UNIVERSITY OF NORTHERN BRITISH COLUMBIA

FINANCIAL STATEMENTS

MARCH 31, 2010

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, 2010 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, 2010, 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 21, 2010

KPMG LLP
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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, 2010 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, 2010 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.

KPMG LLP

Chartered Accountants

Prince George, Canada

May 21, 2010

KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

UNIVERSITY OF NORTHERN BRITISH COLUMBIA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2010

(thousands of dollars)

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	$ 29,940	$ 21,824
Temporary investments (Note 3)	17,359	14,950
Accounts receivable	3,473	4,123
Donations receivable (Note 4)	122	121
Inventories	633	801
Prepaid expenses and deferred charges	3,424	3,986
	54,951	45,805
DONATIONS RECEIVABLE - Long term portion (Note 4)	671	894
INVESTMENTS (Note 5)	43,261	35,242
SINKING FUND (Note 9)	9,262	8,605
CAPITAL ASSETS (Note 6)	230,683	227,559
	$ 338,828	$ 318,105
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 11,428	$ 8,441
Unearned revenue	297	1,748
Construction holdback payable	403	17
Current portion of long term debt (Note 9)	323	323
	12,451	10,529
DEFERRED CONTRIBUTIONS (Note 8)	23,114	20,918
LONG TERM DEBT (Note 9)	14,477	14,477
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	184,561	182,107
NET ASSETS		
Endowments	38,003	30,018
Investment in Capital Assets (Note 11)	40,584	39,257
Appropriated for Specific Purposes (Note 12)	22,121	18,620
Unrestricted Net Assets	3,517	2,179
	104,225	90,074
	$ 338,828	$ 318,105

Approved on behalf of
the Board of Governors:

Dawn Martin
Chair, Board of Governors

Dr. George Iwama
President

President & Vice Chancellor

Commitments (Note 16)

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

UNIVERSITY OF NORTHERN BRITISH COLUMBIA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2010

(thousands of dollars)

	Endowments	Investment in Capital Assets	Appropriated for Specific Purposes (Note 12)	Unrestricted Net Assets	Totals 2010	Totals 2009
BALANCE, beginning of year	**$ 30,018**	**$ 39,257**	**$ 18,620**	**$ 2,179**	**$ 90,074**	$ **92,741**
Excess (deficiency) of revenues over expenses (Note 11)		(2,186)		15,187	13,001	**(4,206)**
Net change in investment in capital assets (Note 11)		3,513		(3,513)	-	**-**
Net change in endowments (Note 13)	7,985			(6,835)	1,150	**1,539**
Contribution to (from) appropriated for specific purposes			3,501	(3,501)	-	**-**
BALANCE, end of year	**$ 38,003**	**$ 40,584**	**$ 22,121**	**$ 3,517**	**$ 104,225**	$ **90,074**

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

UNIVERSITY OF NORTHERN BRITISH COLUMBIA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2010

(thousands of dollars)

	2010	2009
REVENUE		
Government grants		
Provincial government	$ 48,338	$ **46,680**
Federal government	10,590	**9,859**
Gifts, bequests and non-government grants	13,777	**11,630**
Investment income (loss)	8,666	**(5,447)**
Student fees	18,491	**17,710**
Sales and service	8,137	**7,916**
External cost recovery	277	**160**
Amortization of deferred capital contributions	7,532	**7,384**
	115,808	**95,892**
EXPENSE		
Salaries and honoraria	50,461	**48,355**
Benefits	8,780	**8,304**
Travel and personnel costs	2,917	**3,284**
Operational supplies and expenses	9,424	**9,187**
Equipment and furnishings	643	**815**
Equipment and facilities rentals	457	**425**
Contract services	8,367	**7,922**
Professional services	309	**333**
Scholarships, fellowships and bursaries	3,231	**2,374**
Renovations, alterations and maintenance	1,989	**2,139**
Utilities	2,828	**3,201**
Cost of goods sold	2,357	**2,660**
Debt servicing - interest	1,326	**1,323**
Amortization	9,718	**9,776**
	102,807	**100,098**
Excess (deficiency) of revenue over expenses	13,001	**(4,206)**
Transfer from internally restricted funds	(1,316)	**474**
Loss (gain) on endowment investments allocated to endowment principal	(6,834)	**7,579**
Net change in investment in capital assets	(3,513)	**(3,847)**
Change in unrestricted net assets	1,338	**-**
Balance of unrestricted net assets, beginning of year	2,179	**2,179**
Balance of unrestricted net assets, end of year	**$ 3,517**	**$ 2,179**

