Financial Statements of

UNIVERSITY OF THE FRASER VALLEY

For the years ended March 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the University of the Fraser Valley, and
To the Minister of Advanced Education, Innovation and Technology, Province of British Columbia

We have audited the accompanying financial statements of the University of the Fraser Valley, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net debt and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements of the University of the Fraser Valley as at March 31, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012 are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

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

KPMG LLP

Chartered Accountants

May 16, 2013

Abbotsford, British Columbia

University of the Fraser Valley

Statements of Financial Position

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

	March 31, 2013	March 31, 2012	April 1, 2011
Financial assets			
Cash and cash equivalents	$ 14,799,424	$ 15,250,066	$ 34,233,441
Accounts receivable (Note 7)	2,437,521	3,317,852	3,438,972
Inventories for resale	1,601,198	1,623,638	1,693,034
Investments (Note 5)	16,700,970	21,540,833	21,236,072
Investment in government business enterprise (Note 6)	155,141	-	-
	35,694,254	41,732,389	60,601,519
Liabilities			
Accounts payable and accrued liabilities (Note 8)	10,298,736	14,279,122	11,997,186
Deferred revenue (Note 9)	10,839,209	9,927,589	10,049,571
Deferred capital contributions (Note 10)	98,806,003	100,677,279	104,163,804
Long term debt (Note 11)	12,175,584	12,530,268	12,867,260
Obligations under capital lease (Note 12)	133,241	232,934	326,864
	132,252,773	137,647,192	139,404,685
Net debt	(96,558,519)	(95,914,803)	(78,803,166)
Non-financial assets			
Tangible capital assets (Note 13)	159,657,136	158,102,243	134,197,387
Prepaid expenses	287,279	329,512	337,416
Investments - endowments	7,879,299	7,580,430	7,295,173
	167,823,714	166,012,185	141,829,976
Accumulated surplus (Note 15)	$ 71,265,195	$ 70,097,382	$ 63,026,810

Contractual obligations (Note 17)

Contingent liabilities (Note 18)

Approved by:

Chairman of the Board

Chief Financial Officer

See accompanying notes to the financial statements.

University of the Fraser Valley

Statements of Operations and Accumulated Surplus

For the years ended March 31, 2013 and 2012

	March 31, 2013 Budget (Note 2.j)	March 31, 2013	March 31, 2012
Revenue			
Province of British Columbia	$ 55,891,245	$ 57,259,117	$ 57,206,634
Tuition and student fees	39,324,088	38,665,802	38,147,133
Sales of goods and services	6,980,260	7,144,724	7,564,049
Amortization of deferred capital contributions (Note 10)	-	6,619,102	4,551,056
Other revenue	989,579	2,008,949	2,958,725
Donations, non-government grants and contracts	-	1,578,196	1,957,385
Government of Canada	405,100	576,963	701,294
Investment income	495,000	538,730	797,063
Contributed tangible capital asset (Note 13.a)	-	333,890	-
Income from government business enterprise	-	155,141	-
	104,085,272	114,880,614	113,883,339
Expenses(Note 19)			
Instruction and Support	98,315,902	107,750,356	100,230,958
Ancillary	5,769,370	6,261,314	6,867,066
	104,085,272	114,011,670	107,098,024
Annual surplus from operations	-	868,944	6,785,315
Endowment donations	-	298,869	285,257
Annual surplus	-	1,167,813	7,070,572
Accumulated surplus, beginning of year	-	70,097,382	63,026,810
Accumulated surplus, end of year	$ -	$ 71,265,195	$ 70,097,382

See accompanying notes to the financial statements.

University of the Fraser Valley

Statements of Changes in Net Debt

For the years ended March 31, 2013 and 2012

	March 31, 2013 Budget (Note 2.j)	March 31, 2013	March 31, 2012
Annual surplus	$ -	$ 1,167,813	$ 7,070,572
Acquisition of tangible capital assets	-	(8,910,458)	(30,964,521)
Contributed tangible capital asset (Note 13.a)	-	(865,000)	-
Amortization of tangible capital assets	-	8,220,565	7,059,667
	-	(1,554,893)	(23,904,854)
Acquisition of prepaid expense	-	(287,279)	(329,512)
Use of prepaid expense	-	329,512	337,414
	-	42,233	7,902
	-	(344,847)	(16,826,380)
Increase in investments - endowments	-	(298,869)	(285,257)
Increase in net debt	-	(643,716)	(17,111,637)
Net debt, beginning of year	-	(95,914,803)	(78,803,166)
Net debt, end of year	$ -	$ (96,558,519)	$ (95,914,803)

See accompanying notes to the financial statements.

