



**UNIVERSITY OF NORTHERN
BRITISH COLUMBIA**

FINANCIAL STATEMENTS

MARCH 31, 2009

University of Northern British Columbia

Financial Statements

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UNIVERSITY OF NORTHERN BRITISH COLUMBIA

STATEMENT OF MANAGEMENT RESPONSIBILITY

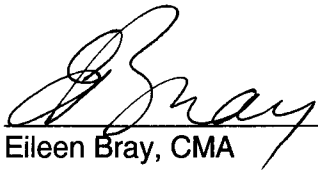
The University of Northern British Columbia is responsible for the preparation of the financial statements. They have been prepared in accordance with Canadian generally accepted accounting principles. The financial statements present fairly the financial position of the University as at March 31, 2009 and the results of its operations and changes in its net assets and cash flows for the year then ended.

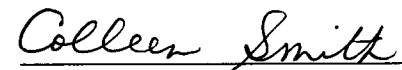
Management is required to ensure that adequate internal controls, policies and procedures exist to achieve, in a cost effective manner, its responsibilities in the following areas:

- Compliance with statutory requirements under the University Act and other provincial statutes;
- Efficient and effective use of University resources;
- Stewardship over University assets;
- Provision of accurate and reliable accounting information;
- Recognition and compliance with restrictions placed on resources by donors, funding agencies, or the Board of Governors; and
- Timely preparation of reliable financial information consistent with prior years.

The Audit Committee is responsible for reviewing the financial statements, and providing their recommendation for approval to the Board of Governors. The Audit Committee meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Audit Committee, with and without the presence of management.

The financial statements for the year ended March 31, 2009, have been reported on by KPMG LLP. The Auditor's Report outlines the scope of the examination and provides the firm's opinion on the fairness of presentation of the information in the financial statements.


Eileen Bray, CMA
Vice President, Administration &
Finance


Colleen Smith, CA
Director, Finance & Budgets

May 22, 2009



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AUDITORS' REPORT TO THE GOVERNORS OF THE UNIVERSITY OF NORTHERN BRITISH COLUMBIA

We have audited the statement of financial position of the University of Northern British Columbia as at March 31, 2009 and the statements of changes in net assets, operations, and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University taken as a whole. The supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Accountants
Prince George, Canada
May 22, 2009

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2009**

(thousands of dollars)

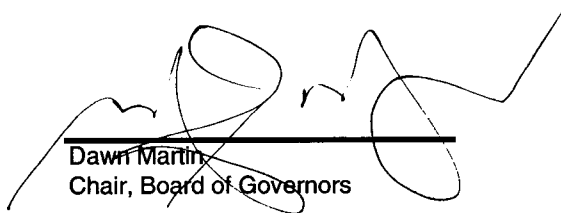
ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and temporary investments (Note 3)	\$ 36,774	\$ 27,406
Accounts receivable	4,123	10,990
Donations receivable (Note 4)	121	171
Inventory	801	878
Prepaid and deferred charges	3,986	3,000
	<u>45,805</u>	<u>42,445</u>
DONATIONS RECEIVABLE - Long term portion (Note 4)	894	1,265
INVESTMENTS (Note 5)	35,242	42,640
SINKING FUND (Note 9)	8,605	7,960
CAPITAL ASSETS (Note 6)	<u>227,559</u>	<u>232,189</u>
	<u>\$ 318,105</u>	<u>\$ 326,499</u>

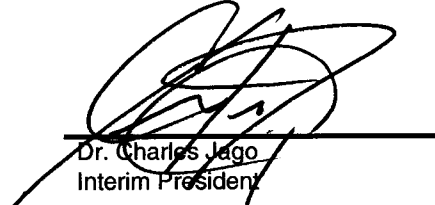
LIABILITIES & NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 8,441	\$ 10,021
Unearned revenue	1,748	555
Construction holdback payable	17	178
Current portion of long-term debt (Note 9)	323	338
	<u>10,529</u>	<u>11,092</u>
DEFERRED CONTRIBUTIONS (Note 8)	20,918	20,651
LONG TERM DEBT (Note 9)	14,477	14,678
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	182,107	187,337
NET ASSETS		
Endowments	30,018	37,405
Investment in capital assets (Note 11)	39,257	37,796
Appropriated for specific purposes (Note 12)	18,620	15,361
Unrestricted	2,179	2,179
	<u>90,074</u>	<u>92,741</u>
	<u>\$ 318,105</u>	<u>\$ 326,499</u>

