 4.00% of salary to fund the defined benefit minimum. The latest actuarial valuation for funding purposes as at December 31, 2018 showed that the accrued formula pension benefit liabilities of the Combination Plan were fully funded. The next valuation will be as at December 31, 2021 and is expected to be completed in September 2022. A solely defined contribution plan is available for part-time faculty and administrative and academic professional staff who meet certain eligibility criteria. The University has made contributions to these two plans during the year of \$24,142,000 (2020 - \$23,731,000) and recorded them as a pension expense.

The University provides supplemental pensions in excess of those provided under registered plans. They are fully funded out of the general assets of the University. The accrued liabilities of these arrangements total \$8,854,000 as at March 31, 2021 (2020 - \$7,191,000). The University paid supplemental benefits of \$265,000 in the year (2020 - \$272,000) and recorded employee benefit expense of \$256,000 (2020 - \$169,000).



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

8. Employee future benefits (continued)

(a) Pension benefits (continued)

(ii) Staff plan

The Staff Pension Plan (the "Plan") is a contributory defined benefit pension plan made available to regular staff employees that are eligible to join the Plan. The Plan provides pensions based on credited service and final average salary. Based on membership data as at the last actuarial valuation as at December 31, 2019, the average age of the 1,190 active employees covered by the Plan is 48.1. In addition, there are 618 former employees who are entitled to deferred pension benefits averaging \$279 per month. At December 31, 2019, there were 857 pensioners receiving an average monthly pension of \$1,000. The employees make contributions equal to 4.86% of salary that does not exceed the YMPE plus 6.61% of salary in excess of the YMPE. A separate pension fund is maintained. The University makes contributions to the plan in line with recommendations contained in the actuarial valuation. Though the University and the employees both contribute to the pension fund, the University retains the full risk of the accrued benefit obligation. The pension fund assets are invested primarily in Universe bonds and equities.

The University has made contributions to the Plan during the year of \$6,264,000 (2020 – \$5,961,000). The Plan paid benefits in the year of \$11,833,000 (2020 – \$11,410,000).

The pension asset at March 31 includes the following components:

	2021	2020
Accrued benefit obligation	\$ 255,957	\$ 242,132
Pension fund assets	(321,853)	(276,276)
	(65,896)	(34,144)
Unamortized actuarial gains	37,707	9,371
Net asset	\$ (28,189)	\$ (24,773)

Actuarial valuations are performed triennially using the projected benefit prorated method. The latest triennial actuarial valuation completed as at December 31, 2019 reported a going concern surplus and a solvency deficiency (i.e. if the plan were to be wound up on that date) of \$87,417,000. The next required valuation will be as at December 31, 2022, which will be completed in the summer of 2023. The *Pension Benefits Standards Act* of British Columbia requires minimum annual contributions or the use of letters of credit to fund a portion of the solvency deficiency. The University has chosen to arrange a letter of credit in the amount of \$28.5 million at March 31, 2021 (2020 – \$55.2 million) to satisfy the contribution requirements through 2021.



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Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

8. Employee future benefits (continued)

(a) Pension benefits (continued)

(ii) Staff plan (continued)

This letter of credit will be reassessed in conjunction with the next plan valuation and updated solvency funding level. The accrued benefit obligation shown for 2021 is based on an extrapolation of that 2019 valuation. There is an unamortized gain to be amortized on a straight-line basis over the expected average remaining service life of the related employee group (9 years).

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the University's best estimates. The expected inflation rate is 2%. The discount rate used to determine the accrued benefit obligation is 5.7%. Pension fund assets are valued at market value as at December 31, 2020. Prior year pension fund assets are valued as at March 31, 2020.

The expected rate of return on pension fund assets is 5.7%. The actual rate of return on Plan assets in 2020 was 10.7%. The total expenses related to pensions for the fiscal year ending, include the following components:

	2021	2020
Current period benefit cost	\$ 8,403	\$ 8,071
Amortization of actuarial gains	(1,521)	(1,030)
	6,882	7,041
Less: Employee contributions	(2,325)	(2,215)
Pension benefit expense	4,557	4,826
Interest cost on the average accrued benefit obligation	14,060	13,186
Expected return on average pension plan assets	(15,658)	(14,587)
Pension interest income	(1,598)	(1,401)
Total pension expense	\$ 2,959	\$ 3,425

The Supplementary Retirement Benefit Account is a separate fund available to provide pensioners over the age of 65 with supplemental indexing against inflation beyond that provided by the basic plan above. It is accounted for as a defined contribution plan, with University contributions during the year of \$129,000 (2020 – \$124,000).

UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

8. Employee future benefits (continued)

(b) Special accumulated sick leave benefit liability

Certain unionized employees of the University are entitled to a special vested sick leave benefit in accordance with the terms and conditions of their collective agreements. Employees who accumulate and maintain a minimum balance of regular sick leave may opt to transfer sick days into this special accumulating and vested benefit. The University recognizes a liability and an expense as days are transferred into this benefit. At March 31, 2021 the balance of this special accumulated sick leave was \$2,738,000 (2020 – \$2,627,000).

(c) Other long-term disability plan

An insured long-term disability plan funded entirely by the University was commenced for other staff on July 1, 2000. The University contribution for the year ending March 31, 2021 was \$1,304,000 (2020 – \$1,261,000).

9. Investments in government business enterprises

The University controls three profit-oriented subsidiaries which are recorded using the modified equity method of accounting. The three entities are Heritage Realty Properties Ltd., Vancouver Island Technology Park Trust and GSB Executive Education Inc.

Condensed financial information of these government business enterprises are as follows:

	2021	2020
Equity at beginning of year	\$ 3,245	\$ 3,104
Dividends/distributions paid	(1,637)	(1,914)
Net earnings (loss)	(43)	2,055
Equity at end of year	1,565	3,245
Dividends/distributions payable	7,056	5,950
Investment in government business enterprises	\$ 8,621	\$ 9,195

Change in equity in government business enterprises:

	2021	2020
Assets	\$ 39,112	\$ 38,553
Liabilities	(37,547)	(35,308)
Equity	\$ 1,565	\$ 3,245



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

9. Investments in government business enterprises (continued)

Consolidated Statement of Operations

	2021	2020
Revenue	\$ 14,070	\$ 22,609
Expenses	(14,113)	(20,554)
Surplus (deficit) for the year	\$ (43)	\$ 2,055

10. Investments in government partnerships

The University is one of fourteen university members of a consortium which manages the Tri-Universities Meson Facility (TRIUMF) for research in sub-atomic physics. The facility is funded by federal government grants and the University makes no direct financial contribution. TRIUMF's financial results are proportionately consolidated with those of the University based upon the University's share of its total ownership of 7.14% (2020 – 7.14%). TRIUMF expenses all capital assets in its income statement as acquired; the University capitalizes the capital assets and amortizes them over their useful lives. TRIUMF recognizes revenue in the year it is received, whereas the University follows the deferral method of accounting for contributions.

The University is one of five university members of the Western Canadian Universities Marine Sciences Society (WCUMSS) for marine field research. The University provided a grant to the Society in 2021 of \$273,400 (2020 – \$273,400). WCUMSS financial results are proportionately consolidated with those of the University based upon the University's share of its total contributions of 20% (2020 – 20%).

