UNIVERSITY OF VICTORIA

2023 - 2024 Management Discussion and Analysis (Unaudited)

2023 – 2024 Audited Financial Statements

University of Victoria
2024 Management Discussion and Analysis
(Unaudited)

Introduction to Management Discussion and Analysis

The attached financial statements present the financial results of the university for the year ended March 31, 2024 in accordance with Public Sector Accounting Standards, supplemented by directives set out by the Province of British Columbia and consistent with Section 23.1 of the *Budget Transparency and Accountability Act* (BTAA) of the Province of British Columbia. These statements are the consolidation of all university operations, including the results of general operations, ancillary operations, capital projects, endowment returns and spending, research grants and expenditures, etc. As required by Public Sector Accounting Standards, they also include the financial results of each of the university's 12 external entities as well as the staff pension plan. While these entities are required to be included in the financial statements, their assets are restricted for specific purposes (e.g., pension) and therefore are not available to support general operations of the university.

The objective of this Management Discussion and Analysis (MD&A) document is to assist readers of the university's financial statements to better understand the financial position and operating activities of the university for fiscal year March 31, 2024, as presented in accordance with the above reporting framework. This discussion should be read in conjunction with the annual audited financial statements and accompanying notes.

The operations of the University have been guided by our teaching and research priorities and institutional plans such as Aspiration 2030: Research and Creative Works Plan, Equity Action Plan, Campus Plan and the Climate and Sustainability Action Plan. In 2023 the University launched Distinctly UVic: A Strategy for the University of Victoria and a new Indigenous plan—Xʷkʷənəŋ istəl W̱ ȻENEṈISTEL: Helping to move each other forward. These plans underpin our approach and priorities as a community and a university and that will guide our decision making in the coming years

The university annually develops a Planning and Budget Framework (P&BF), which is informed by these institutional plans. The P&BF and associated financial models are developed within the context of a three-year planning cycle which provides a more realistic time frame for the development of university initiatives and allows for greater flexibility than permitted within an annual process.

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

- financial highlights,
- financial information,
- operating environment,
- financial reporting environment,
- risks and uncertainties, and
- related entities.

Along with many other post-secondary institutions in BC and Canada, national and global factors continue to create pressure and uncertainty with our enrolment and budget outlook. Our priority, as we diversify enrolments and position ourselves for the future with our new strategic plan, is to deliver quality education and innovative research and ensure faculty and staff are well equipped to do so.

Our domestic enrolment has recovered following a decline in 2022/23 and is at its highest level to date. In contrast to the positive domestic outlook, we are graduating more international students than we are able to recruit due to many contributing and ongoing factors including:

- changes to study permit requirements with respect to new financial requirements, limits to hours worked in a week, limits to online studying and a new attestation requirement;
- increased competition globally; and
- geopolitical factors and diplomatic disputes may be impacting international interest.

The notable impacts, from a financial perspective, is overall tuition revenue decreased as international enrolment was lower than anticipated, however, this was partially offset by domestic and non-credit tuition increases due to strong enrolments. Overall expenses increased year over year mostly due to salaries and associated benefits collectively bargained under the shared recovery mandate but also reflecting a return to more normal activity levels for certain expenses such as travel, supplies, utilities and cost of goods sold. Overall, the University ended the year with a modest positive operating result which is slightly lower than the prior year. Through another challenging financial year, we are grateful for work undertaken by our campus leaders to respond to the enrolment challenge and to the dedication, creativity and resilience of our faculty, staff and students.

Financial Highlights

Financial Statement Summary

The university ended the year with a modest consolidated operating surplus before donations and other adjustments related to the endowment of $8.1 million(M) or 1.1% of total revenues, down from $10.5 million in the prior year.

Consolidated revenue increased by $60.6M (9%) to $761M. This increase reflects a $74.3M (23%) increase in government grants due to provincial funding related to salary increases, as well as increased federal funding for research. Investment income decreased by $19.8M (33%) as 2022/23 included $34.7M of investment income from the settlement of an interest rate swap derivative on debt related to the student housing and dining (SHD) project. This decrease was offset by increases in investment income related to endowments and the university's working capital. Sales, mainly within ancillary operations, increased by $6.7M (10%).

Consolidated Expenses increased by $63.0M (9%) to $754M reflecting increased salaries and benefits, supplies and services, travel and scholarships, fellowships and bursaries expense.

Consolidated assets total $2.0 billion, an increase of $125M (7%) from prior year, mainly as a result of $60.9M (6%) growth in tangible capital assets resulting from investments in new buildings and infrastructure renewal, a $28.3M (19%) increase in cash and cash equivalents and a $22.7M (11%) increase in portfolio investments due to strong financial markets.

Debt decreased by $5.4M as a result of regular debt repayments and a $3.8M bond which was repaid in December 2023. During the year, $18M of short-term commercial paper loans were converted to a 30-year bond.

Each year the university is required to invest in capital expenditures to meet program requirements and/or address deferred maintenance. While these expenditures are made each year, for accounting purposes the expenditures are not shown as an expense in the year made. Instead, the expenditure is expensed, or amortized, over the future life of the asset. The University received approval to restrict $15M of provincial grants for capital expenditures to provide for better matching of revenues and amortization. This restriction only reflects a portion of total capital spending and therefore the year's operating surplus is higher as capital expenditures are not reflected in the operating surplus.

Government Grants

Revenue from the Government in the form of grants increased by 74.3M (23%) over the previous year. Annual grants received from the Province for capital purposes including routine capital and specific project funding were $20.8M.

Tuition and Enrolment

Overall, credit tuition decreased by 3.8M (2%) to $160.4M. This reflects a decrease in undergraduate international enrolment, offset by a 2% increase in domestic fees (Provincial Government policy limits annual domestic increases to 2%) and graduate international fees, and a 6.75% increase in undergraduate international fees. Non-credit tuition increased by $1.9M (8%) due to increased enrolment.

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Investments

Investment income is comprised of both returns on endowments and returns on short-term investments. The university's endowment investments are held in the University of Victoria Foundation and have a fair value of $555M. The endowments had a return of 13.4% for the year (2022/23 – return of 3.8%) across its eight investment mandates. Working capital investments held within the university generated a return of 5.4%% for the year (2022/23 – return of 2.2%).

Major Capital Activity

The second student housing building, Sngequ House, opened in summer 2023 to complete a 620 bed expansion as part of a student housing and dining project. The first building, Cheko'nien House, opened in fall 2022. Cheko'nien House and Sngequ House are the first passive house buildings on campus, reflecting the university's commitment to sustainability and carbon reduction. They are also the first buildings to be gifted an indigenous name by the Songhees and Esquimalt Nations.

Financial Information

Financial Assets

Financial assets are defined as assets available to discharge existing liabilities or finance future operations. During the year, they increased 9% to $523M.

In thousands of dollars	**2024**	**2023**
Cash and cash equivalents	175,040	146,757
Accounts receivable	19,526	15,693
Due from governments	20,040	32,272
Inventories for resale	1,415	1,275
Portfolio investments	232,564	209,869
Derivatives	88	4,893
Loans receivable	33,321	33,594
Employee future benefits	36,677	32,738
Investments in gov't business enterprises	4,131	3,370
Total Financial Assets	522,802	480,461

Cash and cash equivalents increased by $28.3M, as a result of optimizing investment income with higher short-term yields. Due from governments decreased by $12.2M, reflecting timing differences and year end funding. Portfolio investments, which include the university's working capital, investments underlying endowment expendable funds, investments related to sinking funds held for provincial debt, and supplemental pension obligations, increased by $22.7M due largely to strong performance within the UVic Foundation's endowment investments and the university's working capital. In 2020/21, the university entered into two interest rate swaps for the debt related to the SHD project in order to reduce the risk of higher interest rates and subsequent higher debt payments. Interest rates have risen across 5-, 10- and 30-year terms and the swaps have performed as expected. During 2023/24, the University settled the last interest rate swap derivative which resulted in a $5.8M gain.

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

Liabilities

Liabilities increased by 10% to $1,102M.

In thousands of dollars	2024	2023
Accounts payable	49,733	58,737
Due to governments	8,750	8,120
Deferred revenue	26,991	22,866
Deferred contributions	306,553	239,460
Deferred capital contributions	528,693	494,607
Debt	127,481	132,914
Asset retirement obligations	53,712	48,829
Total Liabilities	1,101,913	1,005,533

Deferred contributions are externally restricted revenue that is not recognized until related expenses are incurred (e.g. research grants). Deferred contributions increased by $67.1M mainly due to research (increase of $15.8M) and specific purpose (increase of $37.6M) from deferred contributions related to endowment investments. Deferred capital contributions are externally restricted contributions for investment in capital assets amortized over the life of the related tangible capital assets. During the year, deferred capital contributions increased by a net $34.1M resulting from contributions for capital of $59.5M less amortization. Debt decreased by $5.4M resulting from regular debt repayments and a $3.8M bond which was repaid in December 2023. Asset retirement obligations related to buildings containing asbestos and other hazardous materials increased by $4.8M due to accretion (inflation) expense and revaluing of the asset retirement obligation as at March 31, 2024.