Approved on behalf of
the Board of Governors:



Dawn Martin
Chair, Board of Governors



Dr. Charles Jago
Interim President

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

	Endowments	Investment in Capital Assets	Appropriated for Specific Purposes (Note 12)	Unrestricted Net Assets	Totals	
					2009	2008
BALANCE, beginning of year	\$ 37,405	\$ 38,980	\$ 14,299	\$ 2,179	\$ 92,863	\$ 86,900
Restatements (Note 19)		(1,184)	1,062		(122)	(582)
BALANCE, beginning of year, as restated	<u>37,405</u>	<u>37,796</u>	<u>15,361</u>	<u>2,179</u>	<u>92,741</u>	<u>86,318</u>
Fair value adjustment, sinking fund					-	153
Excess (deficiency) of revenues over expenses (Note 11)		(2,389)		(1,817)	(4,206)	5,226
Net change in investment in capital assets (Note 11)		3,850		(3,850)	-	-
Net change in endowments (Note 13)	(7,387)			8,926	1,539	1,044
Contribution to (from) appropriated for specific purposes			3,259	(3,259)	-	-
BALANCE, end of year	<u>\$ 30,018</u>	<u>\$ 39,257</u>	<u>\$ 18,620</u>	<u>\$ 2,179</u>	<u>\$ 90,074</u>	<u>\$ 92,741</u>

UNIVERSITY OF NORTHERN BRITISH COLUMBIA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2009

(thousands of dollars)

	<u>2009</u>	<u>2008</u>
REVENUE		
Government grants		
Provincial government	\$ 46,680	\$ 45,503
Federal government	9,859	8,573
Gifts, bequests and non-government grants	11,630	7,300
Investment income (loss)	(5,447)	4,220
Student fees	17,710	16,746
Sales and service	7,916	8,676
External cost recovery	160	66
Amortization of deferred capital contributions	7,384	6,858
	<u>95,892</u>	<u>97,942</u>
EXPENSE		
Salaries and honoraria	48,355	46,089
Benefits	8,304	8,159
Travel and personnel costs	3,284	2,945
Operational supplies and expenses	9,187	7,276
Equipment and furnishings	815	951
Equipment and facilities rentals	425	453
Contract services	7,922	6,955
Professional services	333	247
Scholarships, fellowships and bursaries	2,374	2,244
Renovations, alterations and maintenance	2,139	1,875
Utilities	3,201	2,426
Cost of goods sold	2,660	2,476
Debt servicing - interest	1,323	1,350
Amortization	9,776	9,270
	<u>100,098</u>	<u>92,716</u>
Excess (deficiency) of revenue over expenses	<u>(4,206)</u>	<u>5,226</u>
Transfer from internally restricted funds	474	1,677
Loss on endowment investments allocated to endowment principal	7,579	-
Net change in investment in capital assets	<u>(3,847)</u>	<u>(6,670)</u>
Change in unrestricted net assets	-	233
Balance of unrestricted net assets, beginning of year	<u>2,179</u>	<u>1,946</u>
Balance of unrestricted net assets, end of year	<u>\$ 2,179</u>	<u>\$ 2,179</u>

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

	<u>2009</u>	<u>2008</u>
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expense	\$ (4,206)	\$ 5,226
Items not affecting cash :		
Amortization of capital assets	9,776	9,270
Amortization of deferred capital contributions	(7,384)	(6,858)
Increase (decrease) in non-cash working capital	5,802	634
	<u>3,988</u>	<u>8,272</u>
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Purchase of capital assets, net	(5,489)	(23,160)
Decrease (increase) in investments	7,398	(3,457)
Deferred contributions, net	267	5,940
Capital contributions	2,154	11,977
	<u>4,330</u>	<u>(8,700)</u>
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Endowment contributions	1,539	1,044
Donation receivable - long term portion	371	(279)
Repayment of long term debt	-	
Cash restricted for repayment of long term debt	(522)	(376)
Sinking fund contributions	(338)	(338)
	<u>1,050</u>	<u>51</u>
NET INCREASE IN CASH AND TEMPORARY INVESTMENTS	9,368	(377)
CASH AND TEMPORARY INVESTMENTS, beginning of year	<u>27,406</u>	<u>27,783</u>
CASH AND TEMPORARY INVESTMENTS, end of year	<u>\$ 36,774</u>	<u>\$ 27,406</u>
SUPPLEMENTAL DISCLOSURE:		
Interest paid during the year	<u>\$ 1,323</u>	<u>\$ 1,350</u>