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

Consolidated Statement of Financial Position

	2021	2020
Financial assets	\$ 4,423	\$ 4,040
Liabilities	(3,057)	(894)
Net assets	1,366	3,146
Non-financial assets	1,289	1,368
Accumulated surplus	\$ 2,655	\$ 4,514



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

10. Investments in government partnerships (continued)

Consolidated Statement of Operations

	2021	2020
Revenue	\$ 6,801	\$ 6,739
Expenses	(6,581)	(6,821)
Surplus (deficit) for the year	\$ 220	\$ (82)

11. Accounts payable and accrued liabilities

	2021	2020
Accounts payable and accrued liabilities	\$ 28,752	\$ 19,356
Salaries and benefits payable	6,788	6,292
Accrued vacation pay	12,170	10,254
	\$ 47,710	\$ 35,902

12. Deferred contributions

Deferred contributions are comprised of funds restricted for the following purposes:

	2021	2020
Specific purpose (including endowment earnings)	\$ 160,814	\$ 105,431
Research	79,942	66,904
Capital	1,187	1,069
	\$ 241,943	\$ 173,404

2021					
	Specific Purpose	Research	Capital	Total	2020
Balance, beginning of year	\$ 105,431	\$ 66,904	\$ 1,069	\$ 173,404	\$ 198,655
Contributions and endowment investment income	94,786	102,699	793	198,278	105,092
Revenue recognized from deferred contributions	(39,403)	(89,661)	(675)	(129,739)	(130,343)
Balance, end of year	\$ 160,814	\$ 79,942	\$ 1,187	\$ 241,943	\$ 173,404

The balance shown under specific purpose includes accumulated unrealized gains of \$85,566,000 (2020 – \$940,000) from endowment investments.

UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

13. Deferred capital contributions

Contributions that are restricted for capital are referred to as deferred capital contributions. Amounts are recognized into revenue at the same rate that amortization of the related tangible capital asset is recorded. Treasury Board provided direction on accounting treatment as disclosed in Note 2(a). Changes in the deferred capital contributions balance are as follows:

	2021	2020
Balance, beginning of year	\$ 428,738	\$ 421,352
Contributions received during the year	29,688	33,423
Revenue from amortization of deferred capital contributions	(27,427)	(26,037)
Balance, end of year	\$ 430,999	\$ 428,738

14. Debt

Debt reported on the consolidated statement of financial position is comprised of the following (see note 6 (c) for related derivative information):

	2021	2020
Province of British Columbia Commercial paper financing for Student Housing and Dining project to be converted in 2023 to a term loan due in 2053, unsecured (Note 14(c))	\$ 87,114	\$ -
Royal Bank of Canada 5.38% term loan due 2024, unsecured	4,468	4,954
Province of British Columbia 2.28% bond due 2023, unsecured	3,858	3,893
British Columbia Immigrant Investment Fund 2.48% term loan due 2023, unsecured	6,701	7,163
Province of British Columbia 4.82% bond due 2027, unsecured, with annual sinking fund payments of \$327,000	10,800	10,800
Province of British Columbia 4.74% bond due 2038, unsecured, with annual sinking fund payments of \$302,000	10,000	10,000
Great West Life Insurance Company 5.13% term loan due 2030, unsecured	8,242	8,937
Debt	\$ 131,183	\$ 45,747



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

14. Debt (continued)

(a) Principal repayments

Anticipated annual principal repayments, including sinking fund instalments and maturities, due over the next five years and thereafter are as follows:

	Sinking Fund	Other	Total
2022	\$ 629	\$ 2,266	\$ 2,895
2023	629	2,376	3,005
2024	629	8,414	9,043
2025	629	4,787	5,416
2026	629	3,679	4,308
Thereafter	1,561	88,861	90,422
	\$ 4,706	\$ 110,383	\$ 115,089

(b) Sinking Fund Investments

Sinking fund investments are held and invested by the Province of British Columbia. These funds totaling \$12,043,000 (2020 – \$11,308,000) will provide for the retirement at maturity of \$20,800,000 of debt issued to the Province. The amount forms part of the portfolio investments balance shown on the Consolidated Statement of Financial Position.

(c) Student Housing and Dining project financing

The University is authorized by the Province of British Columbia to borrow \$122,654,000 in order to finance a portion of the construction costs of the Student Housing and Dining (SHD) project. The debt related to the SHD project is \$87,114,000 as at March 31, 2021 (2020 – \$nil). This debt is financed by short term commercial paper loans which will be converted to 30 year term loans at completion of the SHD project in two phases in 2023 and 2024. As at March 31, 2021, the University holds two commercial paper loans with balances of \$29,614,000 and \$57,500,000 and interest rates of 0.02% and 0.03%, respectively.



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

15. Tangible capital assets

Cost	Balance as at March 31, 2020	Additions	Disposals	Balance as at March 31, 2021
Land	\$ 22,582	\$ -	\$ -	\$ 22,582
Site improvements	47,023	2,251	-	49,274
Buildings	893,644	63,555	(4,029)	953,170
Equipment and furnishings	190,991	14,932	(14,959)	190,964
Information systems	18,441	-	-	18,441
Computer equipment	15,242	4,752	(3,431)	16,563
Library holdings	36,085	2,085	(3,506)	34,664
Total	\$ 1,224,008	\$ 87,575	\$ (25,925)	\$ 1,285,658

Accumulated amortization	Balance as at March 31, 2020	Disposals	Amortization	Balance as at March 31, 2021
Site improvements	\$ 22,252	\$ -	\$ 1,368	\$ 23,620
Buildings	274,515	(2,540)	18,412	290,387
Equipment and furnishings	93,153	(14,960)	20,080	98,273
Information systems	18,441	-	-	18,441
Computer equipment	9,276	(3,430)	4,138	9,984
Library holdings	20,528	(3,506)	3,176	20,198
Total	\$ 438,165	\$ (24,436)	\$ 47,174	\$ 460,903

Net book value	March 31, 2021	March 31, 2020
Land	\$ 22,582	\$ 22,582
Site improvements	25,654	24,771
Buildings	662,783	619,129
Equipment and furnishings	92,691	97,838
Computer equipment	6,579	5,966
Library holdings	14,466	15,557
Total	\$ 824,755	\$ 785,843



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

15. Tangible capital assets (continued)

(a) Contributed tangible capital assets:

Additions to equipment and furnishings and computers include the following contributed tangible capital assets:

	2021	2020
Equipment and furnishings	\$ 69	\$ 78

(b) Assets under construction

Assets under construction comprised of buildings having a value of \$65,333,000 (2020 – \$21,150,000) and equipment having a value of \$14,219,000 (2020 – \$18,747,000) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

(c) De-recognition of tangible capital assets

The de-recognition of tangible capital assets during the year had an original cost of \$21,896,000 (2020 – \$28,040,000) and related to fully amortized assets with a net book value of \$nil (2020 – \$nil). The de-recognition of capital assets from the deconstruction of existing buildings on the site of the Student Housing and Dining Project had an original cost of \$4,029,000 related to assets with a net book value of \$2,540,000.

16. Financial risk management

The University has exposure to the following risks from its use of financial instruments: credit risk, price risk and liquidity risk. The Board of Governors ensures that the University has identified major risks and management monitors and controls them.