University of the Fraser Valley

Statements of Cash Flows

For the years ended March 31, 2013 and 2012

		March 31, 2013		March 31, 2012
Cash provided by (used in):				
Operating activities				
Annual surplus	$	1,167,813	$	7,070,572
Items not involving cash				
Amortization of tangible capital assets		8,220,565		7,059,667
Amortization of deferred capital contributions		(6,619,102)		(4,551,056)
Equity in income of government business enterprise		(155,141)		-
Contributed tangible capital asset		(865,000)		-
Change in non-cash operating working capital				
Decrease in accounts receivable		880,330		121,121
Decrease in prepaid expenses		42,233		7,904
Decrease in inventories held for resale		22,440		69,396
Increase (decrease) in accounts payable and accrued liabilities		(3,980,386)		2,281,936
Increase (decrease) in deferred revenue		911,620		(121,982)
Net change in cash from operating activities		(374,628)		11,937,558
Investing activities				
(Increase) decrease in investments - non endowment		5,212,274		(445,214)
Increase in investments - endowment		(671,280)		(144,804)
Net change in cash from investing activities		4,540,994		(590,018)
Capital activities				
Acquisition of tangible capital assets		(8,910,458)		(30,964,523)
Net change in cash from capital activities		(8,910,458)		(30,964,523)

See accompanying notes to the financial statements.

University of the Fraser Valley

Statements of Cash Flows

For the years ended March 31, 2013 and 2012

	March 31, 2013	March 31, 2012
Financing activities		
Repayment of long term debt	(354,684)	(336,992)
Deferred contributions received	4,747,827	1,064,530
Repayment of obligations under capital lease	(99,693)	(93,930)
Net change in cash from financing activities	4,293,450	633,608
Net change in cash	(450,642)	(18,983,375)
Cash and cash equivalents, beginning of year	15,250,066	34,233,441
Cash and cash equivalents, end of year	**$ 14,799,424**	**$ 15,250,066**

See accompanying notes to the financial statements.

1. Authority and purpose

The University of the Fraser Valley (the "University") is a special purpose teaching university, partially funded by the Province of British Columbia, which operates under the authority of the University Act of British Columbia. The University is governed by a Board of Governors, the majority of which are appointed by the Province of British Columbia. The University is also a registered charity and is exempt from income taxes under section 149 of the *Income Tax Act*.

2. Significant accounting policies

(a) Basis of accounting

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

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

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

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

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

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

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian Public Sector Accounting Standards which require that government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector standard PS3410.

2. Significant accounting policies (continued)

(a) Basis of accounting (continued)

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

(b) Cash and cash equivalents

Cash includes highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) 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. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Re-measurement Gains and Losses until such time that the financial asset is de-recognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus. Unrealized gains and losses on endowment investments, where earnings are restricted as to use, are recorded as deferred revenue and recognized in revenue when disposed and when the related expenses are incurred.

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

(d) Investments non-endowment

Investments, non endowment, are comprised of financial securities with terms allowing for prompt liquidation. Investments are recorded at cost based on the transaction price on the trade date. All interest income and realized gains and losses are recognized in the period in which they arise.

(e) Inventories for resale

Inventories held for resale are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated selling costs less any costs incurred to sell. Inventories are written down to net realizable value when the cost of inventories is estimated not to be recoverable. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of write down previously recorded is reversed.

2. Significant accounting policies (continued)

(f) 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 not capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value.

Asset	Basis	Rate
Buildings	Straight-line	20-60 years
Furniture and equipment	Straight-line	2-5 years
Library books	Straight-line	10 years
Site improvements	Straight-line	10 years
Computer hardware and software	Straight-line	2-4 years
Leasehold improvements	Straight-line	Life of the lease

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. The net write-downs are accounted for as expenses in the statement of operations. Contributed capital assets are recorded into revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonable determined, in which case they are recognized at nominal value.

