



University
of Victoria

SUBMISSION TO THE UVIC BOARD OF GOVERNORS

May 24, 2022

FOR DECISION

To: Audit Committee

From: Kristi Simpson
Acting Vice-President Finance and Operations

A handwritten signature in black ink, appearing to read 'Kristi Simpson'.

cc: President and Vice-Chancellor

Board Date: May 31, 2022

Title: 2021/22 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 2021/22 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 2021-2022

Appendix 2 – Management Discussion and Analysis

Consolidated Financial Statements of

UNIVERSITY OF VICTORIA

And Independent Auditor's Report Thereon

Year ended March 31, 2022



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, 2022.

On behalf of the University:

_____ Chair, Board of Governors

_____ Vice-President Finance and Operations



**University
of Victoria**



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

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, 2022
- 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, 2022 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 group 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, 2022

(in thousands of dollars)

		2022	2021
Financial Assets			
Cash and cash equivalents	(Note 3)	\$ 162,900	\$ 167,136
Accounts receivable	(Note 4)	13,918	17,127
Due from governments	(Note 5)	19,284	7,037
Inventories for resale		1,364	1,386
Portfolio investments	(Note 6)	258,551	291,388
Derivatives	(Note 6)	25,808	19,494
Loans receivable	(Note 7)	24,495	24,550
Employee future benefits	(Note 8)	24,303	15,706
Investments in government business enterprises	(Note 9)	8,536	8,621
		539,159	552,445
Liabilities			
Accounts payable and accrued liabilities	(Note 11)	54,744	47,710
Due to governments		7,540	1,748
Deferred revenue		24,571	19,288
Deferred contributions	(Note 12)	256,792	241,943
Deferred capital contributions	(Note 13)	436,373	430,999
Debt	(Note 14)	164,272	131,183
		944,292	872,871
Net debt		(405,133)	(320,426)
Non-financial Assets			
Tangible capital assets	(Note 15)	912,142	824,755
Restricted endowment investments	(Note 6)	418,237	392,775
Inventories held for use		2,809	2,384
Prepaid expenses		17,225	19,851
		1,350,413	1,239,765
Accumulated surplus	(Note 17)	945,280	\$ 919,339
Accumulated surplus is comprised of:			
Endowments	(Note 18)	\$ 418,237	\$ 392,775
Invested in capital assets		331,004	282,858
Internally restricted		140,897	156,741
Unrestricted		28,964	58,708
Accumulated operating surplus		919,102	891,082
Accumulated remeasurement gains		26,178	28,257
Accumulated surplus		\$ 945,280	\$ 919,339

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, 2022

(in thousands of dollars)

	Budget (Note 2(o))	2022	2021
Revenue:			
Province of British Columbia grants	\$ 236,589	\$ 229,860	\$ 237,562
Government of Canada grants	69,000	77,860	70,278
Other government grants	19,300	18,653	15,512
Student tuition - credit courses	174,700	171,021	163,543
Student tuition - non-credit courses	13,230	16,985	10,172
Donations, non-government grants and contracts	19,300	13,590	17,387
Sales of services and products	41,599	54,618	30,331
Investment income	20,000	26,237	23,458
Income/(loss) from government business enterprises (Note 9)		524	(43)
Other revenue	6,100	6,571	5,732
Revenue recognized from deferred capital contributions (Note 13)	27,614	27,802	27,427
Loss on disposal of capital assets		(1,003)	(1489)
	627,432	642,718	599,870
Expenses: (Note 22)			
Instruction and non-sponsored research	258,591	267,791	245,874
Academic and student support	152,625	156,693	145,119
Administrative support and general expenses	27,972	27,411	26,596
Facility operations and maintenance	57,631	55,894	54,797
Sponsored research	114,992	117,289	109,337
External engagement	13,901	15,082	13,217
	625,712	640,160	594,940
Annual operating surplus	1,720	2,558	4,930
Restricted endowment contributions			
Endowment principal donations (Note 18)	8,000	12,056	14,327
Donations capitalized (Note 18)	8,000	13,406	2,606
	16,000	25,462	16,933
Funding of previous years capitalizations to endowment		-	1,535
Annual surplus	17,720	28,020	23,398
Accumulated operating surplus, beginning of year	891,082	891,082	867,684
Accumulated operating surplus, end of year	\$ 908,802	\$ 919,102	\$ 891,082

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, 2022

(in thousands of dollars)

	Budget (Note 2(o))	2022	2021
Annual surplus	\$ 17,720	\$ 28,020	\$ 23,398
Acquisition of tangible capital assets	(172,591)	(135,843)	(87,575)
Amortization of tangible capital assets	47,493	47,453	47,174
Loss on disposal of capital assets		1,003	1,489
	(125,098)	(87,387)	(38,912)
Increase in restricted endowment investments		(25,462)	(16,973)
Acquisition of inventories held for use		(1,524)	(1,149)
Acquisition of prepaid expense		(15,948)	(18,807)
Consumption of inventories held for use		1,099	1,103
Use of prepaid expense		18,574	17,241
		(23,261)	(18,585)
Net remeasurement gains (losses)		(2,079)	23,228
Increase in net debt	(107,378)	(84,707)	(10,871)
Net debt, beginning of year	(320,426)	(320,426)	(309,555)
Net debt, end of year	\$ (427,804)	\$ (405,133)	\$ (320,426)

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, 2022

(in thousands of dollars)

	2022	2021
Accumulated remeasurement gains, beginning	\$ 28,257	\$ 5,029
Unrealized gains (losses) attributed to:		
Portfolio investments	(8,742)	2,571
Derivatives	6,314	20,645
Foreign currency translation	349	12
Net remeasurement gains (losses) for the year	(2,079)	23,228
Accumulated remeasurement gains, end of year	\$ 26,178	\$ 28,257

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



UNIVERSITY OF VICTORIA

Consolidated Statement of Cash Flows

Year ended March 31, 2022

(in thousands of dollars)