(a) Credit risk

Credit risk is the risk of financial loss to the University if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from the amounts receivable and from fixed income assets held by the University.

The University manages amounts receivable by using a specific bad debt provision when management considers that the expected recovery is less than the account receivable.

The entity is exposed to credit risk through its accounts receivable from students. This risk is managed by limiting the extent of credit granted to students and by monitoring the collection of receivables.

The University limits the risk in the event of non-performance related to fixed income holdings by dealing principally with counter-parties that have a credit rating of A or higher as rated by the Dominion Bond Rating Service or equivalent. The credit risk of the University investments at March 31, 2021 is \$401,377,000 (2020 – \$341,895,000).

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Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

16. Financial risk management (continued)

(a) Credit risk (continued)

The following shows the percentage of fixed income holdings in the portfolio by credit rating:

Credit Rating	%
AAA	6.0%
AA	18.8%
A	11.2%
BBB	7.4%
BB and below	1.0%
Mortgages	13.8%
Cash and short-term	
R1 high	22.7%
R1 mid	2.5%
R1 low	16.6%
	100.0%

(b) Price risk

Price risk includes market risk and interest rate risk.

Market risk relates to the possibility that the investments will change in value due to fluctuations in market prices. The objective of market risk management is to mitigate market risk exposures within acceptable parameters while optimizing the return on risk. This risk is mitigated by the investment policies for the respective asset mixes to be followed by the investment managers, the requirements for diversification of investments within each asset class and credit quality constraints on fixed income investments. Market risk can be measured in terms of volatility, i.e., the standard deviation of change in the value of a financial instrument within a specific time horizon.



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

16. Financial risk management (continued)

(b) Price risk (continued)

Based on the volatility of the University's current asset class holdings, the net impact on market value of each asset class is shown below.

Asset Class		Estimated Volatility (% change)
Bonds	+/-	6.0%
Foreign equities	+/-	18.0%
Real estate	+/-	12.5%
Canadian equities	+/-	20.0%
Infrastructure	+/-	12.5%
Benchmark for Investments		Net Impact on Market Value
FTSE Canada Universe Bond index	+/-	\$ 16,217
S&P/TSX Composite index	+/-	11,692
MSCI All Country World Index	+/-	44,318
Canadian Consumer Price Index (Real Estate)	+/-	6,057
Canadian Consumer Price Index (Infrastructure)	+/-	4,788

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

It is management's opinion that the University is exposed to market or interest rate risk arising from its financial instruments. Duration is an appropriate measure of interest rate risk for fixed income funds as a rise (fall) in interest rates will cause a decrease (increase) in bond prices; the longer the duration, the greater the effect. Duration is managed by the investment manager at the fund level. At March 31, 2021, the modified duration of all fixed income in aggregate was 3.5 years. Therefore, if interest rates were to increase by 1% across all maturities, the value of the bond portfolio would drop by 3.5%; contrarily, if interest rates were to decrease by 1% across all maturities, the value of the bond portfolio would increase by 3.5%.

The University's debt is fixed rate; accordingly, changes in interest rates do not impact interest payments but may impact the fair value of such debt and the fair value of related derivatives (interest rate swaps on debt). The University uses interest rate swaps to lock in interest rates on future debt issues to protect against rising interest rates.



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

16. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they become due. The University manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation.

17. Accumulated surplus

Accumulated surplus is comprised of the following:

	2021	2020
Endowments	\$ 392,775	\$ 374,307
Invested in capital assets	282,858	331,604
Internally restricted	156,741	131,997
Unrestricted	58,708	29,776
Accumulated remeasurement gains	28,257	5,029
	\$919,339	\$ 872,713

Endowments consist of restricted donations and capitalized investment income to be held in perpetuity.

Invested in capital assets consist of unrestricted funds previously spent on capital assets and debt repayment.

Internally restricted funds consist of balances set aside or appropriated by the Board of Governors for equipment replacement, capital improvements and other non-recurring expenditures.

Unrestricted funds consist primarily of balances arising from the University's ancillary and specific purpose funds, and consolidated entities.



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

18. Endowments

Changes to the endowment principal balances, not including remeasurement gains/losses, (see note 12 for accumulated unrealized gains/ losses on restricted endowment investments) are as follows:

	2021	2020
Balance, beginning of year	\$ 374,307	\$ 342,896
Contributions received during the year	14,327	8,730
Invested income and donations capitalized	2,606	7,880
Funding of previous years capitalization to endowment	1,535	14,801
Balance, end of year	\$ 392,775	\$ 374,307

The balance shown does not include endowment principal with fair value of \$8,187,000 (2020 – \$6,886,000) and book value of \$4,820,000 (2020 – \$4,820,000) held by the Vancouver Foundation. The excluded principal is not owned or controlled by the University, but income from it is paid to the University to be used for specific purposes.

19. Contractual rights

The University may, from time to time, enter into contracts or agreements in the normal course of operations that result in future assets or revenue. One example of such agreements is multi-year research funding agreements, whereby the University has the opportunity to earn revenue in future years by incurring qualified expenditures. These funding agreements do not abnormally impact the University's financial position and do not guarantee the university the right to future funding.

20. Contractual obligations

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

	2022	2023	2024	2025	2026
Construction contracts	\$ 103,790	\$ 49,068	\$ 1,004	\$ 305	\$ -
Operating leases	157	22	37	7	7
Total	\$ 103,947	\$ 49,090	\$ 1,041	\$ 312	\$ 7



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

21. Contingent liabilities

The University may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of business. It is management's opinion that the aggregate amount of any potential liability is not expected to have a material adverse effect on the University's financial position or results.

The University is one of 58 Canadian university subscribers to CURIE, which has provided property and liability insurance coverage to most campuses other than Quebec and Prince Edward Island since 1988. The anticipated cost of claims based on actuarial projections is funded through member premiums. Subscribers to CURIE have exposure to premium retro-assessments should the premiums be insufficient to cover losses and expenses.

22. Expenses by object

The following is a summary of expenses by object:

	2021	2020
Salaries and wages	\$ 340,135	\$ 331,909
Employee benefits	62,035	61,603
Travel	1,868	15,267
Supplies and services	72,048	79,039
Equipment rental and maintenance	9,794	9,111
Utilities	7,159	8,780
Scholarships, fellowships and bursaries	47,154	40,908
Cost of goods sold	5,127	12,122
Interest on long-term debt	2,446	1,975
Amortization of tangible capital assets	47,174	45,714
	\$ 594,940	\$ 606,428

23. Trusts under administration

(a) University of Victoria Long-Term Disability Trust

The University administers an employee-funded long-term disability plan for faculty and administrative and academic professional staff. The University does not contribute to or control the plan. The long-term disability plan's assets and liabilities have not been included in the consolidated statement of financial position. The plan's operations have not been included in the consolidated statement of operations and accumulated surplus.