(ii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(g) Revenue recognition

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

Unrestricted donations and grants are recorded as revenue when received or receivable if the amounts can be

2. Significant accounting policies (continued)

(g) Revenue recognition (continued)
estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the University or the transfer of property is completed.

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

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

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

iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as endowment donations on the statement of operations and accumulated surplus for the portion to be held in perpetuity and as deferred revenue 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 write-downs on investments where the loss in value is determined to be other-than-temporary. Investment income excludes income from endowed investments.

(h) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known

(i) Foreign currency translation

The University's functional currency is the Canadian dollar. 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 date of the Statement of Financial Position. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or date of the Statement of Financial Position is recognized in the Statement of Re-measurement Gains and Losses. In the period of settlement, the related cumulative re-measurement gain/loss is reversed in the Statement of Re-measurement Gains and Losses and the exchange gain or loss in relation to the exchange rate at the date of the item's initial recognition is

2. Significant accounting policies (continued)

(i) Foreign currency translation (continued)
recognized in the Statement of Operations and Accumulated Surplus.

(j) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2012/2013 Budget approved by the Board of Governors of the University on April 12, 2012. The 2012/2013 operating budget did not include special purpose activity, deferred capital contributions or amortization expense.

(k) Endowment Investments

Endowment investments quoted in an active market are reported at fair value. Investment income and unrealized gains and losses relating to the investments are reported as deferred revenue on the Statement of Financial Position.

(l) Expense functions

Expense functions have been identified based upon the functional lines of service provided by the University. The University's services are provided by departments and their activities are reported by functional area in the statement of operations and accumulated surplus. The functional lines, along with the services they provide, are as follows:

i) Instruction and support: This function includes activities related to delivering education. This includes instruction, education administration, student support, general administration, and the cost of space, safety, and equipment.

ii) Ancillary: This function includes the activities of the ancillary operations. An ancillary operation is one that is generally outside of the normal functions of instruction and research, provides goods and services to students, staff or others, and that charges a fee directly related to the cost of providing the goods or services. Ancillary operations include parking, food services, and bookstores. Costs associated with this function include function-related contracts and general and financial administration and support costs.

(m) 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 of the University. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions between entities of assets that remain within the entities controlled by the University.

The following organization is a controlled government business enterprise and is accounted for by the modified equity method:

i) Indo Canadian Education Society, Chandigarh, India, a separate legal entity, administers and delivers business eduation to students in India using the University's Bachelor of Business curriculum.

3. Adoption of new financial reporting framework

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

The impact of the adoption on accumulated surplus is presented below. Accounting changes have been applied retroactively with restatements of prior periods. Key adjustments on the University's financial statements resulting from the adoption of these accounting standards are as follows:

i) An increase in deferred revenue and a decrease in accumulated surplus to reclassify market gains and losses on endowment funds

ii) A decrease in capital assets with a related decrease in deferred capital contributions and decrease in accumulated surplus to revalue assets to cost.

Summary of adjustments:

(a) Statement of Financial Position

The impacts of these adjustments to the balances previously stated are as follows:

Retroactive Changes	April 1, 2011 As reported	April 1, 2011 adjustments	April 1, 2011
Liabilities			
Deferred revenue	$ 9,709,631	$ 339,940	$ 10,049,571
Deferred capital contributions	109,777,609	(5,613,805)	104,163,804
	119,487,240	(5,273,865)	114,213,375
Non-financial assets			
Tangible capital assets	$ 154,162,631	$ (19,965,244)	$ 134,197,387

Retroactive Changes	March 31, 2012	March 31, 2012 adjustments	March 31, 2012
Liabilities			
Deferred revenue	$ 9,666,646	$ 260,943	$ 9,927,589
Deferred capital contributions	106,249,340	(5,572,061)	100,677,279
	115,915,986	(5,311,118)	110,604,868
Non-financial assets			
Tangible capital assets	$ 178,025,743	$ (19,923,500)	$ 158,102,243