Non-financial Assets

Non-financial assets increased by 6% to $1,520M.

In thousands of dollars	2024	2023
Tangible capital assets	1,037,200	976,296
Restricted endowment investments	455,457	436,144
Inventories held for use	3,461	3,151
Prepaid expense	23,908	21,849
Total Non-Financial Assets	1,520,026	1,437,440

Tangible capital assets include land, buildings, site improvements, library holdings, computers, equipment and furnishings but excludes $12.2M of artwork and collections, as these are expensed under PSAS accounting. The net increase in tangible capital assets of $60.9M is due to additions of $109.6M less amortization of $48.7M. The largest single capital asset addition was related to the SHD Project.

Restricted endowment investments represent the portion of endowment investments related to the restricted principal funds (i.e., original donations) plus capitalized inflation. During the year, they increased $19.3M due to donations of $6.3M and capitalized investment income of $13M.

Accumulated surplus

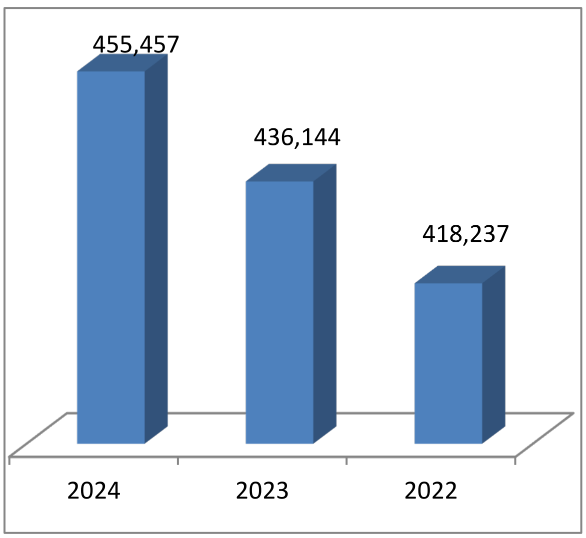
Accumulated surplus represents the university's residual interest in its assets after deducting liabilities (net assets). It increased by $28.5M to $941M.

In thousands of dollars	2024	2023
Endowments	455,457	436,144
Invested in capital assets	347,941	318,977
Internally restricted	116,907	111,705
Unrestricted	13,309	39,346
Remeasurement gains	7,301	6,196
Accumulated surplus	940,915	912,368

The majority of accumulated surplus is unavailable to fund operations as it is either restricted or has already been used to invest in buildings, equipment and other capital assets. Endowment, Invested in capital assets, and internally restricted are described in the following sections. Unrestricted surplus, which consists primarily of balances arising from ancillary operations such as student housing and other entities that are consolidated in the Financial Statements (see related entities below), declined by $26M. Remeasurement gains represent unrealized gains on university unrestricted or quasi endowment funds and the university's working capital arising after April 1, 2012 (the effective date of the new Public Sector Accounting Standard financial instrument standard).

Accumulated Surplus – Endowment

Endowments increased by 4.4% to $455M.



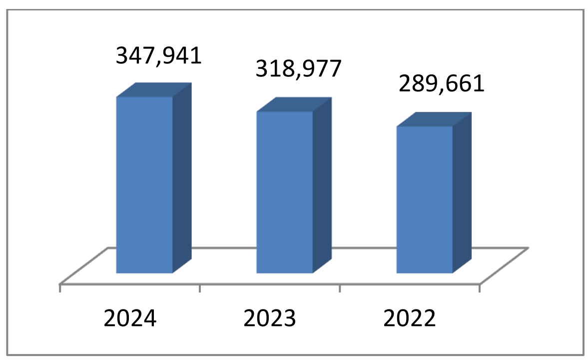
The university's endowments are held by the UVic Foundation. Accumulated surplus-endowment consists of restricted donations and capitalized investment income, which is required to be maintained intact in perpetuity in order to support donor specified activities. The investment earnings generated from endowments must be used in accordance with the various purposes stipulated by the donors. At March 31, 2024 there were 1,565 individual endowment funds providing $17.3M (2022/23 - $18.8M) in annual funding.

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

Each endowment has an income stabilization account which is recorded as deferred contributions in order to provide a cushion against market fluctuations. At March 31, 2024 the stabilization account balance is $114.3M (2022/23 - $78.5M) or 25% of endowment principal.

Accumulated Surplus – Invested in Capital Assets

Accumulated surplus invested in capital assets increased by 9.1% to $348M.



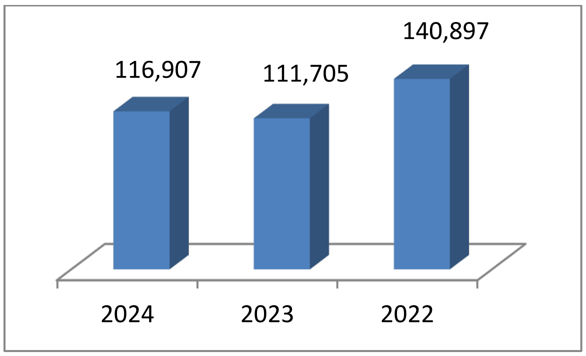
Accumulated surplus invested in capital assets is the amount of internal university funds used for the acquisition of capital assets less amortization of those capital assets and future asset retirement obligations.

The following comprises the balance of accumulated surplus invested in capital assets:

(in thousands of dollars)	**2024**	**2023**
Land	20,364	20,364
Site development	13,102	12,316
Buildings	438,271	411,610
Equipment	27,057	26,055
Computer equipment	1,556	2,080
Library acquisitions	8,157	9,264
Sinking funds	14,695	12,290
Less debt	(121,549)	(126,173)
Less asset retirement obligations	(53,712)	(48,829)
Invested in capital assets	347,941	318,977

Accumulated Surplus – Internally Restricted

Accumulated surplus – internally restricted increased by 5% to $117M.



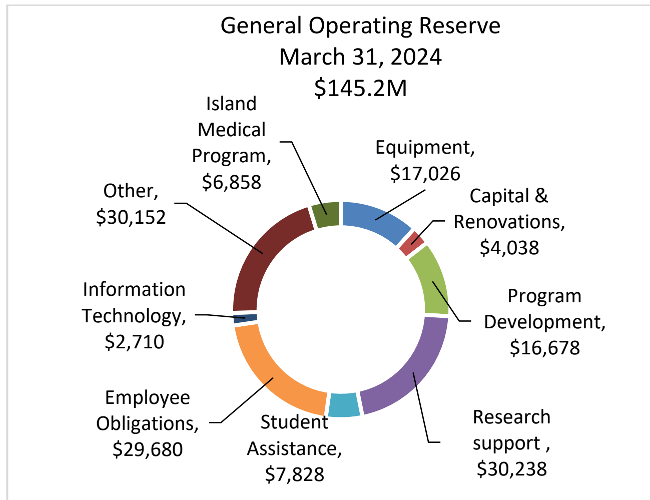
Accumulated surplus – internally restricted consists of balances appropriated by the university Board of Governors for employee commitments, equipment replacement, capital improvements, program development, research support and other non-recurring expenditures. Due to Provincial Government restrictions on external borrowing by the university, these funds are used on a temporary basis to finance capital projects that will generate future revenues. The reserves are also offset by future liabilities for certain employee benefits..

Balances are made up as follows:

(in thousands of dollars)	**2024**	**2023**
General operating	145,208	125,703
Ancillary enterprises	23,813	21,956
Capital	(88,841)	(68,808)
Less: Vacation pay	(12,810)	(11,897)
Add: Staff pension	49,537	44,751
Total internally restricted	116,907	111,705

General operating reserves increased by 15.5% to $145.2M.

General operating funds consist of:



Operating Surplus

The operating surplus was $8.1M or 1.1% of total revenues ($10.5M or 1.5% for the prior year). The main reasons for the surplus, with comparison to the prior year, are as follows:

(in thousands of dollars)	**2024**	**2023**
<u>Designated Items</u>		
Staff Pension actuarial gain	4,786	7,702
Ancillary fund surplus	6,147	5,332
Invested in tangible capital assets	7,302	8,029
<u>Non-Designated Items</u>		
Operating fund surplus (deficit)	8,711	(1,903)
Gain from settlement of derivative	5,793	34,662

Operating fund restriction for capital	(15,000)	(40,000)
Other	(9,610)	(5,219)
Operating surplus	8,129	10,506

Revenue

Revenue increased by 9% to $762M.