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2021

(tabular figures in thousands of dollars)

23. Trusts under administration (continued)

- (a) University of Victoria Long-Term Disability Trust (continued)

As of March 31, 2021, the balances of the long-term disability plan are as follows:

	2021	2020
Assets	\$ 20,952	\$ 18,774
Accrued benefit obligation	(21,398)	(18,720)
	\$ (446)	\$ 54

- (b) Funds held in trust

Funds held in trust are funds held on behalf of autonomous organizations, agencies, and student societies having a close relationship with the University. These funds are not reported on the University's consolidated statement of financial position (2021 – \$3,750,000; 2020 – \$1,824,000).

24. Supplemental cash flow information

	2021	2020
Cash paid for interest	\$ 1,958	\$ 2,041

25. Related party transactions

The University is related through common control to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount. The university accounts for its controlled entities, government business enterprises and government partnerships as outlined in Note 2(b). During the year ended March 31, 2021, there have been no material transactions between the university and its key management personnel or their close family members.



UNIVERSITY OF VICTORIA
SCHEDULE OF CHANGES IN APPROPRIATED EXPENDABLE FUNDS

FUND ACCOUNTING -SCHEDULE 2
(Prepared without audit)

Year ended March 31, 2021 (in thousands of dollars)

	Balance at beginning of year	Released to meet expenditures	Additions and/ or transfers during year	Balance at end of year
GENERAL OPERATING FUND				
Equipment				
Printing and duplicating	1,423	634	111	900
Network services	2,813	1,235	1,612	3,190
Other departments	16,683	3,455	3,530	16,758
Capital and renovation projects	1,662	192	209	1,679
Academic and administrative program development and operation support	12,265	792	6,617	18,090
Research support	20,111	3,701	7,977	24,387
Student assistance and financial aid	11,480	4,173	3,870	11,177
Employee obligations, training and support	14,765	1,003	3,454	17,216
Information technology and technical support	3,139	228	264	3,175
Other commitments	6,364	3,080	2,206	5,490
Contingency	6,337	508	32	5,861
Externally funded Island Medical Program	4,982	141	1,230	6,071
Insurance and utilities	6,402	-	387	6,789
Library prepaid expenses	3,329	3,329	3,521	3,521
	111,755	22,471	35,020	124,304
ANCILLARY ENTERPRISES FUND				
Equipment replacement and capital improvements				
Bookstore	2,226	1,291		935
Student residences	7,325	1,289		6,036
Food services	302			302
Parking services	8,326	1,349		6,977
Heritage Realty Properties	530			530
Childcare	74			74
	18,783	3,929	-	14,854
CAPITAL FUND				
Plant Assets funded to/from Appropriations				
Capital reserve	37,808	1,063	-	36,745
Residences	(375)		-	(375)
Centre for Athletic Recreation and Special Abilities	(18,810)		653	(18,157)
Others	(32,566)	2,707	17,643	(17,630)
	(13,943)	3,770	18,296	583
TOTAL APPROPRIATED EXPENDABLE FUNDS	116,595	30,170	53,316	139,741
2020 COMPARATIVE	106,811	28,257	38,041	116,595

University of Victoria

2021 Management Discussion and Analysis

(Unaudited)



University
of Victoria



Introduction to Management Discussion and Analysis

The attached financial statements present the financial results of the university for the year ended March 31, 2021 in accordance with Public Sector Accounting Standards, supplemented by directives set out by the Province of British Columbia and consistent with Section 23.1 of the *Budget Transparency and Accountability Act* (BTAA) of the Province of British Columbia. These statements are the consolidation of all university operations, including the results of general operations, ancillary operations, capital projects, endowment returns and spending, research grants and expenditures, etc. As required by Public Sector Accounting Standards, they also include the financial results of each of the university's 13 external entities as well as the staff pension plan. While these entities are required to be included in the financial statements, their assets are restricted for specific purposes (e.g., pension) and therefore are not available to support general operations of the university.

The objective of this Management Discussion and Analysis (MD&A) document is to assist readers of the university's financial statements to better understand the financial position and operating activities of the university for fiscal year March 31, 2021, as presented in accordance with the above reporting framework. This discussion should be read in conjunction with the annual audited financial statements and accompanying notes.

The Strategic Framework for the University of Victoria 2018-2023 articulates our vision, values and priorities in fulfilling our commitment to contributing to a better future for people, places and the planet. The framework serves as a guide to our future—setting out priorities and high-reaching goals in six key areas:

- cultivate an extraordinary academic environment;
- advance research excellence and impact;
- intensify dynamic learning;
- foster respect and reconciliation;
- promote sustainable futures; and
- engage locally and globally.

The university annually develops a Planning and Budget Framework (P&BF) which is informed by these six priorities and reflects the objectives and commitments articulated in other institutional plans: the International Plan, Indigenous Plan, Strategic Research Plan, Strategic Enrolment Management (SEM) Plan, Campus Plan, Communications and Marketing Plan, Employment Equity Plan, and other documents such as the UVic Health Initiative concept paper. The P&BF and associated financial models are developed within the context of a three-year planning cycle which provides a more realistic time frame for the development of university initiatives and allows for greater flexibility than permitted within an annual process.

The MD&A provides an overview of the university's:

- Financial Highlights;

- Financial Information;
- Operating environment;
- Financial Reporting Environment;
- Risks and Uncertainties; and
- Related Entities.

COVID-19 has had significant impacts on the university and its faculty, staff, students and other stakeholders. The notable impacts, from a financial perspective, were to revenue generating areas such as housing, food, athletics and recreation and continuing studies whose services and programs rely heavily on face to face interactions. Reduced on campus activity resulted in revenue from sales and services, for the period ended March 31, 2021, to be less than half of that generated in the prior year. Enrolment and therefore tuition revenue, however, over the year remained strong due to the university's ability to quickly pivot to a robust online learning environment. Overall expenses were down year over year due to reductions in certain expenses such as travel, utilities and cost of goods sold which were offset by significant investments to support the learning environment and ensure the health and safety of those faculty and staff who continued to come to campus for limited face to face learning and to ensure critical services continued. Strong enrolment over the year combined with reduced expenses overall resulted in a positive financial outcome for the year. This positive result will provide us the financial capacity to continue to provide incremental learning supports in the coming year as we transition back to face to face as well as invest in institutional priorities. This outcome is a direct result of the dedication, creativity and resilience of our faculty, staff and students for which we are extremely grateful.

Financial Highlights

Financial Statement Summary

Despite the challenging pandemic environment, the university ended the year with a consolidated operating surplus before donations and other adjustments related to the endowment of \$4.9 million (M) or 0.8% of total revenues. While overall there were positive results, the pandemic had a differential impact on university operations.

Consolidated revenue decreased by 6% to \$600M. This decrease reflects significant reductions in sales and non-credit tuition due to the reliance of these operations on face to face activity which was limited during the year. This significant revenue reduction was partially offset by better than anticipated enrolment which resulted in credit tuition increasing by 3% to \$163.5M, and continued support from the Province with the provincial grant revenue increasing by 6% to \$237.6M

Consolidated Expenses decreased by 2% to \$595M reflecting significant incremental investments in new technology, classroom supports such as teaching assistants and sessional instructors and costs associated with health and safety such as cleaning and classroom ambassadors offset by reduced travel, utilities, and costs of goods as well as savings from a partial hiring freeze during the year.

Consolidated assets total \$1.8 billion up from \$1.6 billion mainly as a result of 125.1M growth in portfolio investments due to strong financial markets and \$38.9M growth in tangible capital assets resulting from investments in new buildings and infrastructure renewal.