3. Adoption of new financial reporting framework (continued)

(b) Accumulated operating surplus

	2013	2012
Accumulated surplus, beginning of year(Note 4.b)	$ 84,709,763	$ 77,718,188
Market gain/loss reclassification	(260,943)	(339,940)
Capital asset revaluation	(14,351,438)	(14,351,438)
Accumulated surplus, beginning of year	70,097,382	63,026,810
Annual surplus for the year	1,167,813	6,949,831
Amortization on capital asset revaluation	-	41,744
Market gain/loss on endowment reclassification	-	78,997
Annual surplus for the year	1,167,813	7,070,572
Accumulated surplus, end of year	$ 71,265,195	$ 70,097,382

4. Prior period adjustments

(a) Prior period adjustments

The prior period balances have been restated for changes in the classification of some employee benefits, UFV funded student awards and the recognition of capital funding. Key adjustments on the University's financial statements are as follows:

2011

i) A reduction to accounts payable in the amount of $2,935,555, and an increase of $1,066,946 in cash equivalents, with a related $4,002,501 increase to accumulated surplus related to the accounting for employee benefits.

ii) A decrease in deferred capital contributions with a related increase to accumulated surplus in the amount of $5,336,290 to reclassify capital funding.

2012

i) An increase in accounts payable of $24,305 and an increase in cash equivalents of $324,199 with a related $299,894 increase to annual surplus related to the accounting for employee benefits.

ii) A decrease in deferred revenue of $335,535 with a related increase in annual surplus reclassifying student award funding.

iii) A decrease in deferred capital contributions and an increase in annual surplus in the amount of $810,488 to reclassify capital funding.

4. Prior period adjustments (continued)

(b) Accumulated operating surplus

	2013	2012
Accumulated operating surplus, beginning of year, as previously reported	$ 73,925,048	$ 68,379,397
Employee benefits	4,302,395	4,002,501
Reclassify capital funding	6,146,785	5,336,290
Student award funding	335,535	-
Accumulated operating surplus, beginning of year, as restated (Note 3.b)	$ 84,709,763	$ 77,718,188

5. Financial instruments

	2013	2012
Investments recorded at fair value		
Philips Hager North - UFV	$ 5,958,238	$ 5,312,753
Philips Hager North - CCIBED	2,568,787	2,542,992
	8,527,025	7,855,745
Investments recorded at cost or amortized cost	16,053,244	21,265,518
	24,580,269	29,121,263
Principal portion of endowments	(7,879,299)	(7,580,430)
	$ 16,700,970	$ 21,540,833

Investments recorded at fair value are comprised of equity instruments quoted in an active market.

Investments recorded at cost or amortized cost are comprised of cashable securities with terms ranging from on to five years.

6. Investment in government business enterprise

Effective January 1, 2013 the University has a controlling interest in the operations of the Indo Canadian Education Society located in Chandigarh, India. The financial information relating to the ongoing operations is detailed below.

	2013	2012
Investment in Indo Canadian Education Society	$ 155,141	$ -
Equity, end of year	$ 155,141	$ -

The change in equity in the Indo Canadian Education Society is as follows:

	2013	2012
Equity, as at January 1, 2013	$ 146,736	$ -
Net earnings	8,405	-
Equity, end of year	$ 155,141	$ -

Condensed financial information of the Indo Canadian Education Society that are part of the University's reporting entity are as follows:

	2013	2012
Statement of Financial Position		
Assets	$ 170,216	$ -
Liabilities	(15,075)	-
Accumulated surplus	$ 155,141	$ -

	2013	2012
Statement of Operations		
Revenue	$ 127,476	$ -
Expenses	119,071	-
Annual Surplus	8,405	-
Accumulated surplus, as at January 1, 2013	146,736	-
Accumulated surplus, end of year	$ 155,141	$ -

7. Accounts receivable

Included in the accounts receivable is Harmonized Sales Tax (HST) due from the Canada Revenue Agency in the amount of $341,102 (2012 - $535,358).