(in thousands of dollars)	**2024**	**2023**
Government grants & contracts	395,664	321,348
Tuition & student fees	184,888	186,834
Donations, non-government grants & contracts	26,285	26,375
Sales of services & products	77,275	70,552
Investment income	40,190	59,959
Income/(loss) from business enterprises	1,081	(48)
Amortization of deferred capital contributions	26,672	27,015
Other revenue	9,697	9,060
Total Revenue	761,752	701,105

Government grants and contracts revenue is received from the Province of B.C. (70%), the Government of Canada (25%), and other governments (5%). Revenue from the Province increased by $60.2M overall, due mainly to an increase for targeted program growth and funding related to salary increases resulting from collective bargaining. Tuition and student fees decreased by $1.9M, or 1%. Sales of services & products increased by $6.7M.

Expenses

Expenses increased by 9% to $753.6M. Expenses reported by object were as follows:

(in thousands of dollars)	**2024**	**2023**
Salaries and benefits	492,485	455,077
Travel	17,306	13,276
Supplies and services	103,388	92,611
Equipment rental and maintenance	9,880	8,639
Utilities	9,050	8,358
Scholarships and bursaries	56,688	51,070
Cost of goods sold	10,591	10,615
Interest on long term debt	5,574	3,231
Amortization	48,661	47,722
Total Expenses	753,623	690,599

Salaries and benefits represent 65% of total expenses and increased by $37.4M due to progression through the ranks, negotiated settlements and hiring during the year. Travel, supplies and services, and cost of goods sold all increased as on-campus activities normalized.

Expenses reported by function were as follows:

(in thousands of dollars)	**2024**	**2023**
Instruction and non-sponsored research	301,274	283,714
Academic and student support	185,622	166,675
Administrative support and general expenses	31,171	28,801
Facilities operations and maintenance	70,268	63,651
Sponsored Research	146,209	129,051
External engagement	19,079	18,707
Total Expenses	753,623	690,599

Sponsored Research Contributions

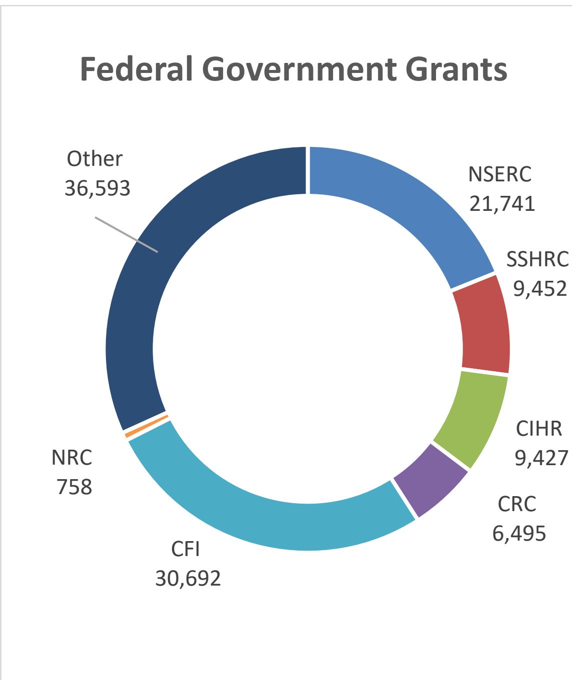
Sponsored research revenue increased by 12% to $144.5M.

(in thousands of dollars)	**2024**	**2023**
Province of B.C.	11,708	15,432
Federal government	115,157	87,215
Other governments	13,042	10,766
Gifts, grants & bequests	17,208	15,178
Sales of services	2,776	2,381

Other revenue	1,054	1,658
Total contributions	160,945	132,630
Transfer to deferred contributions	(16,460)	(4,075)
Sponsored research revenue	144,485	128,555

In addition to the above, the university also received Federal Government research support funds, which is recorded in the general operating fund.

Federal government grants are comprised of the following:



Operating Environment

Tuition revenue for 2024/25 is budgeted to be less than that budgeted in 2023/24. Our domestic enrolment has recovered following a decline in 2022/23 and is at its highest level to date. This is a result of strategic investments in entrance scholarships, earlier admission offers, and significant efforts within the faculties and in the Division of Student Affairs. Graduate enrolment is also tracking well, ahead of previous years, thanks in part to our research reputation and the quality of our faculty and graduate programs. Domestic applications remain strong for 2024/25, and we continue to prioritize investments in scholarships to attract and support a diverse and talented student population.

While the approach shown above provides for domestic undergraduate enrolment growth, the decrease in undergraduate international tuition more than offsets domestic growth and the total enrolment projections are significantly less than budgeted in 2023/24. Although tuition revenue is down, overall operating revenue is projected to increase. This is due to funding from the provincial government for collectively bargained salary and benefits increases and funded enrolment for the technology expansion in software engineering and computer science programs. Significant work has been put into recruitment for the coming year with a focus on undergraduate international recruitment. While best efforts are being made base budget reductions equal to 4% of the 2024/25 operating budget were required. In order to provide protection in the continued enrolment risk environment, the 2024/25 budget includes a $7.2M enrolment contingency. We will continue to carefully monitoring student enrolment levels throughout the year so we can respond to enrolment changes and minimize institutional impacts.

Ancillary operations largely returned to pre-pandemic results, with residence services and parking services ending the 2023/24 year with modest surpluses while food services, childcare and the bookstore had small deficits which will be covered by existing reserves or future unappropriated funds.

UVic's physical infrastructure requires further renewal and enhancement. Two significant capital projects are underway – the National Centre for Indigenous Laws (NCIL) and the Engineering and Computer Science expansion project. Both projects will provide key space to support teaching and research capacity. Future capital priorities have been identified in the Capital Plan and include addressing deferred maintenance, increasing student housing, enhance or repurpose current spaces and increase academic and research space for those areas with the greatest pressures. Government contributes towards these capital costs; however, fundraising and university resources are important funding sources for these infrastructure priorities.

Financial Reporting Environment

The university is part of the Government Reporting Entity (GRE) of the Province of B.C. and, as such, is required to present its financial statements in accordance with Section 23.1 of the Budget Transparency and Accountability Act supplemented by directives set out by the Province. The Province has directed that PSAS be adopted without the PS4200 not-for-profit elections and that all restricted contributions received for acquiring tangible capital assets be deferred as Deferred Capital Contributions and recognized in revenue at the same rate that the amortization of the related tangible capital asset is recorded. Some highlights of the reporting framework presentations are as follows:

The Statement of Financial Position reflects a "Net Debt model" that presents Net Debt as the difference between liabilities and financial assets and is intended to measure the university's future revenue requirements or its ability to finance its activities. Net debt at March 31, 2024 is $(579M) but includes $529M of Deferred Capital Contribution liabilities that would likely never be repaid, thus bringing into question its relevance. The Statement of Financial Position also presents an Accumulated Surplus of $941M, representing the university's net assets. A breakdown of this balance is disclosed on the Statement of Financial Position, and in the notes, to communicate to readers of the financial statements that this figure mostly represents restricted, spent or committed funds.

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

Remeasurement gains and losses, representing unrealized gains and losses on unrestricted investments, derivatives and foreign currency, are reported on a separate statement and as a separate category of Accumulated Surplus rather than being included with the other components of investment income on the Statement of Operations. This effectively limits the ability to fund expenses from unrealized gains. Accumulated remeasurement gains commenced as of April 1, 2012 onward reflect the prospective implementation of the PSAS financial instrument standard.

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

Risks and Uncertainties

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

Student recruitment and retention

The top institutional risk continues to be enrolment management. Our priority, for the coming budget year is to attain our budgeted enrolment levels in order to stabilize our financial position. This work has included changing admission processes and making significantly earlier offers to students. hDue to reduced undergraduate international enrolment, to balance the budget for 2024/25, reductions to general operating expenditures are required. To protect against operational impact from the current risky enrolment environment, the budget includes an enrolment contingency of $7.2M.

Provincial funding

Provincial Government grants are a significant component of revenue in the university's operating budget. Funding for this source is not guaranteed year to year and provincial policy changes can significantly affect institutional budgets. Examples could include limits to tuition increases or unexpected grants reductions. As operating grants are provided and approved for one year only, there is uncertainty year to year with respect to the university's operating funding.

Inflation

Stressed global supply chains in 2023/24 led to significant inflation globally, including in Canada. This inflation is moderating after being at its highest level in Canada since 1991. This is being closely monitored for institutional impacts and the most significant inflation risk is with respect increasing costs of capital for both the National Centre for Indigenous Laws and the Engineering expansion projects.