	2022	2021
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 28,020	\$ 23,398
Items not involving cash		
Amortization of tangible capital assets	47,453	47,174
Revenue recognized from deferred capital contributions	(27,802)	(27,427)
Change in employee future benefits	(8,597)	(1,624)
Change in investments in government business enterprises	85	574
Unrealized remeasurement gains on foreign exchange	349	12
Loss on disposal of capital assets	1,003	1,489
Changes in non-cash operating working capital:		
Decrease in accounts receivable	3,209	3,267
Decrease in loans receivable	55	60
Decrease (increase) in inventories	(403)	172
Decrease (increase) in prepaid expenses	2,626	(1,566)
Increase in accounts payable and accrued liabilities	7,034	11,808
Decrease (increase) in due to/from government organizations	(6,455)	2,131
Increase (decrease) in deferred revenue	5,283	2,271
Increase in deferred contributions	14,849	68,539
Net change from operating activities	66,709	130,278
Capital activities:		
Acquisition of tangible capital assets	(135,843)	(87,575)
Net change from capital activities	(135,843)	(87,575)
Investing activities:		
Net sale (acquisition) of portfolio investments	24,095	(122,498)
Net acquisition of restricted endowment investments	(25,462)	(16,973)
Net change from investing activities	(1,367)	(139,471)
Financing activities:		
Proceeds of debt	35,355	87,114
Repayment of debt	(2,266)	(1,678)
Deferred capital contributions	33,176	29,688
Net change from financing activities	66,265	115,124
Net change in cash and cash equivalents	(4,236)	18,356
Cash and cash equivalents, beginning of year	167,136	148,780
Cash and cash equivalents, end of year	\$ 162,900	\$ 167,136

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

UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(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, 2022. 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, 2022

(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, 2022

(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, 2022

(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 organization is a government partnerships and is proportionately consolidated in these financial statements:

- 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.

Prior to June 1, 2021, the consolidated financial statements included the University's 7.14% interest in Tri-Universities Meson Facility (TRIUMF) a joint venture which operates a research facility for sub-atomic physics located at the University of British Columbia. On June 1, 2021, the University approved an amendment to the TRIUMF Joint Venture Agreement and the transfer of assets and obligations of TRIUMF to TRIUMF INC, a federal not-for-profit corporation. As a result of these changes, TRIUMF is no longer proportionately consolidated in these financial statements. The impact of this is detailed in Note 10.

(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.



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(tabular figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(d) Loans receivable

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

(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.



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(tabular figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(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.

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, 2022

(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, 2022

(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, 2022

(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, 2022

(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 28, 2021 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, 2022

(tabular figures in thousands of dollars)

3. Cash and cash equivalents

	2022	2021
Cash	\$ 16,736	\$ 35,127
Short-term investments	146,164	131,137
Restricted cash	-	872
	\$ 162,900	\$ 167,136

Restricted cash is comprised of an escrow account balance related to TRIUMF's asset retirement obligations (see Note 10).

4. Accounts receivable

	2022	2021
Revenues receivable	\$ 17,701	\$ 20,547
Accrued interest receivable	665	1,202
Less: provision for doubtful accounts	(4,448)	(4,622)
	\$ 13,918	\$ 17,127

5. Due from governments

	2022	2021
Federal government	\$ 16,831	\$ 5,259
Provincial government	2,186	1,407
Other	267	371
	\$ 19,284	\$ 7,037



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(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		2022	2021
Portfolio investments carried at fair value:			
Various pooled bond and mortgage funds	Level 1	\$ 173,818	\$ 166,339
Canadian equities	Level 1	1,982	16,412
Global equities	Level 1	58,160	64,770
Bonds	Level 2	2,936	16,656
Infrastructure, real estate and private equity	Level 3	20,697	21,819
		257,593	285,996
Portfolio investments at cost which approximates fair value:			
Short-term investments		-	4,305
Cash		581	1,037
Other		377	50
Total portfolio investments		\$ 258,551	\$ 291,388

(b) Restricted endowment investments

Fair Value Hierarchy		2022	2021
Restricted endowment investments carried at fair value:			
Various pooled bond and mortgage funds	Level 1	\$ 111,706	\$ 46,251
Canadian equities	Level 1	-	43,077
Global equities	Level 1	227,172	181,799
Bonds	Level 2	-	40,938
Infrastructure and real estate	Level 3	77,173	64,933
		416,051	376,998
Restricted endowment investments at cost which approximates fair value:			
Short-term investments		-	12,814
Cash		2,186	2,963
Total restricted endowment investments		\$ 418,237	\$ 392,775



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(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	2022	2021
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	\$ 22,235	\$ 17,241
Province of BC floating interest rate fixed at 1.90%, commencing 2024 through 2054, unsecured	Level 2	3,783	2,981
Royal Bank of Canada floating interest rate fixed at 5.38%, through an interest rate swap due in 2025, unsecured	Level 2	(141)	(403)
BC Immigrant Investment Fund floating interest rate fixed at 3.56%, commencing 2023 through 2033, unsecured	Level 2	(69)	(325)
Total derivatives		\$ 25,808	\$ 19,494

7. Loans receivable

	2022	2021
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	\$ 4,464	\$ 4,639
Heritage Realty Properties Ltd.		
Promissory note receivable, interest at Royal Bank Prime + 2.0%, due March 31, 2023, secured by an unregistered equitable mortgage	10,634	9,608
Vancouver Island Technology Park Trust loans receivable		
Interest at 5.13%, due April 2030, unsecured	7,510	8,242
Interest at 6.13%, due April 2030, unsecured	1,887	2,061
	\$ 24,495	\$ 24,550



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(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:

		2022	2021
Staff pension plan	(Note 8(a)(ii))	\$ (37,049)	\$ (28,189)
Supplemental pension obligations	(Note 8(a))	9,043	8,854
Special accumulated sick leave	(Note 8(b))	2,806	2,738
Basic group life insurance plan		897	891
		\$ (24,303)	\$ (15,706)

(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 \$25,885,000 (2021 - \$24,142,000) 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 \$9,043,000 as at March 31, 2022 (2021 - \$8,854,000). The University paid supplemental benefits of \$397,000 in the year (2021 - \$265,000) and recorded employee benefit expense of \$324,000 (2021 - \$256,000).