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2013	2012
Trades payable	$ 3,958,477	$ 8,119,864
Wages payable	315,137	151,136
Accrued vacation and overtime payable	6,025,122	6,008,122
	$ 10,298,736	**$ 14,279,122**

9. Deferred revenue

Deferred revenue is comprised of the following:

	2013	2012
Student award funding	$ 1,011,996	$ 1,349,139
Endowed funds - FMV adjustment	574,226	260,943
Student tuition and fees	6,406,479	6,114,302
Special Purpose and research	2,360,646	1,712,893
Provincial grant funding	485,862	490,312
	$ 10,839,209	**$ 9,927,589**

10. Deferred capital contributions

Changes in the deferred capital contributions balance are as follows:

	2013	2012
Balance, beginning of year	$ 100,677,277	$ 104,163,804
Contributions from Province	3,661,873	1,300,000
Prior Period reclassifications	-	(235,469)
Contributed capital asset	531,110	-
Other restricted sources	554,845	-
Revenue recognized from deferred capital contributions	(6,619,102)	(4,551,056)
Balance, end of year	**$ 98,806,003**	**$ 100,677,279**

11. Long-term debt

Long-term debt, recorded at amortized cost, is held with BC Immigrant Investment Fund Ltd. (BCIIF), is unsecured, payable in quarterly installments of $284,304 including interest at 5.15%, and is due August 1, 2017. Interest on long-term debt in the amount of $635,505 (2012 - $653,349) is included in the Statement of Operations and Accumulated Surplus.

11. Long-term debt (continued)

Anticipated annual principal repayments over the next five years and thereafter are as follows:

2014	$	376,493
2015		396,260
2016		417,465
2017		438,562
2018 and thereafter		10,546,804
Total	$	12,175,584

12. Obligations under capital lease

Repayments of obligations under capital leases are due as follows:

		2013		2012
2013	$	-	$	111,454
2014		111,454		111,454
2015		27,842		27,842
Total minimum lease payments		139,296		250,750
Less amounts representing interest at 6%		(6,055)		(17,816)
Present Value of net minimum capital lease payments	$	133,241	$	232,934

Total interest on leases for the year was $10,264.

University of the Fraser Valley

Notes to the Financial Statements

For the years ended March 31, 2013, with comparative figures for 2012

13. Tangible capital assets

	Land	Buildings	Furniture and equipment	Computer hardware and software	Leasehold improvements	Site improvements	Library books	Assets under construction	2013 Total
Cost									
Balance, beginning of year	$ 9,483,242	$ 142,491,170	$ 29,492,593	$ 11,353,332	$ 1,619,974	$ 7,508,970	$ 8,991,936	$ 37,807,036	$ 248,748,253
Additions	333,890	40,349,209	3,215,291	854,668	-	234,560	310,206	(35,522,366)	9,775,458
Balance, end of year	9,817,132	182,840,379	32,707,884	12,208,000	1,619,974	7,743,530	9,302,142	2,284,670	258,523,711
Accumulated amortization									
Balance, beginning of year	-	45,620,589	24,746,860	9,928,388	350,930	2,457,624	7,541,619	-	90,646,010
Amortization	-	4,159,573	2,131,222	738,179	130,158	726,449	334,984	-	8,220,565
Balance, end of year	-	49,780,162	26,878,082	10,666,567	481,088	3,184,073	7,876,603	-	98,866,575
Net book value	$ 9,817,132	$ 133,060,217	$ 5,829,802	$ 1,541,433	$ 1,138,886	$ 4,559,457	$ 1,425,539	$ 2,284,670	$ 159,657,136

	Land	Buildings	Furniture and equipment	Computer hardware and software	Leasehold improvements	Site improvements	Library books	Assets under construction	2012 Total
Cost									
Balance, beginning of year	$ 9,483,242	$ 141,628,318	$ 27,747,559	$ 10,596,189	$ 318,390	$ 7,279,878	$ 8,701,397	$ 12,180,253	$ 217,935,226
Additions	-	862,852	1,752,734	900,937	1,301,584	229,092	290,539	25,626,783	30,964,521
Disposals	-	-	(7,700)	(143,794)	-	-	-	-	(151,494)
Balance, end of year	9,483,242	142,491,170	29,492,593	11,353,332	1,619,974	7,508,970	8,991,936	37,807,036	248,748,253
Accumulated amortization									
Balance, beginning of year	-	42,095,120	23,138,680	9,202,536	318,390	1,777,126	7,205,985	-	83,737,837
Amortization	-	3,525,469	1,759,674	725,852	32,540	680,498	335,634	-	7,059,667
Disposals	-	-	(151,494)	-	-	-	-	-	(151,494)
Balance, end of year	-	45,620,589	24,746,860	9,928,388	350,930	2,457,624	7,541,619	-	90,646,010
Net book value	$ 9,483,242	$ 96,870,581	$ 4,745,733	$ 1,424,944	$ 1,269,044	$ 5,051,346	$ 1,450,317	$ 37,807,036	$ 158,102,243

13. Tangible capital assets (continued)

(a) Contributed tangible capital assets

Additions to tangible capital assets include the following contributed tangible capital assets:

	2013	2012
Land	$ 333,890	$ -
Building	531,110	-
	$ 865,000	$ -

(b) Assets under construction

Assets under construction having a value of $2,284,670 (2012 - $37,807,036) have not been amortized. Amortization of these assets will commence when the asset is put into service.