Pensions and Employee Future Benefits

The university has two pension plans for its faculty, Professional Employee Association members, management exempt and executive (Combination Plan and Money Purchase Plan) and one plan for members of CUPE and exempt clerical staff (Staff Plan). The actuarial valuation of the Combination Plan, with an effective date of December 31, 2022, shows that the Plan is fully funded. The last valuation for the Staff Pension Plan was December 31, 2022, which resulted in a going concern surplus funded ratio of 114% of liabilities but a solvency funded ratio of 85.1%. The Pension Benefits Standards Regulation was amended effective December 31, 2019, introducing new going concern and funding methodologies. The solvency funding target is now 85%, and a letter of credit may be secured in lieu of making payments in the plan falls below that threshold. As at the latest valuation the plan exceeds the 85% target a letter of credit is no longer required to secure the solvency deficiency payment.

The solvency test requirement for the university resulted in a cost of $276,000 for the portion of 2023/24 when a letter of credit was required (2022/23 - $693,000). The next valuation date is December 31, 2025, with a filing requirement of September 2026.

Deferred Maintenance

As the university ages, the risk related to deferred maintenance increases. Over the last year the age of our infrastructure resulted in a few instances of key building equipment failures. Priority projects to address deferred maintenance include renewal and seismic upgrading of some of our older buildings. Some priority deferred maintenance projects are addressed annually, but these budgets are limited and have not kept up with inflation. Significant major capital renewal funding is needed as outlined in the university's 5-year capital plan.

Related Entities

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

University Foundations

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

WCUMSS

The Western Canadian Universities Marine Sciences Society (WCUMSS) operates a marine research facility located at Bamfield, B.C. The university is one of five members. The university's interest in this government partnership is proportionately consolidated in the university's financial statements.

Heritage Realty Properties and VITP Trust

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

GSB Executive Education Inc.

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

UVic Properties Investments Inc.

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

UVic Industry Partnerships

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

Oceans Network Canada Society

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

Pacific Climate Impacts Consortium

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

Byron Price & Associates Ltd.

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

Consolidated Financial Statements of

UNIVERSITY OF VICTORIA

And Independent Auditor's Report Thereon

Year ended March 31, 2024

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

The consolidated financial statements have been examined by KPMG LLP, an independent firm of Chartered Professional Accountants. The Independent Auditor's Report outlines the nature of the examination and the opinion on the consolidated financial statements of the University for the year ended March 31, 2024.

On behalf of the University:

_____________________________ Chair, Board of Governors

_____________________________ Vice-President Finance and Operations

University of Victoria

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of the University of Victoria, and
To the Minister of the Ministry of Post-Secondary Education and Future Skills, Province of British Columbia

Opinion

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

- the consolidated statement of financial position as at March 31, 2024
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2024 of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

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

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

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

Emphasis of Matter - Financial Reporting Framework

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

Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

KPMG

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
May 29, 2024

UNIVERSITY OF VICTORIA

Consolidated Statement of Financial Position

As at March 31, 2024

(in thousands of dollars)

		2024	2023
Financial Assets			
Cash and cash equivalents	*(Note 3)*	$ 175,040	$ 146,757
Accounts receivable	*(Note 4)*	19,526	15,693
Due from governments	*(Note 5)*	20,040	32,272
Inventories for resale		1,415	1,275
Portfolio investments	*(Note 6)*	232,564	209,869
Derivatives	*(Note 6)*	88	4,893
Loans receivable	*(Note 7)*	33,321	33,594
Employee future benefits	*(Note 8)*	36,677	32,738
Investments in government business enterprises	*(Note 9)*	4,131	3,370
		522,802	480,461
Liabilities			
Accounts payable and accrued liabilities	*(Note 11)*	49,733	58,737
Due to governments		8,750	8,120
Deferred revenue		26,991	22,866
Deferred contributions	*(Note 12)*	306,553	239,460
Deferred capital contributions	*(Note 13)*	528,693	494,607
Debt	*(Note 14)*	127,481	132,914
Asset retirement obligations	*(Note 15)*	53,712	48,829
		1,101,913	1,005,533
Net debt		(579,111)	(525,072)
Non-financial Assets			
Tangible capital assets	*(Note 16)*	1,037,200	976,296
Restricted endowment investments	*(Note 6)*	455,457	436,144
Inventories held for use		3,461	3,151
Prepaid expenses		23,908	21,849
		1,520,026	1,437,440
Accumulated surplus	*(Note 18)*	$ 940,915	$ 912,368
Accumulated surplus is comprised of:			
Endowments	*(Note 19)*	$ 455,457	$ 436,144
Invested in tangible capital assets		347,941	318,977
Internally restricted		116,907	111,705
Unrestricted		13,309	39,346
Accumulated operating surplus		933,614	906,172
Accumulated remeasurement gains		7,301	6,196
Accumulated surplus		$ 940,915	$ 912,368

Contractual rights *(Note 20)* Contractual obligations *(Note 21)* Contingent liabilities *(Note 22)*

On behalf of the Board:

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

UNIVERSITY OF VICTORIA

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2024
(in thousands of dollars)

		Budget (*Note 2(p)*)	2024	2023
Revenue:				
Province of British Columbia grants		$ 277,839	$ 275,974	$ 215,756
Government of Canada grants		90,000	101,116	87,877
Other government grants		21,100	18,574	17,715
Student tuition - credit courses		164,672	160,362	164,224
Student tuition - non-credit courses		21,800	24,526	22,610
Donations, non-government grants and contracts		21,100	26,285	26,375
Sales of services and products		72,808	77,275	70,552
Investment income		36,800	40,190	59,969
Income/(loss) from government business enterprises	*(Note 9)*	-	1,081	(48)
Other revenue		5,000	9,697	9,060
Revenue recognized from deferred capital contributions	*(Note 13)*	27,050	26,672	27,015
		738,169	761,752	701,105
Expenses: *(Note 23)*				
Instruction and non-sponsored research		302,259	301,274	283,714
Academic and student support		177,569	185,622	166,675
Administrative support and general expenses		30,684	31,171	28,801
Facility operations and maintenance		67,811	70,268	63,651
Sponsored research		137,486	146,209	129,051
External engagement		19,930	19,079	18,707
		735,739	753,623	690,599
Annual operating surplus		2,430	8,129	10,506
Restricted endowment contributions				
Endowment principal donations	*(Note 19)*	8,000	6,288	5,469
Donations capitalized	*(Note 19)*	8,000	13,025	12,438
		16,000	19,313	17,907
Annual surplus		18,430	27,442	28,413
Accumulated operating surplus, beginning of year		906,172	906,172	877,759
Accumulated operating surplus, end of year		$ 924,602	$ 933,614	$ 906,172

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

UNIVERSITY OF VICTORIA
Consolidated Statement of Changes in Net Debt

Year ended March 31, 2024
(in thousands of dollars)

	Budget (Note 2(p))	2024	2023
Annual surplus	$ 18,430	$ 27,442	$ 28,413
Acquisition of tangible capital assets	(108,960)	(106,210)	(109,820)
Increase in tangible capital assets related to asset retirement obligations		(3,355)	-
Transfer of tangible capital assets to investment in government	-	-	3,948
Amortization of tangible capital assets	49,985	48,661	47,722
	(58,975)	(60,904)	(58,150)
Increase in restricted endowment investments	-	(19,313)	(17,907)
Acquisition of inventories held for use	-	(1,588)	(1,400)
Acquisition of prepaid expense	-	(22,580)	(21,028)
Consumption of inventories held for use	-	1,278	1,058
Use of prepaid expense	-	20,521	16,404
	-	(21,682)	(22,873)
Net remeasurement gains (losses)	-	1,105	(19,982)
Increase in net debt	(40,545)	(54,039)	(72,592)
Net debt, beginning of year	(525,072)	(525,072)	(452,480)
Net debt, end of year	$ (565,617)	$ (579,111)	$ (525,072)

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

UNIVERSITY OF VICTORIA

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2024
(in thousands of dollars)

	2024	2023
Accumulated remeasurement gains, beginning	$ 6,196	$ 26,178
Unrealized gains attributed to:		
Portfolio investments	5,418	205
Derivatives	988	13,747
Foreign currency translation	492	728
Realized gains reclassified to the Consolidated Statement of Operations, attributed to:		
Derivatives	(5,793)	(34,662)
Net remeasurement gains (losses) for the year	1,105	(19,982)
Accumulated remeasurement gains, end of year	$ 7,301	$ 6,196

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

UNIVERSITY OF VICTORIA
Consolidated Statement of Cash Flows

Year ended March 31, 2024
(in thousands of dollars)