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

UNIVERSITY OF NORTHERN BRITISH COLUMBIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2010

(thousands of dollars)

	2010	2009
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expense	$ 13,001	$ **(4,206)**
Items not affecting cash :		
Amortization of capital assets	9,718	**9,776**
Amortization of deferred capital contributions	(7,532)	**(7,384)**
Fair value adjustment of investments	(8,512)	**9,650**
Increase (decrease) in non-cash working capital	3,301	**5,802**
	9,976	**13,638**
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Increase in temporary investments	(2,409)	**(3,665)**
Purchase of capital assets	(12,848)	**(5,489)**
Decrease (increase) in investments	493	**(2,252)**
Endowment contributions	1,150	**1,539**
Deferred contributions	2,196	**267**
Capital contributions	9,986	**2,154**
	(1,432)	**(7,446)**
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Donation receivable - long term portion	223	**371**
Cash restricted for repayment of long term debt	(328)	**(522)**
Sinking fund contributions	(323)	**(338)**
	(428)	**(489)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,116	**5,703**
CASH AND CASH EQUIVALENTS, beginning of year	21,824	**16,121**
CASH AND CASH EQUIVALENTS, end of year	$ **29,940**	$ **21,824**
SUPPLEMENTAL DISCLOSURE:		
Interest paid during the year	$ **1,326**	$ **1,323**

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

UNIVERSITY OF NORTHERN BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

(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) Basis of presentation

The University of Northern British Columbia has prepared these financial statements in accordance with Canadian generally accepted accounting principles (GAAP) for not for profit organizations.

(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.

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 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 fair value. 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.

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

The University has elected to defer applying the CICA 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 the entity manages those risks. The University has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

(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

Assets that no longer provide long term service potential for the University are written down to residual value. Only capital purchases greater than one thousand dollars are capitalized.

(e) Cash and Temporary Investments

Cash and temporary investments include money market investments, guaranteed investment certificates and pooled investment funds and are recorded at fair value.

(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 $2,164 (2009 - $2,478), which includes $4 (2009 - $36) for the write down of inventory to net realizable value. During the period there was no reversal of inventory previously written down.

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

(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.

(h) Sinking Fund

The sinking fund is classified as held for trading 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.

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

(m) Changes in accounting standards

(i) Revisions to Not-for-profit accounting standards:

Effective April 1, 2009, the University adopted the amendments to Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The amendments removed the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, and added a requirement for disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and a requirement to follow Handbook Section 1540, *Cash Flow Statements*. The application of these amendments did not have any impact on the University's financial statements.

(ii) Amendments to Section 1000, Financial Statement Concepts:

Effective, April 1, 2009, the University adopted the amendments in CICA Handbook Section 1000 Financial Statement Concepts. The amendments clarify the relationship between incurring expenditures and creating assets and clarifies that items which do not meet the definition of assets or liabilities, are not eligible for recognition. The application of the amendments did not have an impact on the financial statements.

(n) Future accounting framework:

The University is currently classified as a government not-for-profit organization. Under the direction of the Public Sector Accounting Standards Board ("PSAB"), the University adheres to the standards for not-for-profit ("NPO") organizations in the CICA Handbook.

PSAB proposes to incorporate into the PSA Handbook, the current NPO Sections (4400 Standards) of the CICA Handbook to deal with areas not currently addressed by the PSAB framework. PSAB has decided not to make any further substantive changes to the Sections as this time. The exposure draft proposes to amend the Introduction so that the PSAB standards will be applicable to all government not-for-profit organizations, for fiscal periods beginning on or after January 1, 2012.

The University intends to continue applying the existing NPO standards and is awaiting the finalization of the new standards. Once the new standards are finalized, the University will determine the impact on the financial statements.