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(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 \$6,350,000 (2021 – \$6,264,000). The Plan paid benefits in the year of \$14,204,000 (2021 – \$11,833,000).

The pension asset at March 31 includes the following components:

	2022	2021
Accrued benefit obligation	\$ 266,223	\$ 255,957
Pension fund assets	(324,743)	(321,853)
	(58,520)	(65,896)
Unamortized actuarial gains	21,471	37,707
Net asset	\$ (37,049)	\$ (28,189)

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 \$29.2 million at March 31, 2022 (2021 – \$28.5 million) to satisfy the contribution requirements through 2022.



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(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 2022 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 March 31, 2022. Prior year pension fund assets are valued as at December 31, 2020.

The expected rate of return on pension fund assets is 5.7%. The actual rate of return on Plan assets in 2022 was 2.8%. The total expenses related to pensions for the fiscal year ending, include the following components:

	2022	2021
Current period benefit cost	\$ 8,647	\$ 8,403
Amortization of actuarial gains	(4,838)	(1,521)
	3,809	6,882
Less: Employee contributions	(2,437)	(2,325)
Pension benefit expense	1,372	4,557
Interest cost on the average accrued benefit obligation	14,642	14,060
Expected return on average pension plan assets	(18,233)	(15,658)
Pension interest income	(3,591)	(1,598)
Total pension expense/(income)	\$ (2,219)	\$ 2,959

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 (2021 – \$129,000).



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(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, 2022 the balance of this special accumulated sick leave was \$2,806,000 (2021 – \$2,738,000).

(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, 2022 was \$1,308,000 (2021 – \$1,304,000).

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:

	2022	2021
Equity at beginning of year	\$ 1,565	\$ 3,245
Dividends/distributions paid	(1,002)	(1,637)
Net earnings (loss)	524	(43)
Equity at end of year	1,087	1,565
Dividends/distributions payable	7,449	7,056
Investment in government business enterprises	\$ 8,536	\$ 8,621

Change in equity in government business enterprises:

	2022	2021
Assets	\$ 36,298	\$ 39,112
Liabilities	(35,211)	(37,547)
Equity	\$ 1,087	\$ 1,565



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(tabular figures in thousands of dollars)

9. Investments in government business enterprises (continued)

Consolidated Statement of Operations

	2022	2021
Revenue	\$ 17,833	\$ 14,070
Expenses	(17,309)	(14,113)
Surplus (deficit) for the year	\$ 524	\$ (43)

10. Investments in government partnerships

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 2022 of \$273,400 (2021 – \$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% (2021 – 20%).

Prior to June 1, 2021, the consolidated financial statements included the University's 7.14% interest (2021 - 7.14%) in Tri-Universities Meson Facility (TRIUMF) a joint venture which operates a research facility for sub-atomic physics located at the University of British Columbia. On June 1, 2021, the University approved an amendment to the TRIUMF Joint Venture Agreement and the transfer of assets and obligations of TRIUMF to TRIUMF INC, a federal not-for-profit corporation. As a result of these changes, TRIUMF is no longer proportionately consolidated in these financial statements.

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

Consolidated Statement of Financial Position

	2022	2021
Financial assets	\$ 359	\$ 4,423
Liabilities	(375)	(3,057)
Net assets	(16)	1,366
Non-financial assets	1,320	1,289
Accumulated surplus	\$ 1,304	\$ 2,655

Consolidated Statement of Operations

	2022	2021
Revenue	\$ 301	\$ 6,801
Expenses	(2,002)	(6,581)
Surplus (deficit) for the year	\$ (1,701)	\$ 220



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(tabular figures in thousands of dollars)

10. Investments in government partnerships (continued)

TRIUMF's assets and liabilities have not been included in the consolidated statement of financial position as at March 31, 2022. The accumulated surplus before removal of TRIUMF on June 1, 2021, was \$1,299,000. The removal resulted in an increase of supplies and services expense of \$1,299,000 included in the consolidated statement of operations for the year ended March 31, 2022. As of March 31, 2022, the impact of removing TRIUMF from the consolidated financial statements is as follows:

	2022	2021
Financial Assets (before removal of TRIUMF)	\$ 3,957	\$ 3,957
Removal of TRIUMF	(3,957)	-
Financial Assets, end of year	-	3,957
Liabilities (before removal of TRIUMF)	(2,658)	(2,658)
Removal of TRIUMF	2,658	-
Liabilities, end of year	-	(2,658)
Accumulated Surplus before removal of TRIUMF)	1,299	1,299
Removal of TRIUMF	(1,299)	-
Accumulated Surplus, end of year	\$ -	\$ 1,299

11. Accounts payable and accrued liabilities

	2022	2021
Accounts payable and accrued liabilities	\$ 35,237	\$ 28,752
Salaries and benefits payable	6,496	6,788
Accrued vacation pay	13,011	12,170
	\$ 54,744	\$ 47,710



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(tabular figures in thousands of dollars)

12. Deferred contributions

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

	2022	2021
Specific purpose (including endowment earnings)	\$ 140,217	\$ 160,814
Research	103,790	79,942
Capital	12,785	1,187
	\$ 256,792	\$ 241,943

	2022				2021
	Specific Purpose	Research	Capital	Total	
Balance, beginning of year	\$ 160,814	\$ 79,942	\$ 1,187	\$ 241,943	\$ 173,404
Contributions and endowment investment income	21,283	122,767	12,273	156,323	198,278
Revenue recognized from deferred contributions	(41,880)	(98,919)	(675)	(141,474)	(129,739)
Balance, end of year	\$ 140,217	\$ 103,790	\$ 12,785	\$ 256,792	\$ 241,943

The balance shown under specific purpose includes accumulated unrealized gains of \$51,083,000 (2021 – \$86,566,000) from endowment investments.