As a result of significant capital investments, debt increased by \$85.4M.

Each year the university is required to invest in capital expenditures to meet program requirements and/or address deferred maintenance. While these expenditures are made each year, for accounting purposes the expenditures are not shown as an expense in the year made. Instead, the expenditure is expensed, or amortized, over the future life of the asset. As a result, the operating surplus in the year is higher as capital expenditures are not reflected in the operating surplus.

Government Grants

Revenue from the Provincial Government in the form of grants increased by 6.4% over the previous year, due to funding for program growth in the Faculties of Engineering, Law and Human and Social Development and funding for compensation increases related to collective bargaining. Annual grants received from the Province for capital purposes including routine capital and specific project funding were \$20.2M.

Tuition and Enrolment

Overall, credit tuition increased by 3% to \$163.5M. This increase reflects a slight decline in overall student enrolment, offset by a 2% increase in domestic fees (provincial government policy limits annual domestic increases to 2%), a 3.75% increase in international fees, plus more international students paying the higher rates approved in 2018-19 (current students were grand-parented). Non-credit tuition decreased by 53.2% to \$10.2M due to reduced enrolment as a result of COVID-19 limiting our ability to provide face to face programming.

Investments

Investment income is comprised of both returns on endowments and returns on short-term investments. The university's endowment investments are held in the University of Victoria Foundation and have a fair value of \$525M. The endowments had a return of 18.7% for the year (2020 – loss of 3.8%) across its six investment mandates. Working capital investments held within the university returned 2.7% for the year (2020 – 2.5%).

Major Capital Activity

In 2018/19, the university received approval from the Province to borrow \$123M to partially finance a new 620 bed student housing and dining project. Construction activity started in 2019/20 with the first building scheduled for completion in 2022 and the second in 2023. The project will be the first Passive House construction on campus, reflecting the universities' commitment to sustainability and carbon reduction. The approved budget for the project is \$228.8M. As of March 31, 2021, total spending on the student housing and dining project is \$62.3M.

Financial Implications of COVID-19 Novel Virus

In the last quarter of 2019/20 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The financial impacts of this pandemic have been felt by governments, businesses and institutions around the world through stock market instability, loss of revenue, distribution of financial supports to individuals and sectors, and increased costs to address health and safety requirements.

As noted above, for 2020/21, COVID-19 has materially affected the operations of the

university. From a financial perspective the most significant impacts were to the revenue of our housing, food services, athletic and recreation, parking, bookstore and continuing studies operations, resulting in a decrease in sales of services and products of 56.8% to \$30.3M and non-credit tuition of 53.2% to \$10.2M.

Endowment investments, which were impacted by the downturn in the market in March 2020, recovered to their pre-pandemic market values. In accordance with Public Sector Accounting Standards, unrealized gains and losses on restricted endowment investments are not usually reflected in the surplus for the year, but instead are included in deferred contributions.

While overall expenses were down, significant investments were required to pivot to an online teaching environment, provide supports to faculty and students and to maintain campus health and safety. Investments will continue to be required in 2021/22 as we plan for a transition back to face to face for fall 2021. This gradual transition back to campus will allow for growth in sales and services and non-credit tuition though it will likely take time to return to pre-pandemic levels.

Financial Information

Financial Assets

Financial assets are defined as assets available to discharge existing liabilities or finance future operations. During the year, they increased 39% to \$552M.

<i>In thousands of dollars</i>	2021	2020
Cash and cash equivalents	167,136	148,780
Accounts receivable	17,127	20,394
Due from governments	7,037	13,790
Inventories for resale	1,386	1,604
Portfolio investments	291,388	166,319
Derivatives	19,494	-
Loans receivable	24,550	24,610
Employee future benefits	15,706	14,082
Investments in gov't business enterprises	8,621	9,195
Total Financial Assets	552,445	398,774

Cash and cash equivalents increased by \$18.4M, reflecting funding received in advance of expenditures. Accounts receivable decreased by \$3.3M and Due from governments increased by \$6.8M, reflecting timing differences and year end funding. Portfolio investments, which include the university's long-term working capital, investments underlying endowment expendable funds, investments related to sinking funds held for provincial debt, and supplemental pension obligations, increased by \$125.1M due largely to the UVic Foundation's endowment investments which recovered from the market downturn in March 2020. In 2020/21, the university entered into two interest rate swaps for the debt related to the student housing and dining project in order to reduce risk of interest rate volatility. As of March 31, 2021, the market value of the university's derivatives is \$19.5M (2020 - \$1.2M liability).

Employee future benefits represent a future asset for the Staff Pension Plan and liabilities for supplemental pension obligations, vested sick leave entitlements, and group life insurance plans. Investments in government business enterprises represent the equity held in controlled business operations of Heritage Realty Properties Ltd, the Vancouver Island Technology Park Trust, and GSB Executive Education Inc.

Liabilities

Liabilities increased by 23.2% to \$873M.

<i>In thousands of dollars</i>	2021	2020
Accounts payable	47,710	35,902
Derivatives	-	1,151
Due to governments	1,748	6,370
Deferred revenue	19,288	17,017
Deferred contributions	241,943	173,404
Deferred capital contributions	430,999	428,738
Debt	131,183	45,747
Total Liabilities	872,871	708,329

Deferred contributions are externally restricted revenue that is not recognized until related expenses are incurred (e.g., research grants). Deferred contributions increased by \$68.5M due to accumulated unrealized gains on restricted endowment investments of \$85.6M (2020 - \$0.9M). Deferred capital contributions are externally restricted contributions for investment in capital assets amortized over the life of the related tangible capital assets. During the year, deferred capital contributions increased by a net \$2.3M resulting from contributions of \$29.7M less amortization of \$27.4M. Debt increased by \$85.4M resulting from new borrowing for the student housing and dining (SHD) project offset by scheduled debt repayments.

Non-financial Assets

Non-financial assets increased by 4.9% to \$1,240M.

<i>In thousands of dollars</i>	2021	2020
Tangible capital assets	824,755	785,843
Restricted endowment investments	392,775	375,802
Inventories held for use	2,384	2,338
Prepaid expense	19,851	18,285
Total Non-Financial Assets	1,239,765	1,182,268

Tangible capital assets include land, buildings, site improvements, library holdings, computers, equipment and furnishings but excludes \$11.1M of artwork and collections, as these are expensed under PSAS accounting. The net increase in tangible capital assets of \$38.9M is due to additions of \$87.6M less amortization of \$47.2M and a loss of \$1.5M representing the net book value of Emily Carr, Margaret Newton and the Cadboro Common buildings deconstructed as part of the SHD project. The largest single capital asset addition was related to the SHD Project.

Restricted endowment investments represent the portion of endowment investments related to the restricted principal funds (i.e., original donations) plus capitalized inflation. During the year, they increased \$18.5M due to donations of \$14.3M and capitalized investment income of \$4.2M. Restricted endowment assets are considered “non-financial,” as the funds have a restricted purpose and cannot be used to meet the liabilities of the university.