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 1 Authority and Purpose

The University of Northern British Columbia (UNBC or the University) operates under the authority of the *University Act* of British Columbia. UNBC is a comprehensive research university dedicated to improving the quality of life in its region, and beyond, by attaining the highest standards of undergraduate and graduate teaching, learning, and research. The University is governed by a 15 member Board of Governors, eight of whom are appointed by the provincial government of British Columbia, including two on the recommendation of the UNBC Alumni Association. The academic governance of the University is vested in the Senate. UNBC is a registered charity and is therefore exempt from taxes under section 149 of the *Income Tax Act*. The University receives a significant portion of its revenues from the Province of British Columbia.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

The University of Northern British Columbia has prepared these financial statements in accordance with Canadian generally accepted accounting principles (GAAP).

(b) Revenue recognition

The University follows the deferral method of accounting for contributions.

Operating government grants that are not restricted as to their use are recognized as revenue when receivable. Such grants, if received for a future period, are deferred and reported as unearned revenue until that future period. Other unrestricted revenue, including tuition fees and sales of products and services, are reported as revenue at the time the services are provided or the products delivered.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts must be used for the purposes designated by the external parties. Endowment contributions are recorded as direct increases in net assets.

Grants externally restricted for the acquisition of capital assets are recorded as deferred contributions until the amount is invested in capital assets. Once the amount is invested in a capital asset, it is transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recorded as earned revenue over the useful life of the related assets.

Donations of materials and services that would have otherwise been purchased are recorded at their fair market value. Where fair market value cannot be determined, donations of materials and services are recorded at a nominal value.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd.)

(c) Financial Instruments

- (i) The University's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, unearned revenue and long term debt. These financial instruments are accounted for as follows:

Held-for-trading (HFT)

The University has designated cash and short term investments and long term investments on initial recognition as held-for-trading. These instruments are initially recognized at cost. Upon application of the financial instruments accounting policy, they are recognized at their fair value, determined by published price quotations in an active market. Transaction costs to buy or sell these items are recognized in income on the settlement date. Net gains and losses arising from changes in fair value are recognized immediately in income unless funds are externally restricted.

Loans and receivables

The University has classified accounts receivable as loans and receivables for financial reporting purposes. These assets are initially recognized at their cost. Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment. Given the short term nature of these items their carrying value equates to their fair value.

Other financial liabilities

The University has classified accounts payable and long term debt as other financial liabilities for financial reporting purposes. These liabilities are initially recognized at cost. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

- (ii) Interest rate risk

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

- (iii) Foreign Exchange risk

The University is exposed to foreign exchange risk on its investments held in foreign currencies; however, it is management's opinion that this risk is not significant.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd.)

(d) Capital Assets

Capital asset acquisitions are recorded at cost. Donations are recorded at their fair value. Amortization is recorded on a straight-line basis over the estimated useful life of the asset. Estimated useful lives are as follows:

Computers	3 years
Equipment and furnishings	8 years
Buildings and site services	50 years
Apartments	50 years
Library materials	10 years

Only capital purchases greater than one thousand dollars are capitalized.

(e) Temporary Investments

Temporary investments are recorded at cost plus interest earned or income attributed in the period. Fair value approximates book value given the short term nature of these investments.

(f) Inventories

Inventories of merchandise held for resale are recorded at the lower of cost and net realizable value.

Cost of inventory recognized as an expense during the period is \$2,478 (2008 - \$2,398), which includes \$36 (2008 - \$30) for the write down of inventory to net realizable value. During the period there was no reversal of inventory previously written down.

(g) Endowment and Other Investments

Endowment and other investments are classified as held for trading and stated at fair value. In determining fair values, adjustments have not been made for transactions costs. The change in the fair value of investments at the beginning and end of each year is reflected in the statement of revenue and expense and changes in unrestricted net assets or in the balance sheet in deferred contributions if the income is externally restricted. Fair values of investments are determined as follows: fixed income securities, equities and pooled funds are valued at year-end quoted closing market prices where available. Where quoted prices are not available, investments are carried at cost. Security acquisitions and disposals are recorded as of the date traded.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd.)