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:

	2022	2021
Balance, beginning of year	\$ 430,999	\$ 428,738
Contributions received during the year	33,176	29,688
Revenue from amortization of deferred capital contributions	(27,802)	(27,427)
Balance, end of year	\$ 436,373	\$ 430,999



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(tabular figures in thousands of dollars)

14. Debt

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

	2022	2021
Province of British Columbia Commercial paper financing for Student Housing and Dining project to be converted in 2023 and 2024 to term loans due in 2053 and 2054, unsecured (<i>Note 14(c)</i>)	\$ 122,470	\$ 87,114
Royal Bank of Canada 5.38% term loan due 2024, unsecured	3,443	4,468
Province of British Columbia 2.28% bond due 2023, unsecured	3,822	3,858
British Columbia Immigrant Investment Fund 2.48% term loan due 2023, unsecured	6,227	6,701
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	7,510	8,242
Debt	\$ 164,272	\$ 131,183



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(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
2023	\$ 629	\$ 2,376	\$ 3,005
2024	629	9,068	9,697
2025	629	5,686	6,315
2026	629	4,595	5,224
2027	629	4,720	5,349
Thereafter	932	117,027	117,959
	\$ 4,077	\$ 143,472	\$ 147,549

(b) Sinking Fund Investments

Sinking fund investments are held and invested by the Province of British Columbia. These funds totaling \$11,997,000 (2021 – \$12,043,000) 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 \$122,470,000 as at March 31, 2022 (2021 – \$87,114,000). 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, 2022, the University holds two commercial paper loans with balances of \$65,000,000 and \$57,470,000 and interest rates of 0.14% and 0.79%, respectively.



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(tabular figures in thousands of dollars)

15. Tangible capital assets

Cost	Balance as at March 31, 2021	Additions	Disposals	Balance as at March 31, 2022
Land	\$ 22,582	\$ -	\$ -	\$ 22,582
Site improvements	49,274	2,417	-	51,691
Buildings	953,170	109,295	(1,270)	1,061,195
Equipment and furnishings	190,964	20,789	(12,750)	199,003
Information systems	18,441	-	-	18,441
Computer equipment	16,563	2,144	(3,539)	15,168
Library holdings	34,664	1,198	(3,714)	32,148
Total	\$ 1,285,658	\$ 135,843	\$ (21,273)	\$ 1,400,228

Accumulated amortization	Balance as at March 31, 2021	Disposals	Amortization	Balance as at March 31, 2022
Site improvements	\$ 23,620	\$ -	\$ 1,420	\$ 25,040
Buildings	290,387	(267)	18,655	308,775
Equipment and furnishings	98,273	(12,750)	20,437	105,960
Information systems	18,441	-	-	18,441
Computer equipment	9,984	(3,539)	3,940	10,385
Library holdings	20,198	(3,714)	3,001	19,485
Total	\$ 460,903	\$ (20,270)	\$ 47,453	\$ 488,086

Net book value	March 31, 2022	March 31, 2021
Land	\$ 22,582	\$ 22,582
Site improvements	26,651	25,654
Buildings	752,420	662,783
Equipment and furnishings	93,043	92,691
Computer equipment	4,783	6,579
Library holdings	12,663	14,466
Total	\$ 912,142	\$ 824,755



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(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:

	2022	2021
Equipment and furnishings	\$ 224	\$ 69

(b) Assets under construction

Assets under construction comprised of buildings having a value of \$163,640,000 (2021 – \$65,333,000) and equipment having a value of \$17,209,000 (2021 – \$14,219,000) 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 \$20,003,000 (2021 – \$21,896,000) and related to fully amortized assets with a net book value of \$nil (2021 – \$nil). The de-recognition of capital assets from the deconstruction of existing buildings on the site of the Queenswood Campus Child Care Centre had an original cost of \$1,270,000 related to assets with a net book value of \$1,003,000.

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, 2022 is \$419,041,000 (2021 – \$401,377,000).



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(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	13.9%
AA	11.9%
A	11.1%
BBB	6.7%
BB and below	3.0%
Mortgages	14.1%
Foreign exchange	0.3%
Cash and short-term	
R1 high	12.4%
R1 mid	0.6%
R1 low	26.0%
	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, 2022

(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	+/-	5.8%
Canadian equities	+/-	20.0%
Global equities	+/-	18.0%
Real estate	+/-	12.5%
Infrastructure	+/-	12.5%
Private equity	+/-	21.0%
Benchmark for Investments		Net Impact on Market Value
FTSE Canada Universe Bond index	+/-	\$ 15,827
S&P/TSX Composite index	+/-	396
MSCI All Country World Index	+/-	51,333
Canadian Consumer Price Index (Real Estate)	+/-	7,169
Canadian Consumer Price Index (Infrastructure)	+/-	4,793
Canadian Consumer Price Index (Private Equity)	+/-	87

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, 2022, the modified duration of all fixed income in aggregate was 3.6 years. Therefore, if interest rates were to increase by 1% across all maturities, the value of the bond portfolio would drop by 3.6%; contrarily, if interest rates were to decrease by 1% across all maturities, the value of the bond portfolio would increase by 3.6%.