	2024	2023
Cash provided by (used in):		
Operations:		
Annual surplus	$ 27,442	$ 28,413
Items not involving cash		
Amortization of tangible capital assets	48,661	47,722
Revenue recognized from deferred capital contributions	(26,672)	(27,015)
Change in employee future benefits	(3,939)	(8,435)
Change in investments in government business enterprises	(761)	5,166
Unrealized remeasurement gains on foreign exchange	492	728
Transfer of tangible capital assets to investment in government business enterprises	-	3,948
Accretion expense	1,528	1,482
Changes in non-cash operating working capital:		
Increase in accounts receivable	(3,833)	(1,775)
Decrease (increase) decrease in loans receivable	273	(9,099)
Increase in inventories	(450)	(253)
Increase in prepaid expenses	(2,059)	(4,624)
(Decrease) increase in accounts payable and accrued liabilities	(9,004)	3,993
Increase (decrease) in due to/from government organizations	12,862	(12,408)
Increase (decrease) in deferred revenue	4,125	(1,705)
Increase (decrease) in deferred contributions	67,093	(17,332)
Net change from operating activities	115,758	8,806
Capital activities:		
Acquisition of tangible capital assets	(106,210)	(109,820)
Net change from capital activities	(106,210)	(109,820)
Investing activities:		
Net sale of portfolio investments	(17,277)	48,887
Net acquisition of restricted endowment investments	(19,313)	(17,907)
Net change from investing activities	(36,590)	30,980
Financing activities:		
Proceeds of debt	23,876	75,326
Repayment of debt	(29,309)	(106,684)
Receipt of deferred capital contributions	60,758	85,249
Net change from financing activities	55,325	53,891
Net change in cash and cash equivalents	28,283	(16,143)
Cash and cash equivalents, beginning of year	146,757	162,900
Cash and cash equivalents, end of year	$ 175,040	$ 146,757

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

1. Authority and purpose

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

2. Summary of significant accounting policies

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

(a) Basis of accounting

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

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

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

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

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

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

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

2. **Summary of significant accounting policies (continued)**

(a) Basis of accounting (continued)

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

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and

- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

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

(b) Basis of consolidation

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by the University. Controlled organizations are consolidated except for government business enterprises which are accounted for by the modified equity method. Inter-organizational transactions, balances, and activities have been eliminated on consolidation.

The following organizations are controlled by the University and fully consolidated in these financial statements:

- UVic Industry Partnerships (formerly University of Victoria Innovation and Development Corporation) which facilitates research partnerships between the private sector and the University.

- University of Victoria Properties Investments Inc. which manages the University's real estate holdings including the Vancouver Island Technology Park Trust.

- Ocean Networks Canada Society which manages the University's VENUS and NEPTUNE ocean observatories.

- Pacific Climate Impacts Consortium which stimulates collaboration to produce climate information for education, policy and decision making.

2. **Summary of significant accounting policies (continued)**

(b) Basis of consolidation (continued)

(i) Consolidated entities (continued)

- University of Victoria Foundation, the Foundation for the University of Victoria, and the U.S. Foundation for the University of Victoria which encourage the financial support of the University and administer the University's endowment funds.

- Byron Price & Associates Ltd. which holds land in North Saanich.

(ii) Investment in government business enterprises

Government business enterprises are accounted for by the modified equity method. Under this method, the University's investment in the business enterprise and its net income and other changes in equity are recorded. No adjustment is made to conform the accounting policies of the government business enterprise to those of the University other than if other comprehensive income exists, it is accounted for as an adjustment to accumulated surplus (deficit). Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions between entities of assets that remain within the entities controlled by the University.

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

- Heritage Realty Properties Ltd. which manages the property rental and downtown hotel and brew-pub operation donated by the late Michael C. Williams.

- Vancouver Island Technology Park Trust which provides leased space to high-technology companies on Vancouver Island.

- GSB Executive Education Inc. provides executive training and other non-credit education.

(iii) Investment in government partnerships

Government partnerships that are business partnerships are accounted for by the modified equity method. Accounting policies of the business partnership are not conformed to those of the partners before the equity pick-up. The University is not party to any government business partnerships.

Government partnerships that are not wholly controlled business partnerships are accounted for under the proportionate consolidation method. The University accounts for its share of the partnership on a line by line basis on the financial statements and eliminates any inter-organizational transactions and balances. Accounting policies of the partnership, which is not a business partnership, are conformed to those of the University before it is proportionately consolidated.

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

(iii) Investment in government partnerships (continued)

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

- Western Canadian Universities Marine Sciences Society (WCUMSS) which operates a marine research facility at Bamfield on the west coast of Vancouver Island. These financial statements include the University's 20% interest.

(iv) Trusts under administration

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

(v) Funds held in trust

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

(c) Cash and cash equivalents

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

(d) Loans receivable

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

(e) Financial instruments

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

(i) Fair value category

Portfolio instruments that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Other financial instruments designated to be recorded at fair value are endowment and portfolio investments. Transaction costs related to the acquisition of investments are recorded as an expense. Sales and purchases of investments are recorded at trade date.

2. Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(i) Fair value category (continued)

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

- Level 1 – Unadjusted quoted market prices in an active market for identical assets or liabilities;

- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in active markets or market data for substantially the full term of the assets or liabilities; and

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(ii) Cost category

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

The underwriting discount along with consulting fees relating to the debenture issuances are capitalized and amortized to match the term of the long-term debenture. Amortization is calculated based on the effective interest rate method.

(f) Short-term investments

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

2. **Summary of significant accounting policies (continued)**

(g) Inventories for resale

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

(h) Asset retirement obligations

An asset retirement obligation ("ARO") is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset
- The past transaction or event giving rise to the liability has occurred
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made

Certain buildings owned by the University contain asbestos and other hazardous materials. The ARO liability for the removal of asbestos and other hazardous materials in buildings owned by the University has been recognized based on the estimated future expenses to remediate the buildings.

Under the modified retrospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised annually. When the amount and timing of future cash flows of a remediation or demolition of a project are known, the liability is discounted using a present value calculation, and adjusted yearly for accretion expense up to the time the project commences.

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. The increase in building assets is being amortized in accordance with the amortization accounting policy outlined in Note 2(i)(i).

(i) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is capitalized during construction whenever external debt is issued to finance the construction of tangible capital assets.

2. Summary of significant accounting policies (continued)

(i) Non-financial assets (continued)

(i) Tangible capital assets (continued)

The cost, less residual value of the tangible capital assets, are amortized on a straight line basis over their estimated useful lives. Land is not amortized as it is deemed to have a permanent value.

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

Donated assets are recorded at fair value at the date of donation. In unusual circumstances where fair value cannot be reasonably determined, the tangible capital asset would be recorded at a nominal value.

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the University's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

(ii) Works of art and historic assets

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

(iii) Leased capital assets

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

2. Summary of significant accounting policies (continued)

(i) Non-financial assets (continued)

(iv) Inventories held for use

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

(j) Employee future benefits

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

(k) Revenue recognition

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

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

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

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

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

(iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as restricted endowment contributions in the statement of operations and accumulated surplus for the portion to be held in perpetuity and as deferred contributions for any restricted investment income earned thereon.

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

2. Summary of significant accounting policies (continued)

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

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

(m) Use of estimates

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

(n) Foreign currency translation

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

(o) Functional classification of expenses

Expenses on the consolidated statement of operations and accumulated surplus have been classified based on functional lines of service provided by the University. The outline of services provided by each function is as follows:

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

2. Summary of significant accounting policies (continued)

(o) Functional classification of expenses (continued)

(ii) Academic and student support - This function includes activities that directly support the academic functions of the University as well as centralized functions that support individual students or groups of students. These include: libraries; records and admissions; scheduling; student service administration; student recruitment; co-op programing; counseling and career services; financial aid administration; scholarships and bursaries; student social development and recreation; Office of Indigenous Affairs; student computer labs. Also included are costs associated with Ancillary Operations (including interest and amortization) such as the bookstore and regalia; residence housing, food, conference and child care services.

(iii) Administrative support and general expenses - This function includes activities that support the institution as a whole such as the Office of the President; the University Secretary and the Board of Governors; finance and financial operations; internal audit; budget and planning; human resources; general counsel; institutional research; and a portion of informational technology and telecommunications.

(iv) Facility operations and maintenance - This function includes the operations and maintenance of the physical plant and plant equipment for all institutional activities; capital asset amortization expense for building, site and plant equipment; accretion expense on asset retirement obligations; utilities; facilities administration; custodial services; landscaping and grounds keeping; major repairs and renovations; security services and capital-related interest. This function also includes the ancillary operations of parking services and the University of Victoria Broad St. properties; Heritage Realty Properties Ltd.; and University of Victoria Properties Investments Inc.