(h) Sinking Fund

The sinking fund is classified as available for sale and recorded at fair value.

(i) Long Term Debt

Long term debt is recorded on the amortized cost basis, as it is the University's intent to repay these loans in accordance with their scheduled maturity dates.

(j) Appropriations

The University has adopted a budget carry forward policy which allows budget centers to carry forward unexpended operating funds into the subsequent fiscal year. In addition, the University makes appropriations at the fiscal year end for other specific requirements. All such amounts are accounted for as appropriations of net assets for specific purposes.

(k) Capital Maintenance

Earnings, to a maximum of two percent, on endowment funds may be recorded directly as an increase in endowment net assets.

(l) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) New accounting pronouncements:

(i) Inventories:

Effective April 1, 2008, the University adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, *Inventories*. Under this new standard, inventories are required to be measured at the lower of cost and net realizable value. The standard also provides more extensive guidance on the measurement and disclosure requirements for inventories; significantly, the new standard allows the reversals of previous write-downs to the net realizable value when there is a subsequent increase in the value of inventories.

The adoption of this new standard resulted in no impact to opening balances at April 1, 2008.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd.)

(ii) Assessing going concern:

Effective April 1, 2008, the University implemented Handbook Section 1400, General Standards of Financial Statement Presentation, which includes requirements for management to assess and disclose an entity's ability to continue as a going concern. Management has made its assessment and concluded there is no issue regarding the University's ability to continue as a going concern based on the assumption that the current funding levels are maintained and any committed additional future funding is received. If there are significant declines in funding, expenditures will be adjusted to match committed funding.

(iii) Capital disclosures:

Effective April 1, 2008, the University adopted Handbook Section 1535, *Capital Disclosures*. Under this new standard, the University is required to disclose both qualitative and quantitative information that enables users of the financial statements to evaluate the University's objectives, policies, and processes for managing capital. It also includes disclosure regarding what the University regards as capital, whether the University has complied with any external requirements and in the event of non-compliance, the consequences of not complying with these capital requirements (note 14).

(n) Future accounting pronouncements:

(i) Financial instruments:

During the University's 2009 fiscal year, the CICA announced that not-for-profit organizations could elect to continue to apply Handbook Section 3861, *Financial Instruments – Disclosure and Presentation* in place of Handbook Sections 3862, *Financial Instruments – Disclosure* and 3863, *Financial Instruments – Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The University has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

(ii) Revisions to Not-for-Profit accounting standards:

In September 2008, the CICA issued amendments to Handbook Sections 4400, *Financial Statement Presentation by Not-for-Profit Organizations* and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The amendments are effective for the University's fiscal year commencing April 1, 2009 and remove the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, expand interim financial statement requirements to not-for-profit organizations that prepare interim financial statements, require disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and include the requirement to follow Handbook Section 1540, *Cash Flow Statements*. The University does not believe these amendments will have a material impact on its financial statements.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd.)

(iii) Changes in accounting framework:

The CICA has decided to transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. The University is currently classified as a not-for-profit organization. The Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) have jointly issued an Invitation to Comment to invite feedback on the future of financial reporting by not-for-profit organizations. In addition, PSAB has issued an Invitation to Comment on the future financial reporting of government organizations. The University is in the process of reviewing the impact of these documents on its reporting framework and financial statements.

(iv) Goodwill and intangible assets:

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, which replaced existing Handbook Section 3062, *Goodwill and Other Intangible Assets*, and Handbook Section 3450, *Research and Development*. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for the University's fiscal year commencing April 1, 2009. The University does not believe it will have a material impact on its financial statements.