Accumulated surplus

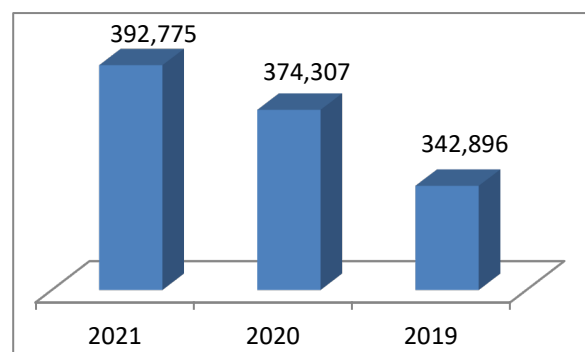
Accumulated surplus represents the university’s residual interest in its assets after deducting liabilities (net assets). It increased by 5.3% to \$919M.

<i>In thousands of dollars</i>	2021	2020
Endowment	392,775	374,307
Invested in capital assets	282,858	331,604
Internally restricted	156,741	131,997
Unrestricted	58,708	29,776
Remeasurement gains	28,257	5,029
Accumulated surplus	919,339	872,713

The majority of accumulated surplus is unavailable to fund operations as it is either restricted or has already been used to invest in buildings, equipment and other capital assets. Endowment, Invested in capital assets, and Internally restricted are described in the following sections. Unrestricted surplus consists primarily of balances arising from ancillary operations such as student housing, and other entities that are consolidated in the Financial Statements (see related entities below). Remeasurement gains represent unrealized gains on university unrestricted or quasi endowment funds and the university’s working capital arising after April 1, 2012 (the effective date of the new Public Sector Accounting Standard financial instrument standard).

Accumulated Surplus – Endowment

Endowments increased by 4.9% to \$393M.



The university’s endowments are held by the UVic Foundation. Accumulated surplus-endowment consists of restricted donations and capitalized investment income, which is required to be maintained intact in perpetuity in order to

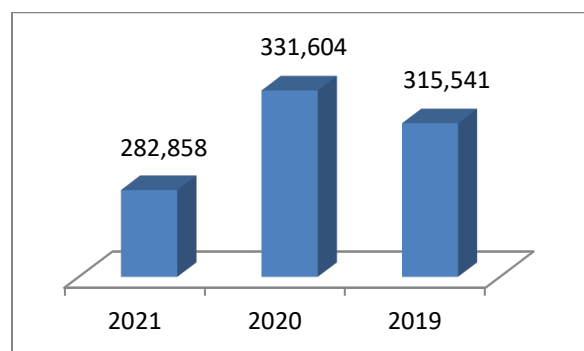
support donor specified activities. The investment income generated from endowments must be used in accordance with the various purposes stipulated by the donors. At March 31, 2021 there were 1,453 individual endowment funds providing \$15.8M (2020 - \$15.9M) in annual funding.

Per donor wishes and UVic Foundation policy, the economic value of the endowments must be protected by restricting the amounts that can be expended and capitalizing a portion of investment income in order to maintain purchasing power against inflation.

Each endowment has an income stabilization account which is recorded as deferred contributions in order to provide a cushion against market fluctuations. At March 31st the stabilization account balance is \$122.4M or 30% of endowment principal.

Accumulated Surplus – Invested in Capital Assets

Accumulated surplus invested in capital assets decreased by 14.7% to \$283M.

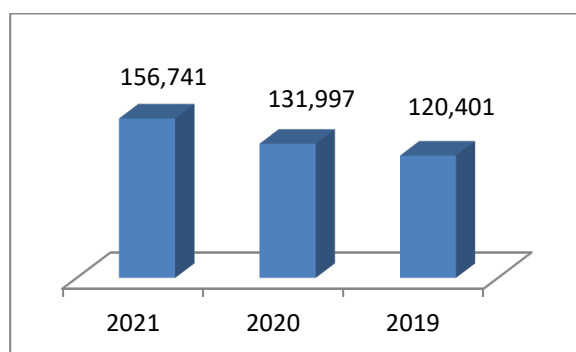


Accumulated surplus invested in capital assets is the amount of internal university funds used for the acquisition of capital assets less amortization of those capital assets. The following comprises the balance of accumulated surplus invested in capital assets:

<i>(in thousands of dollars)</i>	2021	2020
Land	22,582	22,582
Site development	10,647	11,125
Buildings	319,037	280,915
Equipment	29,633	29,865
Library acquisitions	11,858	12,619
Sinking funds	12,043	11,308
Less debt repayments	(122,942)	(36,810)
Invested in capital assets	282,858	331,604

Accumulated Surplus – Internally Restricted

Accumulated surplus-internally restricted increased by 18.7% to \$157M.



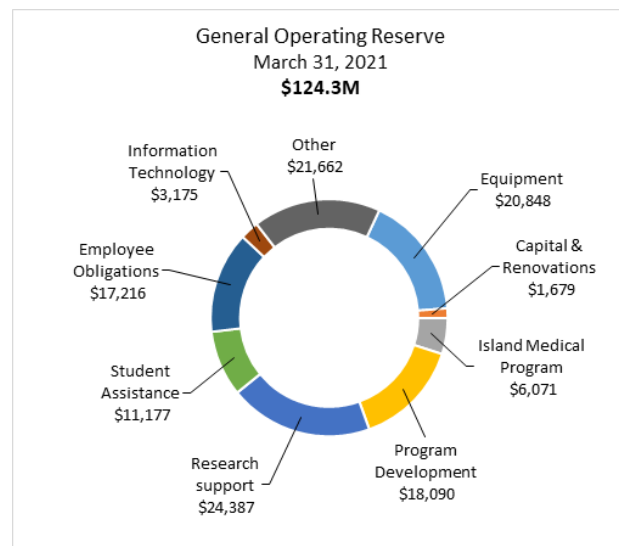
Accumulated surplus - internally restricted consists of balances appropriated by the university Board of Governors for employee commitments, equipment replacement, capital improvements, program development, research support and other non-recurring expenditures. Due to Provincial government restrictions on external borrowing by the university, these funds are used on a temporary basis to finance capital projects that will generate future revenues. The reserves are also offset by future liabilities for certain employee benefits. The overall increase in accumulated surplus is mainly a result of a \$13M increase in general operating reserves, a reduction of \$15M in internal loans due to new external financing for the SHD project, a \$3M positive actuarial valuation for the staff pension plan offset by an increase in vacation liability and reduced ancillary reserves.

Balances are made up as follows:

<i>(in thousands of dollars)</i>	2021	2020
General operating	124,304	111,755
Ancillary enterprises	14,854	18,783
Capital	583	(13,943)
Less: Vacation pay	(11,189)	(9,371)
Add: Staff pension	28,189	24,773
Total internally restricted	156,741	131,997

General operating reserves increased by 11.2% to \$124.3M.

General operating funds consist of:



Operating Surplus

The operating surplus was \$4.9M or 0.8% of total revenues (\$32.5M or 5.1% for the prior year). The main reasons for the surplus, with comparison to the prior year are as follows:

<i>(in thousands of dollars)</i>	2021	2020
<u>Designated Items</u>		
Staff Pension actuarial gain	3,416	2,667
Ancillary fund surplus/(deficit)	(9,638)	6,250
Invested in tangible capital assets	9,357	22,300

Non-Designated Items

Operating fund surplus	6,329	2,621
Other	(4,534)	(1,341)
Operating surplus	4,930	32,497

Revenue

Revenue decreased by 6.1% to \$600M.