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, 2022

(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:

	2022	2021
Endowments	\$ 418,237	\$ 392,775
Invested in capital assets	331,004	282,858
Internally restricted	140,897	156,741
Unrestricted	28,964	58,708
Accumulated remeasurement gains	26,178	28,257
	\$945,280	\$ 919,339

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, 2022

(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:

	2022	2021
Balance, beginning of year	\$ 392,775	\$ 374,307
Contributions received during the year	12,056	14,327
Invested income and donations capitalized	13,406	2,606
Funding of previous years capitalization to endowment	-	1,535
Balance, end of year	\$ 418,237	\$ 392,775

The balance shown does not include endowment principal with fair value of \$8,300,000 (2021 – \$8,187,000) and book value of \$4,820,000 (2021 – \$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:

	2023	2024	2025	2026	2027
Construction contracts	\$ 34,172	\$ 42,944	\$ 13,777	\$ 111	\$ -
Operating leases	347	157	157	86	-
Total	\$ 34,519	\$ 43,101	\$ 13,934	\$ 197	\$ -



UNIVERSITY OF VICTORIA

Notes to Consolidated Financial Statements

Year ended March 31, 2022

(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:

	2022	2021
Salaries and wages	\$ 363,199	\$ 340,135
Employee benefits	60,399	62,035
Travel	4,134	1,868
Supplies and services	84,024	72,048
Equipment rental and maintenance	10,730	9,794
Utilities	8,353	7,159
Scholarships, fellowships and bursaries	50,953	47,154
Cost of goods sold	8,581	5,127
Interest on long-term debt	2,334	2,446
Amortization of tangible capital assets	47,453	47,174
	\$ 640,160	\$ 594,940

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, 2022

(tabular figures in thousands of dollars)

23. Trusts under administration (continued)

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

As of March 31, 2022, the balances of the long-term disability plan are as follows:

	2022	2021
Assets	\$ 20,703	\$ 20,952
Accrued benefit obligation	(28,935)	(21,398)
	\$ (8,232)	\$ (446)

- (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 (2022 – \$4,238,000; 2021 – \$3,750,000).

24. Supplemental cash flow information

	2022	2021
Cash paid for interest	\$ 1,865	\$ 1,958

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, 2022, there have been no material transactions between the university and its key management personnel or their close family members.



University of Victoria

2022 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, 2022 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 12 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, 2022, 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 operations of the university has been guided by the 2018 Strategic Framework for the University of Victoria, which articulates our vision, values and priorities in fulfilling our commitment to contributing to a better future for people, places and the planet. The university is currently consulting on the development of a new vision and strategic direction for the campus which will outline high level commitments based on our shared goals and values. This plan is expected to be complete in fall 2022.

The university annually develops a Planning and Budget Framework (P&BF), which is informed by our strategic priorities and objectives and commitments articulated in other institutional plans: the International Plan, Indigenous Plan, Aspiration 2030: Research and Creative Works 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 students, staff, faculty, and the broader community. 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. The return to on campus activity resulted in increased revenue from sales and services for the period ended March 31, 2022, compared to prior year. However, sales and services revenue remain below pre-pandemic levels. While overall tuition revenue increased due to strong domestic enrolments and increases in rates, international enrolment were lower than anticipated. Overall expenses increased year over year reflecting a return to more normal activity levels for certain expenses such as travel, supplies, utilities, cost of goods sold and continued additional supports due to the changing COVID environment. Overall the university ended the year with a modest positive operating result which is slightly lower than the prior year. It's been a difficult two years as the campus has had to navigate the changing operational requirements to ensure the continued health and safety of our students, staff and faculty. We are grateful for and our financials results are a result of the dedication, creativity and resilience of our faculty, staff and students.

Financial Highlights

Financial Statement Summary

Despite the continued challenging pandemic environment, the university ended the year with a modest consolidated operating surplus before donations and other adjustments related to the endowment of \$2.6 million (M) or 0.4% of total revenues, down from \$4.9M in the prior year.

Consolidated revenue increased by 7% to \$643M. This increase reflects significant increased sales, mainly within ancillary operations, due to the return on face-to-face activity which was limited during the prior year. Credit tuition increased by 4.6% to \$171.0M.

Consolidated Expenses increased by 8% to \$640M reflecting increased scholarships expense, supplies and services, travel, and costs of goods.

Consolidated assets total \$1.9 billion up from \$1.8 billion mainly as a result of \$87.4M growth in tangible capital assets resulting from investments in new buildings and infrastructure renewal offset by a \$32.8M decrease in portfolio investments due to weak financial markets.

In order to fund significant capital investments, debt increased by \$33.1M.

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. The university received approval to restrict \$10.0M of provincial grants for capital

expenditures to provide for better matching of revenues and amortization. This restriction only reflects a portion of total capital spending and therefore the year's operating surplus 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 0.9% over the previous year. Annual grants received from the Province for capital purposes including routine capital and specific project funding were \$18.9M.

Tuition and Enrolment

Overall, credit tuition increased by 4.6% to \$171.0M. This increase reflects a slight increase in overall student enrolment, a 2% increase in domestic fees (Provincial Government policy limits annual domestic increases to 2%) and graduate international fees, and a 3.75% increase in undergraduate international fees. Non-credit tuition increased by 67.0% to \$17.0M due to increased enrolment as a result of the return to face-to-face instruction.

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 \$519M. The endowments had a return of 1.1% for the year (2020/21 – return of 18.7%) across its six investment mandates. Working capital investments held within the university generated a loss of 0.4% for the year (2020/21 – return of 2.7%).

Major Capital Activity

In 2018/19, the university received approval from the Province to borrow \$123M to partially finance a 620 bed expansion as part of a student housing and dining project. Construction activity started in 2019/20 with the first building scheduled for completion in fall 2022 and the second in spring 2023. The project will be the first passive house buildings on campus, reflecting the universities' commitment to sustainability and carbon reduction. The approved budget for the project is \$234M. As of March 31, 2022 total spending on the student housing and dining project is \$155M.

Financial Implications of COVID-19 Novel Virus

During 2021/22 COVID-19 continued to materially affect the operations of the university. While sales of services and products increased by 80.1% to \$54.6M and non-credit tuition increased by 67.0% to \$17.0M; both remain below pre-pandemic levels of \$70M and \$22M, respectively.