14. Financial risk management

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

(a) Credit risk

Credit risk is the risk of financial loss to the University if a party to a financial instrument fails to meet its contractual obligations. Such risk arises principally from certain financial assets held by the University consisting of cash, short term investments, amounts receivable and investments.

Accounts receivable: Management believes risk with respect to accounts receivable is limited. Student accounts receivable is a large population of limited amounts where the institution has the ability to stop further enrolments and granting of transcripts until payment is made. Other receivables and tax recoveries are generally with governments and other credit-worthy institutions.

Investments: The University has an Investment Policy to ensure funds are managed appropriately in order to balance preservation of capital, liquidity requirements and returns. The University retains an external investment firm to manage endowed funds in accordance with its investment policy utilizing diverse agreed upon investment strategies primarily in active trading markets.

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the University's income. The University cash and operating investments include amounts on deposit with financial institutions that earn interest at market rates. The University manages its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day to day basis. Fluctuation in market rates of interest does not have a significant effect on the institutions' cash and operating investments.

14. Financial risk management (continued)

(b) Market risk (continued)

The primary objective of the University with respect to its investment of endowed funds is to ensure the security of principal amounts while achieving a satisfactory investment return.

(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 meets its liquidity risk requirements by continually monitoring actual and forecasted cash flows and anticipating investment and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

(d) Fair value of financial instruments

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

i) Cash and cash equivalents, accounts receivable, investments - non endowment and accounts payables and accrued liabilities - the carrying amounts approximate fair value because of the short maturity of these instruments.

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

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

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

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

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

15. Accumulated surplus

Accumulated surplus is comprised on the following:

	2013	2012
Unrestricted	$ 4,373,351	$ 2,900,731
Internally restricted	31,748,362	31,829,281
Investment in tangible capital assets	27,264,183	27,786,940
Endowments	7,879,299	7,580,430
Accumulated surplus	$ 71,265,195	$ 70,097,382

16. Endowments

Changes to the endowment balances included as part of accumulated surplus are as follows:

	2013	**2012**
Balance, beginning of year	$ 7,580,430	$ 7,295,173
Contributions received during the year	298,869	285,257
Balance, end of year	**$ 7,879,299**	**$ 7,580,430**

17. 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:

	2014	2015	2016	2017	2018
Long-term lease commitments	$ 298,581	$ 164,510	$ 70,258	$ 51,720	$ 337,602

18. Contingent liabilities

The University may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of operations. In the event that any such claims or litigation are resolved against the University, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of the University.

19. Expenses by object

The following is a summary of expenses by object:

	2013	2012
Salaries and wages	$ 64,643,210	$ 61,648,518
Employee benefits	16,709,803	14,970,827
Amortization of tangible assets	8,220,565	7,059,667
Contracted services	4,964,695	5,119,179
Cost of goods sold	3,560,530	3,663,888
Supplies and books	3,482,090	3,452,588
Other operating expenses	2,834,192	2,696,543
Travel and conferences	2,535,918	2,672,758
Minor renovations and repairs	2,084,094	992,268
Utilities	1,845,519	1,810,964
Scholarships and bursaries	1,274,011	960,269
Rentals and leases	636,612	627,507
Interest	635,505	653,349
Printing and advertising	468,186	601,345
Minor equipment and supplies	116,740	168,354
	$ 114,011,670	$ 107,098,024

20. Pension plans

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

The most recent actuarial valuation for the College Pension Plan as at August 31, 2009 indicated a $28 million funding deficit for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2009 indicated a $1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan.

The University paid and expensed $1,314,685 (2012 - $1,261,955) for employer contributions to the Municipal plan and $4,004,178 (2012 - $3,756,001) to the College plan in fiscal 2013.