<i>(in thousands of dollars)</i>	2021	2020
Government grants & contracts	323,352	309,238
Tuition & student fees	173,715	180,968
Donations, non-government grants & contracts	17,387	19,141
Sales of services & products	30,331	70,244
Investment income	23,458	23,834
Income/(loss) from business enterprises	(43)	2,055
Amortization of deferred capital contributions	27,427	26,037
Other revenue	5,732	7,408
Loss on disposal of assets	(1,489)	-
Total Revenue	599,870	638,925

Government grants and contracts revenue is received from the Province of B.C. (73%), the Government of Canada (22%), and other governments (5%). Revenue from the Province increased by \$14.3M overall, due mainly to funding for program growth in several faculties as noted above and funding related to salary increases resulting from collective bargaining. Tuition and student fees decreased by \$7.3M, or 4.0%, due primarily to a decrease in non-credit tuition. Credit tuition increased mainly as a result of fees increases to domestic tuition (2%) and international tuition (3.75%) plus more international students paying the higher rates approved in 2018-19 (current students were grand-parented). Investment income was comparable with prior year however sales of

services & products was down significantly (\$40M) due to limited on campus activity and income from business enterprises had an overall loss due to business closures or limited operations during the year due to COVID-19.

Expenses

Expenses decreased by 1.9% to \$595M. Expenses reported by object were as follows:

<i>(in thousands of dollars)</i>	2021	2020
Salaries and benefits	402,170	393,512
Travel	1,868	15,267
Supplies and services	81,842	88,150
Utilities	7,159	8,780
Scholarships and bursaries	47,154	40,908
Cost of goods sold	5,127	12,122
Interest on long term debt	2,446	1,975
Amortization	47,174	45,714
Total Expenses	594,940	606,428

Salaries and benefits represent 68% of total expenses and increased by \$8.7M due to progression through the ranks, negotiated settlements with the university's faculty, professional and support staff and incremental supports for online learning. Travel, supplies and services, and cost of goods sold all declined as a result of COVID-19 restrictions and remote working. Scholarships and Bursaries increased 15.3% reflecting additional supports to student given the difficult employment environment over the last year.

Expenses reported by function were as follows:

<i>(in thousands of dollars)</i>	2021	2020
Instruction and non-sponsored research	245,874	249,911
Academic and student support	145,119	153,735

Administrative support and general expenses	26,596	22,738
Facilities operations and maintenance	54,797	54,846
Sponsored Research	109,337	111,956
External engagement	13,217	13,242
Total Expenses	594,940	606,428

While significant investments were made to support online and health and safety, expenses across most functions declined during the year, reflecting slowed activity in a remote working environment, early hiring delay until enrolment was better known and significantly reduced operations in revenue generating areas. Administrative support and general expenses increased as a result of waiving internal financing costs for ancillary operations which is reflected in this function.

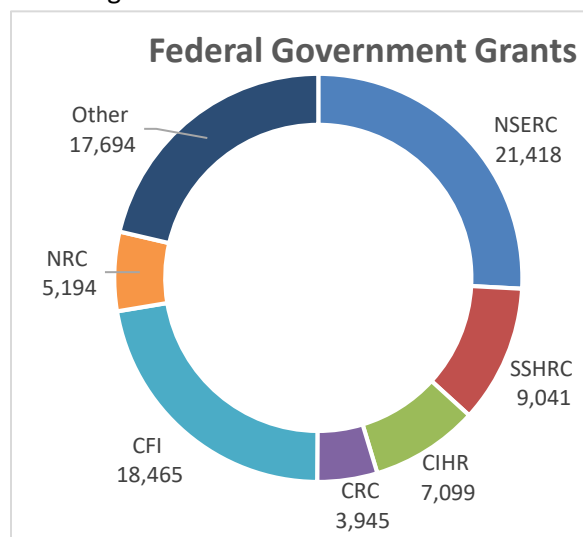
Sponsored Research Contributions

Sponsored research revenue decreased by 1.1% to \$108.8M.

<i>(in thousands of dollars)</i>	2021	2020
Province of B.C.	8,633	11,280
Federal government	82,856	79,999
Other governments	9,362	9,117
Gifts, grants & bequests	12,365	12,355
Sales of services	2,690	4,072
Other revenue	<u>987</u>	<u>1,249</u>
Total contributions	116,893	118,072
Transfer (to)/from deferred contributions	(8,133)	(8,099)
Sponsored research revenue	108,760	109,973

In addition to the above, the university also received \$6.8M from the Tri-council for research support funds, which is recorded in the general operating fund.

Federal government grants are comprised of the following:



In 2021, the university ranked third amongst Canadian comprehensive research-intensive universities in total research funding, first in NSERC/CIHR grants and fifth in SSHRC grants.

Operating Environment

The global pandemic, as it has everywhere, significantly altered university operations over the last year. Due to our long tradition of providing quality on-line delivery for some programs we were able to quickly transition to online in March 2020 and to a full on-line environment for our summer term. Technology and other Investments to support online learning provided the infrastructure necessary to be predominantly online for the full 2020/21 academic year. Work safe plans and investments in health and safety allowed some classes (mainly graduate) to be delivered face to face, critical campus operations to continue, research labs to reopen during the year and some campus amenities to be provided for the campus community, albeit in a limited capacity.

While revenues from housing, dining, athletics and recreation programs, continuing studies and retail operations were significantly impacted due to reduced activities, enrolments remained strong in 2020/21 and therefore overall financial results were better than forecasted. Summer term enrolment for 2021 continues to be strong. This, combined with news that all adults within BC will have access to two vaccinations before September 2021, provides optimism for the coming year. We anticipate enrolment levels to be on par with the prior year and for revenues from those areas significantly impacted in 2020/21 to grow through the year as restrictions relax and activities return to more normal levels.

As we transition back to face to face there will be increased costs to ensure the continued health and safety of the campus, infrastructure costs to support hybrid learning and working and incremental resources required to ensure a quality learning and student experience.

Contractual obligations related to salaries and rising costs associated with library acquisitions information technology, and research infrastructure have put pressure on financial planning.

UVic's physical infrastructure requires further renewal and enhancement – priorities have been identified in the Capital Plan to address deferred maintenance, enhance or repurpose current spaces and increase academic and research space for those areas with the greatest pressures. Government contributes towards these capital costs; however, fundraising and university resources are important funding sources for these infrastructure priorities.

Budget plans have been developed that contemplate the above revenue and cost

pressures while ensuring sufficient flexibility should revenues be less than anticipated over the coming year. For example, the 2021/22 budget includes \$14M to support the transition to face to face. Post secondary institutions in BC, including the university, in partnership with the provincial government, have developed the *Return to Campus Primer* which provides guidance for planning for a full return to on-campus teaching, learning and research in September 2021.

The university is dedicated to continuing to meet the needs of our students, staff and faculty during this global challenge and as we transition back to more normal operations. We are committed to continuing to provide high-quality academic programs and services while keeping the health and safety of our students, faculty and staff at the centre of decision making.