Endowment investments, which were impacted by the downturn in the market in March 2020, recovered to their pre-pandemic market values. Subsequently investment markets across asset classes corrected in the last quarter of 2021/22. 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.

The transition back to campus allowed for growth in sales and services and non-credit tuition though it will likely take time to return to pre-pandemic levels. Overall expenses increased, reflecting increased activity on campus, as most programs were face to face in the academic year.

Financial Information

Financial Assets

Financial assets are defined as assets available to discharge existing liabilities or finance future operations. During the year, they decreased 2.4% to \$539M.

<i>In thousands of dollars</i>	2022	2021
Cash and cash equivalents	162,900	167,136
Accounts receivable	13,918	17,127
Due from governments	19,284	7,037
Inventories for resale	1,364	1,386
Portfolio investments	258,551	291,388
Derivatives	25,808	19,494
Loans receivable	24,495	24,550
Employee future benefits	24,303	15,706
Investments in gov't business enterprises	8,536	8,621
Total Financial Assets	539,159	552,445

Cash and cash equivalents decreased by \$4.2M, reflecting a return to typical cash levels; during 2020/21, funding was received ahead of expenditures on the SHD project which temporarily increased cash. Accounts receivable decreased by \$3.2M and due from governments increased by \$12.2M, reflecting timing differences and year end funding. Portfolio investments, which include the university's working capital, investments underlying endowment expendable funds, investments related to sinking funds held for provincial debt, and supplemental pension obligations, decreased by \$32.8M due largely to losses within the UVic Foundation's endowment investments that were impacted by weak market performance since the start of 2022. 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 the risk of higher interest rates and subsequent

higher debt payments. Interest rates have risen across 5, 10 and 30 year terms and the swaps have performed as expected. As of March 31, 2022, the market value of the university's derivatives is \$25.8M (2021 - \$19.5M).

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 8.2% to \$944M.

<i>In thousands of dollars</i>	2022	2021
Accounts payable	54,744	47,710
Due to governments	7,540	1,748
Deferred revenue	24,571	19,288
Deferred contributions	256,792	241,943
Deferred capital contributions	436,373	430,999
Debt	164,272	131,183
Total Liabilities	944,292	872,871

Deferred contributions are externally restricted revenue that is not recognized until related expenses are incurred (e.g. research grants). Deferred contributions increased by \$14.8M. 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 \$5.4M resulting from contributions of \$33.2M less amortization of \$27.8M. Debt increased by \$33.1M resulting from new borrowing for the SHD project offset by scheduled debt repayments.

Non-financial Assets

Non-financial assets increased by 8.9% to \$1,350M.

<i>In thousands of dollars</i>	2022	2021
Tangible capital assets	912,142	824,755
Restricted endowment investments	418,237	392,775
Inventories held for use	2,809	2,384
Prepaid expense	17,225	19,851
Total Non-Financial Assets	1,350,413	1,239,765

Tangible capital assets include land, buildings, site improvements, library holdings, computers, equipment and furnishings but excludes \$11.2M of artwork and collections, as these are expensed under PSAS accounting. The net increase in tangible capital assets of \$87.4M is due to additions of \$135.8M less amortization of \$47.5M and a loss of \$1.0M representing the net book value of deconstruction as part of the Queenswood Child Care 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 \$25.5M due to donations of \$12.1M and capitalized investment income of \$13.4M. 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

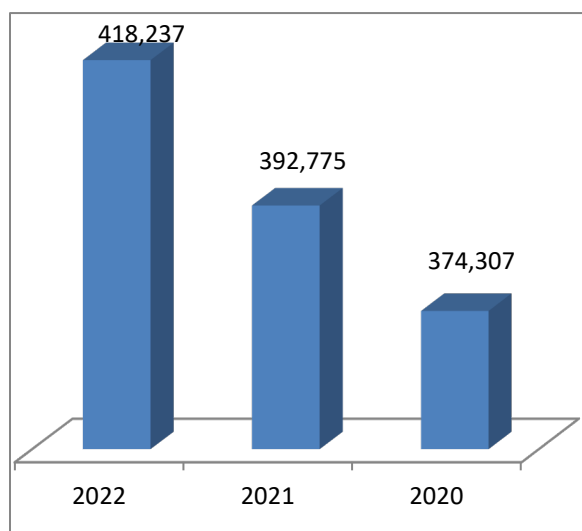
Accumulated surplus represents the university's residual interest in its assets after deducting liabilities (net assets). It increased by 2.8% to \$945M.

<i>In thousands of dollars</i>	2022	2021
Endowment	418,237	392,775
Invested in capital assets	331,004	282,858
Internally restricted	140,897	156,741
Unrestricted	28,964	58,708
Remeasurement gains	26,178	28,257
Accumulated surplus	945,280	919,339

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 6.5% to \$418M.



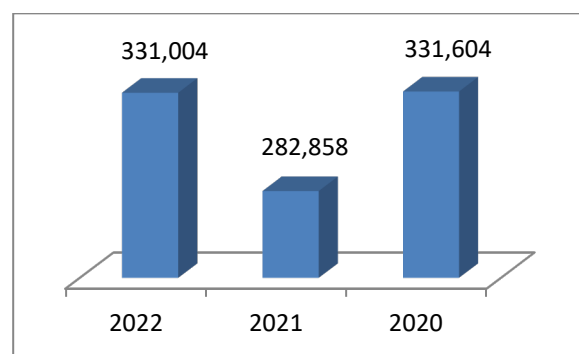
The university's endowments are held by the UVic Foundation. Accumulated surplus-endowment consists of restricted donations and capitalized investment income, which is required to be maintained intact in perpetuity in order to support donor specified activities. The investment earnings generated from endowments must be used in accordance with the various purposes stipulated by the donors. At March 31, 2022 there were 1,521 individual endowment funds providing \$17.6M (2020/21 - \$15.8M) in annual funding.