(thousands of dollars)

Note 3 Cash and Temporary Investments

Investment Type	2010	2009
Cash and cash equivalents	$ 29,940	$21,824
Temporary Investments		
Term Deposits, GIC, T-bills	5,105	3,094
Municipal Financing Authority - bond fund	6,967	6,601
Municipal Financing Authority - money market fund	5,287	5,255
Total temporary investments	17,359	14,950
Total cash and temporary investments	**$ 47,299**	**$ 36,774**

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, $122 was received during the current year and $2,986 was received in prior years. Of the remaining balance, $22 is expected to be received in the 2010/2011 fiscal year and $521 is receivable after March 31, 2011. 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 $150 was received in prior years. Of the remaining balance $100 is expected to be received in the 2010/2011 fiscal year and $150 is receivable after March 31, 2011.

(thousands of dollars)

Note 5 Investments

	2010	2009
Money Market	$ 3,894	$ 4,123
Bond	12,848	11,982
Equity	26,519	19,137
	$ 43,261	**$ 35,242**

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 $42,977 (2009 - $42,442).

Note 6 Capital Assets

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment and furnishings	$ 94,790	$ (79,419)	$ 15,371	$ 16,800
Building and site improvements	244,698	(46,626)	198,072	193.217
Apartments	15,120	(4,536)	10,584	10,886
Land	6,656	-	6,656	6,656
	$ 361,264	**$ (130,581)**	**$ 230,683**	**$ 227,559**

Note 7 Operating Line of Credit

The University has an available operating line of credit of $4,300 of which it has drawn $Nil (2009 - $Nil) at March 31, 2010. The operating line bears interest at Bank of Montreal prime rate and is repayable on demand.

(thousands of dollars)

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	2010 Total	2009 Total
Balance, beginning of year	**$ 11,120**	**$ 9,369**	**$ 429**	**$ 20,918**	**$ 20,651**
Add: contributions received during the year	13,923	9,566	4,362	27,851	26,780
Less: amounts spent during the year	(15,301)	(8,792)	(385)	(24,478)	(23,821)
Transfers to unamortized deferred capital contributions	(370)	(420)	(387)	(1,177)	(1,345)
Fair value adjustment (Note 13)					(1,347)
Balance, end of year	**$ 9,372**	**$ 9,723**	**$ 4,019**	**$ 23,114**	**$ 20,918**

Note 9 Long Term Debt

	2010	2009
Province of British Columbia (Section 58 of the University Act), 8.50% to 9.63%, due 2014 to 2020 inclusive	$ 14,800	$ 14,800
Less current portion of long-term debt	(323)	(323)
	$ 14,477	**$ 14,477**

Annual sinking fund payments on long term debt in the amount of $323 are due each year 2011 – 2014 and $164 is due in 2015.

The issuance of discounted debentures has resulted in a debt premium of $15 (2009 - $20 premium) which will be amortized over the terms of the debentures. For the current year, $5 (2009 - $5) of the premium has been amortized.

(thousands of dollars)

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.

	2010	2009
Balance, beginning of year	**$ 182,107**	**$ 187,337**
Add capital funding receipts:		
Provincial government	9,217	1,391
Federal government	277	429
Donations, grants and gifts in kind	492	334
	9,986	2,154
Less: amortization for the year	(7,532)	(7,384)
Balance, end of year	**$ 184,561**	**$ 182,107**

Note 11 Investment in Capital Assets

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

	2010	2009
Capital assets	**$230,683**	**$ 227,559**
Amounts financed by:		
Deferred capital contributions	(184,561)	(182,107)
Long-term debt (net of sinking fund)	(5,538)	(6,195)
	(190,106)	(188,302)
Investment in capital assets	**$ 40,584**	**$ 39,257**

(thousands of dollars)

Note 11 Investment in Capital Assets (cont'd.)