Note 3 Cash and Temporary Investments

Investment Type	2009	2008
Cash	\$19,023	\$ 11,255
Term Deposits, GIC, T-bills	5,095	1,000
Bankers Acceptances	800	3,864
Municipal Financing Authority - bond fund	6,601	6,190
Municipal Financing Authority - money market fund	5,255	5,097
	\$ 36,774	\$ 27,406

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 4 Donations Receivable

The University has received a commitment from Dr. Donald Rix, Duke Energy and Scotiabank to contribute \$3,650 in aggregate towards the equipment and construction costs of the Dr. Donald Rix Northern Health Sciences Centre and the funding of a chair pertaining to health research. Of this amount, \$321 was received during the current year and \$2,664 was received in prior years. Of the remaining balance, \$21 is expected to be received in the 2009/2010 fiscal year and \$644 is receivable after March 31, 2010. The University has also received a commitment from Canadian Forest Products Ltd. to contribute \$500 towards the construction costs of the Northern Sport Centre. Of this amount, \$100 was received during the current year and \$50 was received in the prior year. Of the remaining balance \$100 is expected to be received in the 2009/2010 fiscal year and \$250 is receivable after March 31, 2010.

Note 5 Investments

	2009	2008
Money Market	\$ 4,123	\$ 5,117
Bond	11,982	12,451
Equity	19,137	25,072
	\$ 35,242	\$ 42,640

Investments are recorded at fair value. Realized gains or losses are recognized in the year of disposal and are included in income from investments; unrealized gains or losses are included in income from investments. Investments are managed by Letko Brosseau & Associates Inc, and Gryphon Investment Counsel Inc. in pooled balanced funds. The book value of the pooled investments is \$42,442 (2008 - \$41,064).

Note 6 Capital Assets

	Cost	2009 Accumulated Amortization	Net Book Value	2008 Net Book Value
Equipment and furnishings	\$ 91,515	\$ 74,715	\$ 16,800	\$ 17,618
Building and site improvements	235,131	41,914	193,217	196,726
Apartments	15,120	4,234	10,886	11,189
Land	6,656	-	6,656	6,656
	\$ 348,422	\$ 120,864	\$ 227,559	\$ 232,189

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 7 Operating Line of Credit

The University has an available operating line of credit of \$4,300 of which it has drawn \$Nil (2008 - \$Nil) at March 31, 2009. The operating line bears interest at Bank of Montreal prime rate and is repayable on demand.

Note 8 Deferred Contributions

Deferred contributions represent unexpended contributions received for research purposes, capital acquisitions and other specific purposes. Changes in the deferred contributions balances are as follows:

	Sponsored Research	Specific Purpose	Capital	2009 Total	2008 Total
Balance, beginning of year	\$ 11,009	\$ 9,382	\$ 260	\$ 20,651	\$ 14,711
Add: contributions received during the year	16,621	8,901	1,258	26,780	27,773
Less: amounts spent during the year	(15,791)	(7,506)	(524)	(23,821)	(21,689)
Transfers to unamortized deferred capital contributions	(719)	(61)	(565)	(1,345)	(1,491)
Fair value adjustment (Note 13)		(1,347)		(1,347)	1,347
Balance, end of year	\$ 11,120	\$ 9,369	\$ 429	\$ 20,918	\$ 20,651

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 9 Long Term Debt

	2009	2008
Province of British Columbia (Section 58 of the University Act), 6.0% to 9.63%, due 2005 to 2020 inclusive	\$ 14,800	\$ 15,016
Less current portion of long-term debt	(323)	(338)
	\$ 14,477	\$ 14,678

Annual sinking fund payments on long term debt in the amount of \$323 are due in each of 2010, 2011, 2012 and 2013.

The issuance of discounted debentures has resulted in a debt premium of \$20 (2008 - \$25 premium) which will be amortized over the terms of the debentures. For the current year, \$5 (2008 - \$5) of the premium has been amortized.

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the unamortized amounts of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	\$ 187,337	\$ 182,218
Add capital funding receipts:		
Provincial government	1,391	5,846
Federal government	429	368
Donations, grants and gifts in kind	334	5,763
	2,154	11,977
Less: amortization for the year	(7,384)	(6,858)
Balance, end of year	\$ 182,107	\$ 187,337

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 11 Investment in Capital Assets

(a) Investment in capital assets is calculated as follows:

	2009	2008
Capital assets	\$ 227,559	\$ 232,189
Amounts financed by:		
Deferred capital contributions	(182,107)	(187,337)
Long-term debt	(6,195)	(7,056)
Investment in capital assets	\$ 39,257	\$ 37,796