In this way UVic will continue to deliver on our commitments to our people, our partners and our local and global communities, and will ensure that UVic is the Canadian research university that best integrates outstanding scholarship, engaged learning and real-life involvement to contribute to a better future for people and the planet.

Financial Reporting Environment

The university is part of the Government Reporting Entity (GRE) of the Province of B.C. and, as such, is required to present its financial statements in accordance with Section 23.1 of the Budget Transparency and Accountability Act supplemented by directives set out by the Province of British Columbia. The Province has directed that PSAS be adopted without the PS4200 not-for-profit elections and that all restricted contributions received for acquiring

tangible capital assets be deferred as Deferred Capital Contributions and recognized in revenue at the same rate that the amortization of the related tangible capital asset is recorded. Some highlights of the reporting framework presentations are as follows:

The Statement of Financial Position reflects a “Net Debt model” and presents Net Debt as the difference between liabilities and financial assets and is intended to measure the university’s future revenue requirements or its ability to finance its activities. Net debt at March 31, 2021 is \$(320M) but includes \$431M of Deferred Capital Contribution liabilities that would likely never be repaid, thus bringing into question its relevance. The Statement of Financial Position also presents an Accumulated Surplus of \$919M, representing the university’s net assets. A breakdown of this balance is disclosed on the Statement of Financial Position, and in the notes, to communicate to readers of the financial statements that this figure mostly represents restricted, spent or committed funds.

The Statement of Operations reports revenues, functional expenses and budget figures for the university’s consolidated operations. Endowment donations and investment income capitalized to endowment principal, that used to be recorded as direct increases in net assets, are recorded on the Statement of Operations as Restricted Endowment Contributions and included in Annual Operating Surplus, even though they are not available to fund operational expenses.

Remeasurement gains and losses, representing unrealized gains and losses on unrestricted investments, derivatives and foreign currency, are reported on a separate statement and as a separate category of Accumulated Surplus rather than being included with the other components

of investment income on the Statement of Operations. This effectively limits the ability to fund expenses from unrealized gains. Accumulated remeasurement gains commenced as of April 1, 2012 onward, reflecting the prospective implementation of the PSAS financial instrument standard.

A Statement of Changes in Net Debt summarizes the key changes in Net Debt and provides information on how net debt is impacted by expenditures for, and amortization of, capital assets, changes in other non-financial assets, net remeasurement gains/losses and the annual surplus.

Risks and Uncertainties

The university operates in an increasingly more complex environment with many factors that are outside of the control of the university. The current global pandemic is such a factor. The university uses an Enterprise Risk Management approach and develops risk mitigation strategies to reduce the impact where possible. The major risks that can affect the university from a financial perspective are as shown below. The university has institutional risk appetite statements that help guide decision making across all areas of campus.

Provincial funding

Provincial government grants are a significant component of revenue in the university's operating budget. Funding for this source is not guaranteed year to year and provincial policy changes can significantly affect institutional budgets. Examples in the past include provincial policy to cap domestic tuition, unexpected grants reductions and the introduction of the employer health tax in 2018. As operating grants are provided and approved for one year only,

there is significant uncertainty year to year with respect to the university's operating funding.

Student recruitment and retention

Enrolment levels can be affected by the economy, competition and the world economic environment. As noted above, the current global pandemic brings significant uncertainty with respect to student recruitment and retention. While the university's plans for the coming year include mainly face to face instruction in the fall, international students may encounter barriers to coming to Canada such as student visa processing, travel restrictions and the requirement to quarantine which adds costs to their education. International enrolment has increased and UVic has a greater reliance on international students in order to achieve expected tuition revenues.

Pensions and Employee Future Benefits

The university has two pension plans for its faculty, Professional Employee Association members, management exempt and executive (Combination Plan and Money Purchase Plan) and one plan for members of CUPE and exempt clerical staff (Staff Plan). The actuarial valuation of the Combination Plan, with an effective date of December 31, 2018, shows that the Plan is fully funded. The last valuation for the Staff Pension Plan was December 31, 2019. which resulted in a going concern surplus funded ratio of 117% of liabilities but a solvency funded ratio of 78%. The Pension Benefits Standards Regulation was amended effective December 31, 2019; the amendment introduced new going concern and funding methodologies. The solvency funding target is now 85%; a letter of credit may be secured in lieu of making payments. The University has arranged a letter of credit to secure the solvency deficiency payment.

While many other post-secondary institutions in BC and in other provinces are not required to meet a solvency test, this requirement for the university resulted in a cost of \$341,000 for 2020/21. The next valuation date is December 31, 2022 with a filing requirement of September 2023.

Deferred Maintenance

As the university ages, the risk related to deferred maintenance increases. Priority projects to address deferred maintenance include renewal and seismic upgrading of some of our older buildings. Some priority deferred maintenance projects are addressed annually however these budgets are limited. Significant major capital renewal funding is needed as outlined in the university's 5 year capital plan.

Related Entities

The university's consolidated financial statements include the following related entities:

University Foundations

The University of Victoria Foundation, Foundation for the University of Victoria and U.S. Foundation for the University of Victoria receive and manage the university's endowment funds. The Foundations are tax exempt as a registered charity, agent of the Crown or charitable organization, respectively. They are consolidated in the university's financial statements.

TRIUMF and WCUMSS

The university participates in two non-profit research joint ventures with other universities. TRIUMF is Canada's national laboratory for particle and nuclear physics. The university is one of fourteen members. The Western Canadian Universities Marine Sciences Society (WCUMSS) operates a marine research facility

located at Bamfield, B.C. The university is one of five members. The university's interest in these two government partnerships is proportionately consolidated in the university's financial statements.

Heritage Realty Properties and VITP Trust

The university controls three taxable business enterprises. Heritage Realty Properties Ltd. manages the rental properties, hotel and brew-pub operation donated by the late Michael C. Williams. The Vancouver Island Technology Park Trust (VITP) provides leased space to high-technology companies on Vancouver Island. Both enterprises are accounted for in the university's financial statements on the modified equity basis.

GSB Executive Education Inc.

This taxable business enterprise was created to deliver executive education services by the UVic Gustavson School of Business. It is accounted for in the university's financial statements on the modified equity basis.

UVic Properties Investments Inc.

University of Victoria Properties Investments Inc. manages the university's real estate holdings including the Marine Technology Centre and the Queenswood Campus, and acts as trustee for the Vancouver Island Technology Park Trust. UVic Properties is consolidated in the university's financial statements.

UVic Industry Partnerships

UVic Industry Partnerships is a taxable corporation that facilitates research partnerships between the private sector and the university by assisting with intellectual property management and commercialization of research discoveries. It is consolidated in the university's financial statements.

Ocean Networks Canada Society

Ocean Networks Canada Society is a non-profit society that manages the University's two ocean observatories, VENUS and NEPTUNE. It is consolidated in the university's financial statements.

Pacific Climate Impacts Consortium

The Pacific Climate Impacts Consortium is a non-profit organization that furthers the understanding of the climate system, its variability and potential for change and the application of that understanding to decision making in both the public and private sectors. It is consolidated in the university's financial statements.

Byron Price & Associates Ltd.

Byron Price and Associates Ltd. is a taxable business enterprise donated to the university, which holds land located in North Saanich. It is consolidated in the university's financial statements.