Per donor wishes and UVic Foundation policies, 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 31, 2022 the stabilization account balance is \$94.5M (2020/21 - \$122.4M) or 22% of endowment principal.

Accumulated Surplus – Invested in Capital Assets

Accumulated surplus invested in capital assets increased by 17.0% to \$331M.

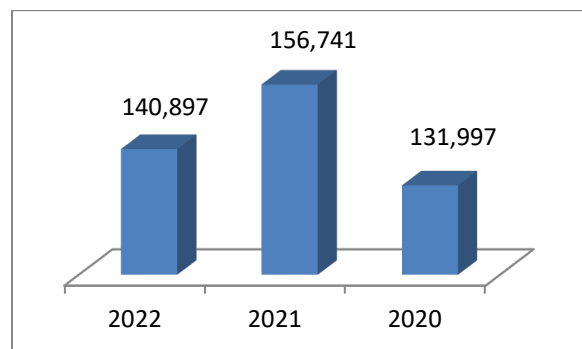


Accumulated surplus invested in capital assets is the amount of internal university funds used for the acquisition of capital assets less amortization of those capital assets. The following comprises the balance of accumulated surplus invested in capital assets:

<i>(in thousands of dollars)</i>	2022	2021
Land	22,582	22,582
Site development	10,248	10,647
Buildings	404,471	319,037
Equipment	25,333	29,633
Library acquisitions	10,291	11,858
Sinking funds	11,997	12,043
Less debt	(156,762)	(122,942)
Invested in capital assets	331,004	282,858

Accumulated Surplus – Internally Restricted

Accumulated surplus – internally restricted decreased by 10.1% to \$141M.



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 decrease in accumulated surplus –

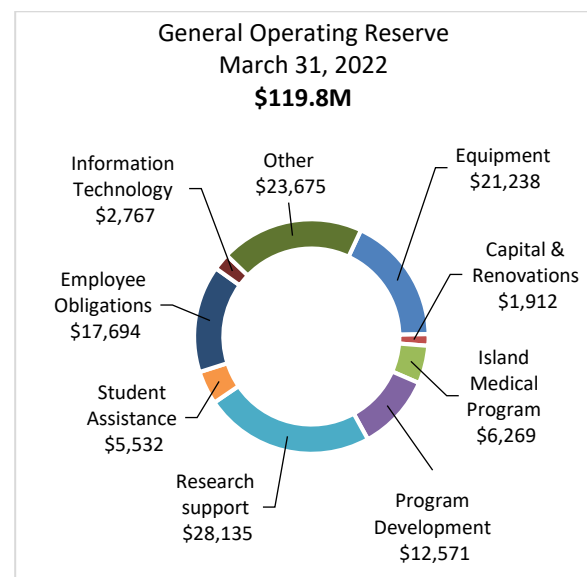
internally restricted is mainly a result of a \$5M decrease in general operating reserves. Additionally, of SHD project expenditures exceeded the external loan resulting in a decrease of \$22M in the capital fund. These decreases were offset by a \$9M positive actuarial valuation for the staff pension and an increase of \$3M in ancillary reserves.

Balances are made up as follows:

<i>(in thousands of dollars)</i>	2022	2021
General operating	119,793	124,304
Ancillary enterprises	17,402	14,854
Capital	(21,554)	583
Less: Vacation pay	(11,793)	(11,189)
Add: Staff pension	37,049	28,189
Total internally restricted	140,897	156,741

General operating reserves decreased by 3.6% to \$119.8M.

General operating funds consist of:



Operating Surplus

The operating surplus was \$2.6M or 0.4% of total revenues (\$4.9M or 0.8% 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>	2022	2021
<u>Designated Items</u>		
Staff Pension actuarial gain	8,860	3,416
Ancillary fund surplus/(deficit)	2,413	(9,638)
Invested in tangible capital assets	10,973	9,357
<u>Non-Designated Items</u>		
Operating fund surplus/(deficit)	(4,599)	6,329
Operating fund restriction for capital	(10,000)	-
Other	(5,089)	(4,534)
Operating surplus	2,558	4,930

Revenue

Revenue increased by 7.1% to \$643M.

<i>(in thousands of dollars)</i>	2022	2021
Government grants & contracts	326,373	323,352
Tuition & student fees	188,006	173,715
Donations, non-government grants & contracts	13,588	17,387
Sales of services & products	54,618	30,331
Investment income	26,237	23,458
Income/(loss) from business enterprises	524	(43)
Amortization of deferred capital contributions	27,802	27,427
Other revenue	6,571	5,732
Loss on disposal of assets	(1,003)	(1,489)
Total Revenue	642,716	599,870

Government grants and contracts revenue is received from the Province of B.C. (70%), the Government of Canada (24%), and other

governments (6%). Revenue from the Province decreased by \$7.7M overall, due mainly to a \$10M restriction of the operating grant for capital purposes. This was offset by increases in funding for program growth in several faculties and funding related to salary increases resulting from collective bargaining. Tuition and student fees increased by \$14.3M, or 8.2%. Credit tuition increased by \$7.5M as a result of fee increases (2% for domestic and graduate international and 3.75% for undergraduate international) and an increase in undergraduate (1%) and graduate enrolment (6%). Non-credit tuition increased by \$6.8M and sales of services & products increased by \$24.3M due to increased on-campus activity as a result of the return to mainly face-to-face instruction. Income from business enterprises was at \$0.5M as a result of increased operations.

Expenses

Expenses increased by 7.6% to \$640M. Expenses reported by object were as follows:

<i>(in thousands of dollars)</i>	2022	2021
Salaries and benefits	423,598	402,170
Travel	4,134	1,868
Supplies and services	94,754	81,842
Utilities	8,353	7,159
Scholarships and bursaries	50,953	47,154
Cost of goods sold	8,581	5,127
Interest on long term debt	2,334	2,446
Amortization	47,453	47,174
Total Expenses	640,160	594,940

Salaries and benefits represent 66% of total expenses and increased by \$21.4M due to progression through the ranks, negotiated settlements and hiring during the year. Travel, supplies and services, and cost of goods sold all increased as a result of lifting of COVID-19 restrictions and the return of on-campus

activities. Scholarships and Bursaries increased 8.1% reflecting additional supports to students given the difficult employment environment over the last two years.