(b) Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Deficiency of revenues over expenses: (Note 19)		
Amortization of deferred contributions related to capital assets	\$ 7,384	\$ 6,858
Amortization of capital assets	(9,773)	(9,270)
	\$ (2,389)	\$ (2,412)
Acquisition and funding of capital assets:		
Purchase of capital assets, net	\$ 5,142	\$ 17,932
Amounts funded by deferred contributions	(2,154)	(11,976)
Cash restricted for repayment of long term debt	524	376
Repayment of long-term debt	338	338
	\$ 3,850	\$ 6,670
Net change in investment in capital assets	\$ 1,461	\$ 4,258

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 12 Appropriated for Specific Purposes

Net assets appropriated for specific purposes represent funds that have been internally restricted for the following purposes:

	2009	2008
General Operating:		
Departmental carryforwards	\$ 2,594	\$ 1,474
Minor capital projects, equipment purchases and special projects	7,549	4,286
Professional development and internal research funds	2,857	2,879
Total General Operating	13,000	8,639
Ancillary Services	593	941
Capital	127	(112)
Specific Purpose	4,900	5,893
	\$18,620	\$ 15,361

General Operating appropriations are comprised of departmental amounts calculated under a policy which allows them to carry forward unspent amounts to future periods. It also includes allocations for one time projects, minor capital projects and new equipment purchases and funds set aside for individuals covered under various employment handbooks for professional development and research.

Ancillary Services represents accumulated funds held for the ongoing operations of ancillaries such as the Bookstore, Conference Services and Vending.

Capital represents funds held for specific capital projects and the Capital Equipment Replacement Reserve.

Specific Purpose are funds that are restricted internally for specific activities and use, such as conference fees, library fines and reserves.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 13 Endowment Net Assets

The University's endowments are primarily invested with the funds under management by Letko Brosseau & Associates Inc, and Gryphon Investment Counsel Inc. The endowments consist of restricted donations and capitalized investment income which maintains the economic value of the endowments over time. The University also holds surplus investment income in reserve to smooth out fluctuations in investment returns and to ensure spending distributions remain stable each year. This reserve changes with the distribution of net investment income or losses, payment of awards and allocations to endowment principal to capitalize income. This year, the loss on endowment investments resulted in the total of the reserve falling into deficit and consequently the change in endowment net assets are represented below. The net loss on endowment was \$8,926, of which \$1,347 was applied against deferred contributions and the remainder of \$7,579 from endowment.

Net change in endowment net assets:

	2009	2008
Contributions	\$ 192	\$ 317
Capital maintenance	-	727
Income reserve loss not deducted from individual endowment principal balances	(7,579)	-
	(\$ 7,387)	\$ 1,044

Endowment net assets do not include funds held by the Vancouver Foundation for the benefit of the University. These funds total \$1,616 at cost and \$1,357 at fair market value (2008 - \$1,597 at cost, \$1,659 at fair market value). The excluded principal is neither owned nor controlled by the University but income from it is paid to the University to be used for specific purposes. During the year income of \$48 (2008 - \$39) was distributed to UNBC.

Note 14 Capital Management

The University receives its principal source of capital through funding received from the provincial government and external donors. The University defines capital to be net assets.

The University's objective when managing capital is to provide its students, faculty and staff with the best possible resources and conditions for learning and research. The University manages capital at the fund level and makes adjustments based on available funding and economic conditions. The University has no external restrictions with respect to unrestricted funds. The University has complied with external restrictions on the funding provided.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 15 Pension Plan

The University has a defined contribution pension plan covering all permanent employees of the University. The pension plan is a separate legal entity with its own Board of Trustees. Sun Life of Canada was appointed to provide custodial services for plan members. Investment management services are provided by several fund managers including Phillips, Hager & North Investment Management Ltd., Sun Life Assurance, Beutel Goodman, Barclays Global Investors, McLean Budden, BonaVista Asset Management Ltd. and CI Funds. Plan members individually select their investment vehicles from those available which include bond, balanced, money market, equity and global funds, and guaranteed term deposits (1, 3, and 5 year).

The University expenses the contribution amounts made to the plan in each year. During the year the University contributed \$2,881 (2008 - \$3,119) to the plan.

Note 16 Gifts in kind

Gifts in kind in the amount of \$78 were received and recorded during the year.

Note 18 Trust funds

At March 31, 2009 the University held funds in trust on behalf of the Northern Medical Program Trust amounting to approximately \$5,673 (2008 - \$5,237) which are not included in these financial statements. These investments have a market value of \$4,727 (2008 - \$5,395).