(v) Sponsored research - This function includes research activities specifically funded by contracts with and/or grants from external organizations and undertaken within the institution to produce research outcomes. Also included are joint ventures such as WCUMSS and subsidiaries such as the Pacific Climate Impacts Consortium and Ocean Networks Canada Society, solely incorporated for sponsored research.

(vi) External engagement - This function includes all activities provided in support of ongoing external relations. These activities include advancement and development (fundraising); alumni relations; community and government relations; corporate relations; marketing and communications; ceremonies; and art galleries.

2. Summary of significant accounting policies (continued)

(p) Budget figures

Budget figures have been provided for comparative purposes. The budget was approved by the Board of Governors of the University on September 27, 2023 and provided to the Province. The budget is reflected in the consolidated statement of operations and accumulated surplus and the consolidated statement of changes in net debt.

(q) Adoption of new accounting standards

(i) On April 1, 2023, the University adopted Canadian Public Sector Accounting Standard PS 3160, Public Private Partnerships ("PS 3160"). The new accounting standard addresses the recognition, measurement, presentation, and disclosure of infrastructure procured by public sector entities through certain types of public private partnership arrangements. Management has assessed the impact of adopting PS 3160 and found that at present no such items meet the criteria to be recognized as a public private partnership.

(ii) On April 1, 2023, the University adopted Canadian Public Sector Accounting Standard PS 3400, Revenue ("PS 3400"). Under the new accounting standard, there are two categories of revenue – exchange and non-exchange. If the transaction gives rise to one or more performance obligations, it is an exchange transaction. If no performance obligations are present, it is a non-exchange transaction. Management has assessed the impact of adopting PS 3400 on the consolidated financial statements of the University and has found that there is no resulting impact to the consolidated financial statements.

(iii) On April 1, 2023, the University adopted Public Sector Guideline PSG-8, Purchased Intangibles. PSG-8 defines purchased intangibles as identifiable nonmonetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Intangibles acquired through a transfer, contribution, or inter-entity transaction, are not purchased intangibles. Management has assessed the impact of adopting PSG-8 and found that at present no such items meet the criteria to be recognized as a purchased intangible.

(tabular figures in thousands of dollars)

3. Cash and cash equivalents

	2024	2023
Cash	$ 40,665	$ 10,144
Short-term investments	134,375	136,613
	$ 175,040	$ 146,757

4. Accounts receivable

	2024	2023
Revenues receivable	$ 23,339	$ 19,270
Accrued interest receivable	737	642
Less: provision for doubtful accounts	(4,550)	(4,219)
	$ 19,526	$ 15,693

5. Due from governments

	2024	2023
Federal government	$ 14,076	$ 17,817
Provincial government	5,492	14,266
Other	472	189
	$ 20,040	$ 32,272

(tabular figures in thousands of dollars)

6. Financial instruments

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

(a) Portfolio investments

	Fair Value Hierarchy	2024	2023
Portfolio investments carried at fair value:			
Various pooled bond and mortgage funds	Level 1	$ 133,088	$ 131,741
Canadian equities	Level 1	2,085	1,867
Global equities	Level 1	63,048	51,078
Infrastructure, real estate and private equity	Level 3	32,320	24,206
		230,541	208,892
Portfolio investments at cost which approximates fair value:			
Short-term investments		1,276	-
Cash		662	767
Other		85	210
Total portfolio investments		$ 232,564	$ 209,869

(b) Restricted endowment investments

	Fair Value Hierarchy	2024	2023
Restricted endowment investments carried at fair value:			
Various pooled bond and mortgage funds	Level 1	$ 67,273	$ 104,915
Global equities	Level 1	270,979	235,945
Infrastructure and real estate	Level 3	108,640	91,829
		446,892	432,689
Restricted endowment investments at cost which approximates fair value:			
Short-term investments		5,859	-
Cash		2,706	3,455
Total restricted endowment investments		$ 455,457	$ 436,144

(tabular figures in thousands of dollars)

6. Financial instruments (continued)

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

	Fair Value Hierarchy	2024	2023
Derivatives - interest rate swaps on debt quoted at fair value:			
Province of BC floating interest rate fixed at 1.90%, commencing 2024 through 2054, unsecured	Level 2	$ -	$ 4,960
Royal Bank of Canada floating interest rate fixed at 5.38%, through an interest rate swap due in 2025, unsecured	Level 2	-	(15)
BC Immigrant Investment Fund floating interest rate fixed at 3.56%, commencing 2024 through 2034, unsecured	Level 2	88	(52)
Total derivatives		$ 88	$ 4,893

7. Loans receivable

	2024	2023
Various employees		
Electric bike loans to employees, interest free for 1-2 years, no renewal option, unsecured	$ 96	$ 128
Various faculty and senior administrators		
Home relocation loans, interest free for 5 years with option for further renewal unless employment ceases, secured by second mortgages	6,511	5,745
Heritage Realty Properties Ltd.		
Promissory note receivable, interest at Royal Bank Prime + 2.0%, due March 31, 2026, secured by an unregistered equitable mortgage	10,634	10,634
Vancouver Island Technology Park Trust loans receivable		
Promissory note, secured by an unregistered equitable mortgage	8,648	8,648
Interest at 5.13%, due April 2030, unsecured	5,931	6,741
Interest at 6.13%, due April 2030, unsecured	1,501	1,698
	$ 33,321	$ 33,594

(tabular figures in thousands of dollars)

8. Employee future benefits

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

Summary of employee future benefit assets:

			2024		2023
Staff pension plan	*(Note 8(a)(ii))*	$	(49,538)	$	(44,751)
Supplemental pension obligations	*(Note 8(a)(i))*		9,751		8,547
Special accumulated sick leave	*(Note 8(b))*		2,541		2,565
Basic group life insurance plan			569		901
		$	(36,677)	$	(32,738)

(a) Pension benefits

(i) Combination plan

The pension fund for full-time continuing faculty and administrative and academic professional staff is referred to as the Combination Plan. The plan's benefits are derived primarily from defined contributions with a defined benefit minimum. The plan has been accounted for as a defined contribution plan. The employees make contributions equal to 4.00% of salary up to the year's maximum pensionable earnings ("YMPE") plus 6.00% of salary in excess of the YMPE. The University makes contributions equal to 6.37% of salary up to the YMPE plus 8.00% of salary in excess of the YMPE. The university also contributes 4.00% of salary to fund the defined benefit minimum. The latest actuarial valuation for funding purposes as at December 31, 2021 showed that the accrued formula pension benefit liabilities of the Combination Plan were fully funded. The next valuation will be as at December 31, 2024 and is expected to be completed in September 2025. A solely defined contribution plan is available for part-time faculty and administrative and academic professional staff who meet certain eligibility criteria. The University has made contributions to these two plans during the year of $30,408,000 (2023 - $26,769,000) and recorded them as a pension expense.

The University provides supplemental pensions in excess of those provided under registered plans. They are fully funded out of the general assets of the University. The accrued liabilities of these arrangements total $9,751,000 as at March 31, 2024 (2023 – $8,547,000). The University paid supplemental benefits of $611,000 in the year (2023 – $171,000) and recorded employee benefit expense of $1,045,000 (2023 – $406,000).

(tabular figures in thousands of dollars)

8. Employee future benefits (continued)

(a) Pension benefits (continued)

(ii) Staff plan

The Staff Pension Plan (the "Plan") is a contributory defined benefit pension plan made available to regular staff employees that are eligible to join the Plan. The Plan provides pensions based on credited service and final average salary. Based on membership data as at the last actuarial valuation as at December 31, 2022, the average age of the 1,132 active employees covered by the Plan is 48.3. In addition, there are 745 former employees who are entitled to deferred pension benefits averaging $298 per month. At December 31, 2022, there were 986 pensioners receiving an average monthly pension of $1,089. The employees make contributions equal to 4.53% of salary that does not exceed the YMPE plus 6.28% of salary in excess of the YMPE. A separate pension fund is maintained. The University makes contributions to the plan in line with recommendations contained in the actuarial valuation. Though the University and the employees both contribute to the pension fund, the University retains the full risk of the accrued benefit obligation. The pension fund assets are invested primarily in Universe bonds and equities.

The University has made contributions to the Plan during the year of $6,526,000 (2023 – $6,110,000). The Plan paid benefits in the year of $15,670,000 (2023 – $15,776,000).