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

	2010	2009
Deficiency of revenues over expenses: (Note 19)		
Amortization of deferred contributions related to capital assets	7,532	$ 7,384
Amortization of capital assets	(9,718)	(9,773)
	$ (2,186)	$ (2,389)
Acquisition and funding of capital assets:		
Purchase of capital assets, net	$12,842	$ 5,142
Amounts funded by deferred contributions	(9,986)	(2,154)
Cash restricted for repayment of long term debt	334	524
Repayment of long-term debt	323	338
	$3,513	$ 3,850
Net change in investment in capital assets	**$1,327**	**$ 1,461**

(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:

	2010	2009
General Operating:		
Departmental carryforwards	$ 3,573	$ 2,594
Minor capital projects, equipment purchases and special projects	4,894	7,549
Professional development and internal research funds	2,896	2,857
Total General Operating	11,363	13,000
Ancillary Services	737	593
Capital	4,707	127
Specific Purpose	5,314	4,900
	$ 22,121	**$18,620**

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, Continuing Education 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.

(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. In 2009, the loss on endowment investments resulted in the total of the reserve falling into deficit; net gains in 2010 have been applied against this loss. The net gain on endowment was $6,834 (2009 - net loss $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:	**2010**	**2009**
Contributions	$ 399	$ 192
Capital maintenance	752	-
Income reserve gain (loss) not deducted from individual endowment principle balances	6,834	(7,579)
	$ 7,985	**($ 7,387)**

Endowment net assets do not include funds held by the Vancouver Foundation for the benefit of the University. These funds total $1,628 at cost and $1,523 at fair market value (2009 - $1,616 at cost, $1,357 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 $16 (2009 - $48) 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, deferred capital contributions and long term debt.

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.

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 $3,282 (2009 - $2,881) to the plan.

Note 16 Commitments

The University has entered in to a letter of intent to purchase bio-fuel of approximately $350 per year for a three year period, commencing late Fall 2010. The University will have the option to renew the final contract for two, one year extensions.

Note 17 Gifts in kind

Gifts in kind in the amount of $423 were received and recorded during the year.

Note 18 Trust funds

At March 31, 2010 the University held funds in trust on behalf of the Northern Medical Program Trust amounting to approximately $6,161 (2009 - $5,673) which are not included in these financial statements. These investments have a market value of $6,242 (2009 – $4,727).

Note 19 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, 2010
(Unaudited)

(thousands of dollars)