Note 19 Restatements

(a) The University has changed its method of calculating depreciation of capital assets. Previously, no depreciation was calculated in the year of acquisition. Depreciation is now calculated on depreciable assets as they become available for service. This change in policy, which has been adopted retroactively as of April 1, 2008, affects capital assets, unamortized deferred capital contributions and investment in capital assets.

The impact of this change as at April 1, 2008 is as follows: (i) decrease in capital assets by \$4,934 representing the increase accumulated depreciation and the decrease in book value by an equivalent amount, (ii) decrease in unamortized capital contributions of \$3,750 and (iii) decrease in investment in capital assets of \$1,184 representing the net impact of the two previous adjustments.

The impact of this change during the year ended March 31, 2009 is as follows: (i) increase in capital assets by \$133 representing the decrease accumulated depreciation and the increase in book value by an equivalent amount, (ii) increase in unamortized capital contributions of \$101 and (iii) increase in investment in capital assets of \$32 representing the net impact of the two previous adjustments.

**UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(thousands of dollars)

Note 19 Restatements (cont'd.)

(b) The University has restated the calculation of the unspent funds relating to the Northern Medical Program, included in the deferred contributions described in Note 12. This change in calculation relates to the years prior to April 1, 2009 and affects general operating fund revenue, deferred contributions and net assets appropriated for specific purposes.

The impact of this change as at April 1, 2008 is as follows: (i) decrease in deferred contributions by \$456 representing the increase revenue recognized and (ii) increase in net assets appropriated for specific purposes by an equivalent amount.

The impact of this change during the year ended March 31, 2008 is as follows: (i) decrease in deferred contributions by \$606 representing the increase revenue recognized and (ii) increase in net assets appropriated for specific purposes by an equivalent amount.

Note 20 Subsequent event

On April 8, 2009 the Governments of BC and Canada announced total funding of \$21.7 million to support two initiatives at the University's Prince George campus as part of the Knowledge Infrastructure program: (i) a \$14.8 million biomass gasification system that will provide heat to the core campus buildings and displace up to 85% of UNBC's current consumption of natural gas and (ii) a \$6.9 million to upgrade the heating and cooling distribution system on campus which will enable future growth of the campus and improve energy efficiency.

Note 21 Comparative figures

Certain of the prior year comparative figures have been reclassified to conform to the current year's presentation.

UNIVERSITY OF NORTHERN BRITISH COLUMBIA
DETAILED SCHEDULE OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2009
(Unaudited)

(thousands of dollars)