The net pension asset at March 31 includes the following components:

	2024	2023
Accrued benefit obligation	$ 274,396	$ 273,303
Pension fund assets	(340,147)	(315,459)
	(65,751)	(42,156)
Unamortized actuarial gains (losses)	16,213	(2,595)
Net asset	$ (49,538)	$ (44,751)

Actuarial valuations are performed triennially using the projected benefit prorated method. The latest triennial actuarial valuation completed as at December 31, 2022 reported a going concern surplus and a solvency deficiency (i.e. if the plan were to be wound up on that date) of $57,243,000. The next required valuation will be as at December 31, 2025, which will be completed in the summer of 2026. As of March 31, 2024, The *Pension Benefits Standards Act* of British Columbia requires minimum annual contributions or the use of letters of credit to fund a portion of the solvency deficiency if the plan's solvency ratio is below 85%. The University no longer has a letter of credit at March 31, 2024 (2023 – $30.0 million line of credit) as a result of this change.

(tabular figures in thousands of dollars)

8. Employee future benefits (continued)

(a) Pension benefits (continued)

(ii) Staff plan (continued)

This requirement for a letter of credit will be reassessed in conjunction with the next plan valuation and updated solvency funding level. The accrued benefit obligation shown for 2024 is based on an extrapolation of that 2022 valuation. There is an unamortized gain to be amortized on a straight-line basis over the expected average remaining service life of the related employee group (9 years).

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the University's best estimates. The expected inflation rate is 2%. The discount rate used to determine the accrued benefit obligation is 6.6%. Pension fund assets are valued at market value as at March 31, 2024.

The expected rate of return on pension fund assets is 5.7%. The actual rate of return on Plan assets in 2024 was 10.0%. The total expenses related to pensions for the fiscal year ending, include the following components:

	2024	2023
Current period benefit cost	$ 8,923	$ 8,395
Amortization of actuarial gains	(1,295)	(3,572)
	7,628	4,823
Less: Employee contributions	(2,564)	(2,367)
Pension benefit expense	5,064	2,456
Interest cost on the average accrued benefit obligation	17,243	15,117
Expected return on average pension plan assets	(20,479)	(18,308)
Pension interest income	(3,236)	(3,191)
Total pension expense (income)	$ 1,828	$ (735)

The Supplementary Retirement Benefit Account is a separate fund available to provide pensioners over the age of 65 with supplemental indexing against inflation beyond that provided by the basic plan above. It is accounted for as a defined contribution plan, with University contributions during the year of $142,000 (2023 – $124,000).

(tabular figures in thousands of dollars)

8. Employee future benefits (continued)

(b) Special accumulated sick leave benefit liability

Certain unionized employees of the University are entitled to a special vested sick leave benefit in accordance with the terms and conditions of their collective agreements. Employees who accumulate and maintain a minimum balance of regular sick leave may opt to transfer sick days into this special accumulating and vested benefit. The University recognizes a liability and an expense as days are transferred into this benefit. At March 31, 2024 the balance of this special accumulated sick leave was $2,541,000 (2023 – $2,565,000).

(c) Other long-term disability plan

An insured long-term disability plan funded entirely by the University was commenced for other staff on July 1, 2000. The University's contribution for the year ending March 31, 2024 was $1,407,000 (2023 – $1,291,000).

9. Investments in government business enterprises

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

Change in equity in government business enterprises:

	2024	2023
Equity at beginning of year	$ 643	$ 1,087
Dividends/distributions paid	-	(396)
Surplus (deficit) for the year	1,081	(48)
Equity at end of year	1,724	643
Dividends/distributions payable	7,040	7,360
Eliminate gain on property transfer	(4,633)	(4,633)
Investment in government business enterprises	$ 4,131	$ 3,370

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

Consolidated Statement of Financial Position

	2024	2023
Assets	$ 43,301	$ 44,008
Liabilities	(41,577)	(43,365)
Equity	$ 1,724	$ 643

(tabular figures in thousands of dollars)

9. Investments in government business enterprises (continued)

Consolidated Statement of Operations

	2024	2023
Revenue	$ 16,464	$ 15,392
Expenses	(15,383)	(15,440)
Surplus (deficit) for the year	$ 1,081	$ (48)

10. Investments in government partnerships

The University is one of five university members of the Western Canadian Universities Marine Sciences Society (WCUMSS) for marine field research. The University provided a grant to the Society in 2024 of $273,400 (2023 – $273,400). WCUMSS financial results are proportionately consolidated with those of the University based upon the University's share of its total contributions of 20% (2023 – 20%).

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

Consolidated Statement of Financial Position

	2024	2023
Financial assets	$ 309	$ 268
Liabilities	(371)	(354)
Net debt	(62)	(86)
Non-financial assets	1,209	1,312
Accumulated surplus	$ 1,147	$ 1,226

Consolidated Statement of Operations

	2024	2023
Revenue	$ 696	$ 722
Expenses	(860)	(867)
Deficit for the year	$ (164)	$ (145)

(tabular figures in thousands of dollars)

11. Accounts payable and accrued liabilities

	2024	2023
Accounts payable and accrued liabilities	$ 30,608	$ 28,755
Salaries and benefits payable	5,337	17,088
Accrued vacation pay	13,788	12,894
	$ 49,733	$ 58,737

(tabular figures in thousands of dollars)

12. Deferred contributions

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

	2024	2023
Specific purpose (including endowment earnings)	$ 165,486	$ 127,868
Research	125,045	109,241
Capital	16,022	2,351
	$ 306,553	$ 239,460

	2024				
	Specific Purpose	Research	Capital	Total	2023
Balance, beginning of year	$ 127,868	$ 109,241	$ 2,351	$ 239,460	$ 256,792
Contributions and endowment investment income	90,507	146,790	15,675	252,972	153,989
Revenue recognized from deferred contributions	(52,889)	(130,986)	(714)	(184,589)	(160,705)
Transfer to deferred capital	-	-	(1,290)	(1,290)	(10,616)
Balance, end of year	$ 165,486	$ 125,045	$ 16,022	$ 306,553	$ 239,460

The balance shown under specific purpose includes accumulated unrealized gains of $101,011,000 (2023 – $58,633,000) from endowment investments.

13. Deferred capital contributions

Contributions that are restricted for capital are referred to as deferred capital contributions. Amounts are recognized into revenue at the same rate that amortization of the related tangible capital asset is recorded.

Treasury Board provided direction on accounting treatment as disclosed in Note 2(a). Changes in the deferred capital contributions balance are as follows:

	2024	2023
Balance, beginning of year	$ 494,607	$ 436,373
Contributions received during the year	59,468	74,633
Transfers from deferred contributions	1,290	10,616
Revenue from amortization of deferred capital contributions	(26,672)	(27,015)
Balance, end of year	$ 528,693	$ 494,607

(tabular figures in thousands of dollars)

14. Debt

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

	2024	2023
Province of British Columbia Commercial paper financing for Student Housing and Dining project converted in 2023 and 2024 to term loans due in 2053 and 2054, unsecured *(Note 14(c))*	$ -	$ 17,965
Province of British Columbia 4.43% bond due 2053, unsecured, with annual sinking fund payments of $1,565,000 *(Note 14(c))*	104,000	104,000
Province of British Columbia 4.17% bond due 2054, unsecured *(Note 14(c))*	18,000	-
Royal Bank of Canada 5.38% term loan due 2025, unsecured	1,209	2,350
Province of British Columbia 2.28% bond due 2024, unsecured	-	3,785
British Columbia Immigrant Investment Fund 2.48% term loan due 2024, unsecured	-	5,741
Province of British Columbia 3.56% term loan due 2034, unsecured	5,259	-
Province of British Columbia 4.82% bond due 2028, unsecured, with annual sinking fund payments of $327,000	10,800	10,800
Province of British Columbia 4.74% bond due 2039, unsecured, with annual sinking fund payments of $302,000	10,000	10,000
Great West Life Insurance Company 5.13% term loan due 2030, unsecured	5,931	6,741
Total debt issued	$ 155,199	$ 161,382
Unamortized debt discounts *(Note 14(c))*	(27,718)	(28,468)
Debt	$ 127,481	$ 132,914

(tabular figures in thousands of dollars)

14. Debt (continued)

(a) Principal repayments

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

	Sinking Fund	Other	**Total**
2025	$ 2,194	$ 2,550	$ 4,744
2026	2,194	1,404	3,598
2027	2,194	1,470	3,664
2028	2,194	1,538	3,732
2029	2,194	1,610	3,804
Thereafter	37,862	21,827	59,689
	$ 48,832	$ 30,399	$ 79,231

(b) Sinking Fund Investments

Sinking fund investments are held and invested by the Province of British Columbia. These funds totaling $14,696,000 (2023 – $12,290,000) will provide for the retirement at maturity of $124,800,000 of debt issued to the Province. The amount forms part of the portfolio investments balance shown on the Consolidated Statement of Financial Position.