Expenses reported by function were as follows:

<i>(in thousands of dollars)</i>	2022	2021
Instruction and non-sponsored research	267,791	245,874
Academic and student support	156,693	145,119
Administrative support and general expenses	27,411	26,596
Facilities operations and maintenance	55,894	54,797
Sponsored Research	117,289	109,337
External engagement	15,082	13,217
Total Expenses	640,160	594,940

With the return of face-to-face instruction in fall 2021, the gradual increase in on-campus activity, continued investments to support teaching and learning in the spring and fall terms and the resumption of hiring, expenses across all functions increased in 2022.

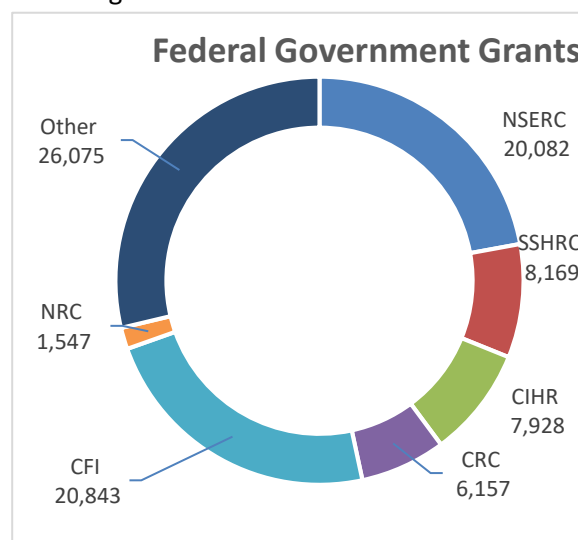
Sponsored Research Contributions

Sponsored research revenue increased by 5.0% to \$114.2M.

<i>(in thousands of dollars)</i>	2022	2021
Province of B.C.	16,265	8,633
Federal government	90,800	82,856
Other governments	12,900	9,362
Gifts, grants & bequests	13,930	12,365
Sales of services	3,849	2,690
Other revenue	<u>1,970</u>	<u>987</u>
Total contributions	139,714	116,893
Transfer (to)/from deferred contributions	(25,562)	(8,133)
Sponsored research revenue	114,152	108,760

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 2022, the university ranked second amongst Canadian comprehensive research-intensive universities in total research funding and was first in NSERC/CIHR grants.

Operating Environment

While the university transitioned from online programming back to mainly face-to-face instruction in fall 2021, the significant supports were still needed for teaching, learning, cleaning and safety, though at a reduced level as compared to 2021. With previous investments and infrastructure in place, we expect additional investments specific to supporting the impacts of COVID in 2023 will be limited.

The pandemic environment has had an impact on enrolment, and this year undergraduate international enrolment decreased 4.9% due to challenges related to travel, health and safety.

Tuition revenues are linked to enrolment, and international enrolment levels are always difficult to predict. Recent world events and sustained COVID waves mean continued uncertainty with respect to international enrolment despite adjustments to overall tuition revenue budgets which anticipate lower levels of international students in 2023. Domestic enrolment levels are anticipated to be in line with provincial targets

While ancillary operations, athletics and recreation services and continuing studies were significantly impacted due to reduced activities in 2021, financial results for these operations were overall positive in 2022, with surpluses in housing, parking and continuing studies and small deficits in the bookstore, food services, child care and athletics. Consistent with the prior year planning, each of the ancillary areas is projected to have improved financial results in 2023, although still lower than pre-pandemic results.

UVic's entering a bargaining year with all employee unions in 2022, and Provincial funding for compensation mandates are expected to continue to support these costs. The current high inflation environment will put additional pressure on budgets as there is no annual lift from the Province to meet other inflationary pressures.

UVic's physical infrastructure requires further renewal and enhancement – priorities have been identified in the Capital Plan to address deferred maintenance, increase student housing, 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 reflect the uncertain environment, including lower international enrolment while providing resources for strategic priorities. Our approach to managing the risk of revenue loss due to an enrolment decline is to retain a portion of a budget for enrolment contingency. We will also carefully monitor student enrolment throughout the year so we can respond to enrolment changes and minimize institutional impacts.

Guided by the Strategic Framework, UVic will 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. 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” that 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, 2022 is \$(405M) but includes \$436M 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 \$945M, 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, which 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 reflect 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 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 significant world events such as war. As noted above, the current

global environment brings significant uncertainty with respect to student recruitment and retention, particularly with respect to international students. International enrolment is monitored closely as 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, introducing new going concern and funding methodologies. The solvency funding target is now 85%, and 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. Rising interest rates are negatively affecting fixed income investment returns. However, rates are to a greater extent reducing the present value of the pension payment liabilities which will improve the solvency ratio.

While many other post-secondary institutions in B.C. and in other provinces are not required to meet a solvency test, this requirement for the university resulted in a cost of \$663,000 for 2021/22. 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, but these budgets are limited. Significant major capital renewal funding is needed as outlined in the university's 5-year capital plan.

Inflation

The pandemic stressed global supply chains and the war in Ukraine has further exacerbated existing issues. As a result, inflation in Canada is at its highest level since 1991 and is affecting countries globally with many countries experiencing inflations significantly in excess of central bank target rates. This is driving up costs of goods and services which will result in further escalation in operating and capital costs. This will be closely monitored for institutional impacts. The current most significant risk is with respect to capital projects, as the National Centre for Indigenous Laws and the Engineering expansion projects both are going to tender in 2022/23.

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.

WCUMSS

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 this government partnership 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.

Oceans Network Canada Society

Oceans Network 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.