	General Operating		Ancillary		Capital		Specific Purpose & Expendable Funds		Sponsored Research		Totals	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
REVENUE												
Government grants												
Provincial government	\$ 43,722	\$ 41,759	\$ -	\$ -	\$ 18	\$ -	\$ 848	\$ 1,643	\$ 2,092	\$ 2,101	\$ 46,680	\$ 45,503
Federal government	1,211	1,036	-	-	-	-	154	186	8,494	7,351	9,859	8,573
Gifts, bequests and non - gov't grants	5,177	3,309	300	250	5	-	970	721	5,178	3,020	11,630	7,300
Investment income (loss)	928	1,040	5	5	587	461	(6,967)	2,714	-	-	(5,447)	4,220
Student fees	16,032	14,819	1,678	1,917	-	-	-	10	-	-	17,710	16,746
Sales and service	841	1,253	6,639	6,544	40	56	109	224	287	599	7,916	8,676
External cost recovery	60	31	3	-	-	-	14	5	83	30	160	66
Amortization of deferred capital contributions	-	-	-	-	7,384	6,858	-	-	-	-	7,384	6,858
	<u>67,971</u>	<u>63,247</u>	<u>8,625</u>	<u>8,716</u>	<u>8,034</u>	<u>7,375</u>	<u>(4,872)</u>	<u>5,503</u>	<u>16,134</u>	<u>13,101</u>	<u>95,892</u>	<u>97,942</u>
EXPENSES												
Salaries and honoraria	38,729	37,868	2,436	2,051	-	77	441	348	6,749	5,745	48,355	46,089
Benefits	6,952	6,953	551	490	-	27	87	49	714	640	8,304	8,159
Travel and personnel costs	2,053	1,801	52	158	18	21	164	133	997	832	3,284	2,945
Operational supplies and expenses	4,161	3,922	503	630	824	369	974	832	2,725	1,523	9,187	7,276
Equipment and furnishings	374	423	47	31	113	269	20	17	261	211	815	951
Equipment and facilities rentals	10	56	344	328	-	-	8	8	63	61	425	453
Contract services	3,465	2,711	595	699	12	-	358	1,042	3,492	2,503	7,922	6,955
Professional services	260	219	69	2	-	-	-	8	4	18	333	247
Scholarships, fellowships and bursaries	689	560	-	-	-	-	1,649	1,652	36	32	2,374	2,244
Renovations, alterations and campus maintenance	1,427	1,320	505	536	191	9	-	10	16	-	2,139	1,875
Utilities	2,669	2,008	491	382	1	2	1	2	39	32	3,201	2,426
Cost of goods sold	-	-	2,660	2,476	-	-	-	-	-	-	2,660	2,476
Debt servicing - interest	-	4	1,323	1,341	-	-	-	-	-	5	1,323	1,350
Internal cost recoveries	723	653	(838)	(855)	-	(24)	(154)	(208)	269	434	-	-
Amortization	-	-	-	-	9,776	9,270	-	-	-	-	9,776	9,270
	<u>61,512</u>	<u>58,498</u>	<u>8,738</u>	<u>8,269</u>	<u>10,935</u>	<u>10,020</u>	<u>3,548</u>	<u>3,893</u>	<u>15,365</u>	<u>12,036</u>	<u>100,098</u>	<u>92,716</u>
Excess (deficiency) of revenue over expenses	6,459	4,749	(113)	447	(2,901)	(2,645)	(8,420)	1,610	769	1,065	(4,206)	5,226
Transfer (to) from internally restricted funds	(2,794)	501	36	(394)	2,374	2,961	2,380	(637)	(1,522)	(754)	474	1,677
Interfund transfers	(2,961)	(4,140)	555	354	3,133	4,986	(1,498)	(952)	771	(248)	-	-
Loss on endowment investments allocated to endowment principal	-	-	-	-	-	-	7,579	-	-	-	7,579	-
Investment in capital assets	(704)	(877)	(478)	(407)	(2,606)	(5,302)	(41)	(21)	(18)	(63)	(3,847)	(6,670)
Change in unrestricted net assets	-	233	-	-	-	-	-	-	-	-	-	233
Balance of unrestricted net assets, beginning of year	2,179	1,946	-	-	-	-	-	-	-	-	2,179	1,946
Balance of unrestricted net assets, end of year	<u>\$ 2,179</u>	<u>\$ 2,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,179</u>	<u>\$ 2,179</u>

UNIVERSITY OF NORTHERN BRITISH COLUMBIA
SCHEDULE OF GENERAL OPERATING EXPENSE BY FUNCTION
FOR THE YEAR ENDED MARCH 31, 2009
(Unaudited)

(thousands of dollars)

	<u>Academic Faculties</u>	<u>Academic Services</u>	<u>Administration</u>	<u>Governance</u>	<u>Executive Offices</u>	<u>Total 2009</u>	<u>Total 2008</u>
EXPENDITURES							
Salaries and Benefits	\$ 28,769	\$ 8,370	\$ 7,279	\$ 63	\$ 1,200	\$ 45,681	\$ 44,821
Travel and personnel costs	929	524	535	19	46	2,053	1,801
Operational supplies and expenses	1,190	709	2,005	30	227	4,161	3,922
Equipment and furnishings	131	75	165	-	3	374	423
Equipment and facilities rental	5	3	2	-	-	10	56
Contract services	2,333	372	750	2	8	3,465	2,711
Professional services	66	7	186	-	1	260	219
Scholarships, fellowship and bursaries	8	16	665	-	-	689	560
Renovations, alterations, and campus mainten.	12	8	1,407	-	-	1,427	1,320
Utilities	178	108	2,366	2	15	2,669	2,008
Internal cost recoveries	59	35	616	2	11	723	653
Interest	-	-	-	-	-	-	4
Total Expenses	\$ 33,680	\$ 10,227	\$ 15,976	\$ 118	\$ 1,511	\$ 61,512	\$ 58,498