(c) Student Housing and Dining project financing

The University is authorized by the Province of British Columbia to borrow $122,654,000 in order to finance a portion of the construction costs of the Student Housing and Dining (SHD) project. The debt related to the SHD project is $122,000,000 as at March 31, 2024 (2023 – $121,965,000). During the year, short term commercial paper loans were converted to a 30 year bond with a face value of $18,000,000 (2023 – $104,000,000 of short term commercial paper loans were converted with and an unamortized debt discount of $28,468,000)

(tabular figures in thousands of dollars)

15. Asset Retirement Obligations

The University owns and operates buildings that are known to contain asbestos and other hazardous materials, which represents a health hazard when undergoing certain repairs and maintenance work and upon demolition of the building. As there is a legal obligation to remove hazardous materials, the University has recognized a liability relating to the removal and post-removal care of the asbestos and other hazardous materials in these buildings. Such estimated costs have been discounted to the present value using a discount rate of 3.49% per annum (2023 - 3.13%).

Changes to the asset retirement obligations in the year are as follows:

	2024	2023
Balance, beginning of year	$ 48,829	$ 47,347
Accretion expense	1,528	1,482
Changes in assumptions	3,355	-
Balance, end of year	$ 53,712	$ 48,829

(tabular figures in thousands of dollars)

16. Tangible capital assets

Cost	Balance as at March 31, 2023	Additions	Disposals	**Balance as at March 31, 2024**
Land	$ 20,364	$ -	$ -	$ 20,364
Site improvements	58,920	3,120	-	62,040
Buildings	1,148,191	82,687	-	1,230,878
Equipment and furnishings	204,193	20,524	(33,311)	191,406
Information systems	18,441	-	-	18,441
Computer equipment	13,542	1,812	(3,722)	11,632
Library holdings	31,017	1,422	(3,945)	28,494
Total	$ 1,494,668	$ 109,565	$ (40,978)	$ 1,563,255

Accumulated amortization	Balance as at March 31, 2023	Disposals	Amortization	**Balance as at March 31, 2024**
Site improvements	$ 26,613	$ -	$ 1,697	$ 28,310
Buildings	338,055	-	22,932	360,987
Equipment and furnishings	106,808	(33,311)	18,637	92,134
Information systems	18,441	-	-	18,441
Computer equipment	9,242	(3,722)	2,783	8,303
Library holdings	19,213	(3,945)	2,612	17,880
Total	$ 518,372	$ (40,978)	$ 48,661	$ 526,055

Net book value	**March 31, 2024**	March 31, 2023
Land	$ 20,364	$ 20,364
Site improvements	33,730	32,307
Buildings	869,891	810,136
Equipment and furnishings	99,272	97,385
Computer equipment	3,329	4,300
Library holdings	10,614	11,804
Total	$ 1,037,200	$ 976,296

(tabular figures in thousands of dollars)

16. Tangible capital assets (continued)

(a) Contributed tangible capital assets:

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

	2024	2023
Equipment and furnishings	$ 250	$ 20

(b) Assets under construction

Assets under construction comprised of buildings having a value of $38,711,000 (2023 – $99,147,000), leasehold improvement having a value of $3,014,000 (2023 – $nil) and equipment having a value of $26,362,000 (2023 – $19,738,000) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

(c) De-recognition of tangible capital assets

The de-recognition of tangible capital assets during the year had an original cost of $40,978,000 (2023 – $26,414,000) and related to fully amortized assets with a net book value of $nil (2023 – $nil).

(d) Interest capitalized during construction

The University capitalized interest during the year of $190,000 (2023 - $1,293,000) related to the construction of the Student Housing and Dining (SHD) project.

17. Financial risk management

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

(a) Credit risk

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

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

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

(tabular figures in thousands of dollars)

17. Financial risk management (continued)

(a) Credit risk (continued)

The University limits the risk in the event of non-performance related to fixed income holdings by dealing principally with counter-parties that have a credit rating of A or higher as rated by the Dominion Bond Rating Service or equivalent. The credit risk of the University investments at March 31, 2024 is $349,005,000 (2023 – $359,106,000).

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

Credit Rating	%
AAA	9.5%
AA	6.6%
A	6.7%
BBB	9.0%
BB and below	2.0%
Mortgages	14.3%
Foreign exchange	0.2%
Cash and short-term	
R1 high	39.2%
R1 mid	1.0%
R1 low	11.5%
	100.0%

(b) Price risk

Price risk includes market risk and interest rate risk.

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

(tabular figures in thousands of dollars)

17. Financial risk management (continued)

(b) Price risk (continued)

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

Asset Class			Estimated Volatility (% change)
Bonds	+/-		5.8%
Canadian equities	+/-		20.0%
Global equities	+/-		18.0%
Real estate	+/-		12.5%
Infrastructure	+/-		12.5%
Private equity	+/-		21.0%
Benchmark for Investments			**Net Impact on Market Value**
FTSE Canada Universe Bond index	+/-	$	10,748
S&P/TSX Composite index	+/-		417
MSCI All Country World Index	+/-		60,837
MSCI/REALPAC Canada Quarterly Property Fund Index	+/-		7,237
Canadian Consumer Price Index (Infrastructure)	+/-		2,136
Canadian Consumer Price Index (Private Equity)	+/-		185

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

It is management's opinion that the University is exposed to market or interest rate risk arising from its financial instruments. Duration is an appropriate measure of interest rate risk for fixed income funds as a rise (fall) in interest rates will cause a decrease (increase) in bond prices; the longer the duration, the greater the effect. Duration is managed by the investment manager at the fund level. At March 31, 2024, the modified duration of all fixed income in aggregate was 2.5 years. Therefore, if interest rates were to increase by 1% across all maturities, the value of the bond portfolio would drop by 2.5%; contrarily, if interest rates were to decrease by 1% across all maturities, the value of the bond portfolio would increase by 2.5%.

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

(tabular figures in thousands of dollars)

17. Financial risk management (continued)

(c) Liquidity risk

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

18. Accumulated surplus

Accumulated surplus is comprised of the following:

	2024	2023
Endowments	$ 455,457	$ 436,144
Invested in tangible capital assets	347,941	318,977
Internally restricted	116,907	111,705
Unrestricted	13,309	39,346
Accumulated remeasurement gains	7,301	6,196
	$ 940,915	$ 912,368

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

Invested in tangible capital assets consist of unrestricted funds previously spent on capital assets, debt repayment, and asset retirement obligations.

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

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

(tabular figures in thousands of dollars)

19. Endowments

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

	2024	2023
Balance, beginning of year	$ 436,144	$ 418,237
Contributions received during the year	6,288	5,469
Invested income and donations capitalized	13,025	12,438
Balance, end of year	$ 455,457	$ 436,144

The balance shown does not include endowment principal with fair value of $8,413,000 (2023 – $7,953,000) and book value of $4,820,000 (2023 – $4,820,000) held by the Vancouver Foundation. The excluded principal is not owned or controlled by the University, but income from it is paid to the University to be used for specific purposes.

20. Contractual rights

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

21. 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:

	2025	2026	2027	2028	2029
Construction contracts	$ 87,267	$ 52,135	$ 12,258	$ -	$ -
Operating leases	1,351	1,321	1,182	1,091	81
Total	$ 88,618	$ 53,456	$ 13,440	$ 1,091	$ 81

(tabular figures in thousands of dollars)

22. Contingent liabilities

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

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

23. Expenses by object

The following is a summary of expenses by object:

	2024	2023
Salaries and wages	$ 416,797	$ 390,637
Employee benefits	75,688	64,440
Travel	17,306	13,276
Supplies and services	103,388	92,611
Equipment rental and maintenance	9,880	8,639
Utilities	9,050	8,358
Scholarships, fellowships and bursaries	56,688	51,070
Cost of goods sold	10,591	10,615
Interest on long-term debt	5,574	3,231
Amortization of tangible capital assets	48,661	47,722
	$ 753,623	$ 690,599

24. Trusts under administration

(a) University of Victoria Long-Term Disability Trust

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

(tabular figures in thousands of dollars)

24. Trusts under administration (continued)

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

As of March 31, 2024, the balances of the long-term disability plan are as follows:

	2024	2023
Assets	$ 23,260	$ 21,216
Accrued benefit obligation	(33,467)	(27,835)
	$ (10,207)	$ (6,619)

(b) Funds held in trust

Funds held in trust are funds held on behalf of autonomous organizations, agencies, and student societies having a close relationship with the University. These funds are not reported on the University's consolidated statement of financial position (2024 – $2,236,000; 2023 – $4,113,000).

25. Supplemental cash flow information

	2024	2023
Cash paid for interest	$ 4,919	$ 2,274

26. Related party transactions

The University is related through common control to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount. The university accounts for its controlled entities, government business enterprises and government partnerships as outlined in Note 2(b). During the year ended March 31, 2024, there have been no material transactions between the University and its key management personnel or their close family members.