	General Operating		Ancillary		Capital		Specific Purpose & Expendable Funds		Sponsored Research		Totals	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
REVENUE												
Government grants												
Provincial government	$ 46,715	$ **43,722**	$ -	$ **-**	$ -	$ **18**	$ 536	$ **848**	$ 1,087	$ **2,092**	$ 48,338	$ **46,680**
Federal government	1,423	**1,211**	-	**-**	-	**-**	911	**154**	8,256	**8,494**	10,590	**9,859**
Gifts, bequests and non - gov't grants	6,332	**5,177**	311	**300**	12	**5**	1,299	**970**	5,823	**5,178**	13,777	**11,630**
Investment income (loss)	450	**928**	5	**5**	325	**587**	7,886	**(6,967)**	-	**-**	8,666	**(5,447)**
Student fees	16,541	**16,032**	1,950	**1,678**	-	**-**	-	**-**	-	**-**	18,491	**17,710**
Sales and service	697	**841**	6,868	**6,639**	73	**40**	251	**109**	248	**287**	8,137	**7,916**
External cost recovery	218	**60**	1	**3**	-	**-**	46	**14**	12	**83**	277	**160**
Amortization of deferred capital contributions	-	**-**	-	**-**	7,532	**7,384**	-	**-**	-	**-**	7,532	**7,384**
	72,376	**67,971**	9,135	**8,625**	7,942	**8,034**	10,929	**(4,872)**	15,426	**16,134**	115,808	**95,892**
EXPENSES												
Salaries and honoraria	40,480	**38,729**	2,600	**2,436**	13	**-**	714	**441**	6,654	**6,749**	50,461	**48,355**
Benefits	7,426	**6,952**	587	**551**	1	**-**	112	**87**	654	**714**	8,780	**8,304**
Travel and personnel costs	1,936	**2,053**	73	**52**	9	**18**	162	**164**	737	**997**	2,917	**3,284**
Operational supplies and expenses	3,986	**4,161**	617	**503**	944	**824**	585	**974**	3,292	**2,725**	9,424	**9,187**
Equipment and furnishings	292	**374**	33	**47**	124	**113**	50	**20**	144	**261**	643	**815**
Equipment and facilities rentals	17	**10**	378	**344**	-	**-**	15	**8**	47	**63**	457	**425**
Contract services	3,634	**3,465**	709	**595**	119	**12**	464	**358**	3,441	**3,492**	8,367	**7,922**
Professional services	244	**260**	60	**69**	-	**-**	-	**-**	5	**4**	309	**333**
Scholarships, fellowships and bursaries	997	**689**	-	**-**	-	**-**	2,202	**1,649**	32	**36**	3,231	**2,374**
Renovations, alterations and campus maintenance	1,325	**1,427**	443	**505**	190	**191**	1	**-**	30	**16**	1,989	**2,139**
Utilities	2,389	**2,669**	429	**491**	4	**1**	1	**1**	5	**39**	2,828	**3,201**
Cost of goods sold	-	**-**	2,357	**2,660**	-	**-**	-	**-**	-	**-**	2,357	**2,660**
Debt servicing - interest	2	**-**	1,324	**1,323**	-	**-**	-		-	**-**	1,326	**1,323**
Internal cost recoveries	448	**723**	(555)	**(838)**	3	**-**	(126)	**(154)**	230	**269**	-	**-**
Amortization	-	**-**	-	**-**	9,718	**9,776**	-	**-**	-	**-**	9,718	**9,776**
	63,176	**61,512**	9,055	**8,738**	11,125	**10,935**	4,180	**3,548**	15,271	**15,365**	102,807	**100,098**
Excess (deficiency) of revenue over expenses	9,200	**6,459**	80	**(113)**	(3,183)	**(2,901)**	6,749	**(8,420)**	155	**769**	13,001	**(4,206)**
Transfer (to) from internally restricted funds	(1,275)	**(2,794)**	(249)	**36**	(125)	**2,374**	(123)	**2,380**	456	**(1,522)**	(1,316)	**474**
Interfund transfers	(5,812)	**(2,961)**	525	**555**	5,595	**3,133**	290	**(1,498)**	(598)	**771**	-	**-**
Loss/(gain) on endowment investments allocated to endowment principal							(6,834)	**7,579**			(6,834)	**7,579**
Investment in capital asets	(775)	**(704)**	(356)	**(478)**	(2,287)	**(2,606)**	(82)	**(41)**	(13)	**(18)**	(3,513)	**(3,847)**
Change in unrestricted net assets	1,338	**-**	-	**-**	-	**-**	-	**-**	-	**-**	1,338	**-**
Balance of unrestricted net assets, beginning of year	2,179	**2,179**	-	**-**	-	**-**	-	**-**	-	**-**	2,179	**2,179**
Balance of unrestricted net assets, end of year	**$ 3,517**	**$ 2,179**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 3,517**	**$ 2,179**

UNIVERSITY OF NORTHERN BRITISH COLUMBIA
SCHEDULE OF GENERAL OPERATING EXPENSE BY FUNCTION
FOR THE YEAR ENDED MARCH 31, 2010
(Unaudited)

(thousands of dollars)

	Academic Faculties	Academic Services	Administration	Governance	Executive Offices	Total 2009	Total 2009
EXPENDITURES							
Salaries and Benefits	$ 32,505	$ 6,488	$ 7,617	$ 64	$ 1,232	$ 47,906	$ **45,681**
Travel and personnel costs	893	583	351	30	79	1,936	**2,053**
Operational supplies and expenses	1,346	625	1,754	24	237	3,986	**4,161**
Equipment and furnishings	140	35	111	-	6	292	**374**
Equipment and facilities rental	9	5	1	-	2	17	**10**
Contract services	2,904	151	486	2	91	3,634	**3,465**
Professional services	29	37	178	-	-	244	**260**
Scholarships, fellowship and bursaries	256	-	741	-	-	997	**689**
Renovations, alterations, and campus mainten.	19	5	1,291	-	10	1,325	**1,427**
Utilities	221	57	2,107	2	2	2,389	**2,669**
Internal cost recoveries	(6)	(2)	456	-	-	448	**723**
Interest	-	-	2	-	-	2	**-**
Total Expenses	$ 38,316	$ 7,984	$ 15,095	$ 122	$ 1,659	$ 63,176	$ **61,512**