



Consolidated Financial Statements

University of Prince Edward Island

April 30, 2013



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## Independent auditors' report

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To the Board of Governors of

University of Prince Edward Island

We have audited the accompanying consolidated financial statements of the University of Prince Edward Island, which comprise the statement of financial position as at April 30, 2013, April 30, 2012 and May 1, 2011, the consolidated statement of operations, changes in fund balance and cash flows for the years ended April 30, 2013 and April 30, 2012, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the University of Prince Edward Island as at April 30, 2013, April 30, 2012 and May 1, 2011, and the results of its operations and its cash flows for the years then ended April 30, 2013 and April 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

### **Other matters**

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

Charlottetown, Prince Edward Island

September 26, 2013



Chartered Accountants

# University of Prince Edward Island

## Consolidated statement of operations

Year ended April 30

2013

2012

	<u>Operating</u>	<u>Research</u>	<u>Post-retirement benefits</u>	<u>Capital assets</u>	<u>Endowment</u>	<u>Total</u>	<u>Total</u>
Revenue							
Grants and contracts (Note 17)	\$ 57,722,725	\$ 17,042,366		\$ 1,054,131		\$ 75,819,222	\$ 76,486,447
Amortization of deferred revenue				3,695,768		3,695,768	3,672,250
Student fees	23,864,016					23,864,016	22,779,085
International fees	5,954,976					5,954,976	5,544,948
Ancillaries	9,021,617					9,021,617	8,993,595
Sales and other revenues	10,108,421					10,108,421	8,766,087
Investment income	2,349,206					2,349,206	1,648,222
Donations (Note 8)	2,088,611					2,088,611	1,880,693
	<u>111,109,572</u>	<u>17,042,366</u>	<u>-</u>	<u>4,749,899</u>	<u>-</u>	<u>132,901,837</u>	<u>129,771,327</u>
Expenditure							
Salaries and benefits	69,589,646	7,914,486				77,504,132	75,119,323
Supplies	9,498,724	1,710,717				11,209,441	12,098,060
Depreciation	8,322,461					8,322,461	8,446,200
Other	2,193,293					2,193,293	2,019,672
Utilities	4,657,794					4,657,794	4,467,910
Travel	1,515,106	1,141,953				2,657,059	2,852,930
Repairs and maintenance	2,090,148					2,090,148	2,437,986
Library subscriptions	826,443					826,443	829,245
Post-retirement benefits (Note 9)			\$ 15,004,663			15,004,663	13,799,558
Professional fees	2,083,313	2,478,410				4,561,723	3,575,696
Scholarships and bursaries (Note 17)	5,376,192	40,575				5,416,767	5,078,150
Interest				2,210,516		2,210,516	2,175,734
Advertising	521,016					521,016	642,869
Insurance	301,899					301,899	293,365
	<u>106,976,035</u>	<u>13,286,141</u>	<u>15,004,663</u>	<u>2,210,516</u>	<u>-</u>	<u>137,477,355</u>	<u>133,836,698</u>
Excess of revenue over expenditure (expenditure over revenue) before inter-fund transfers	<u>\$ 4,133,537</u>	<u>\$ 3,756,225</u>	<u>\$(15,004,663)</u>	<u>\$ 2,539,383</u>	<u>\$ -</u>	<u>\$ (4,575,518)</u>	<u>\$ (4,065,371)</u>

See accompanying notes to the consolidated financial statements.

# University of Prince Edward Island

## Consolidated statement of operations

Year ended April 30

2012

	<u>Operating</u>	<u>Research</u>	<u>Post-retirement benefits</u>	<u>Capital assets</u>	<u>Endowment</u>	<u>Total</u>
Revenue						
Grants and contracts (Note 17)	\$ 58,561,119	\$ 16,770,013		\$ 1,155,315		\$ 76,486,447
Amortization of deferred revenue				3,672,250		3,672,250
Student fees	22,779,085					22,779,085
International fees	5,544,948					5,544,948
Ancillaries	8,993,595					8,993,595
Sales and other revenues	8,766,087					8,766,087
Investment income	1,648,222					1,648,222
Donations (Note 8)	1,880,693					1,880,693
	<u>108,173,749</u>	<u>16,770,013</u>	<u>-</u>	<u>4,827,565</u>	<u>-</u>	<u>129,771,327</u>
Expenditure						
Salaries and benefits	\$ 66,486,263	\$ 8,633,060				\$ 75,119,323
Supplies	9,631,356	2,466,704				12,098,060
Depreciation	8,446,200					8,446,200
Other	2,019,672					2,019,672
Utilities	4,467,910					4,467,910
Travel	1,645,282	1,207,648				2,852,930
Repairs and maintenance	2,437,986					2,437,986
Library subscriptions	829,245					829,245
Post-retirement benefits (Note 9)			\$ 13,799,558			13,799,558
Professional fees	1,888,339	1,687,357				3,575,696
Scholarships and bursaries (Note 17)	5,033,279	44,871				5,078,150
Interest				\$ 2,175,734		2,175,734
Advertising	642,869					642,869
Insurance	293,365					293,365
	<u>103,821,766</u>	<u>14,039,640</u>	<u>13,799,558</u>	<u>2,175,734</u>	<u>-</u>	<u>133,836,698</u>
Excess of revenue over expenditure (expenditure over revenue) before internal transfers	<u>\$ 4,351,983</u>	<u>\$ 2,730,373</u>	<u>\$(13,799,558)</u>	<u>\$ 2,651,831</u>	<u>\$ -</u>	<u>\$ (4,065,371)</u>

See accompanying notes to the consolidated financial statements.

# University of Prince Edward Island

## Consolidated statement of changes in fund balances

Year ended April 30

2013

2012

	<u>Operating</u>	<u>Research</u>	<u>Post- retirement benefits</u>	<u>Capital assets</u>	<u>Endowment</u>	<u>Total</u>	<u>Total</u>
Fund balance, beginning of year	\$ 5,701,252	\$ 1,913,919	\$(16,267,639)	\$ 39,866,836	\$ 22,916,877	<b>\$ 54,131,245</b>	\$ 54,044,490
Excess revenue (expenditure) before Inter-fund transfers	4,133,537	3,756,225	(15,004,663)	2,539,383	-	<b>(4,575,518)</b>	(4,065,371)
Endowment donations (Note 8)	-	-	-	-	821,684	<b>821,684</b>	4,152,126
Inter-fund transfers (Note 16)	<u>(3,989,318)</u>	<u>(3,686,531)</u>	<u>8,801,451</u>	<u>(1,125,602)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<b><u>\$ 5,845,471</u></b>	<b><u>\$ 1,983,613</u></b>	<b><u>\$(22,470,851)</u></b>	<b><u>\$ 41,280,617</u></b>	<b><u>\$ 23,738,561</u></b>	<b><u>\$ 50,377,411</u></b>	<b><u>\$ 54,131,245</u></b>

(Note 14)

See accompanying notes to the consolidated financial statements.

# University of Prince Edward Island

## Consolidated statement of changes in fund balances

Year ended April 30

2012

	<u>Operating</u>	<u>Research</u>	<u>Post- retirement benefits</u>	<u>Capital assets</u>	<u>Endowment</u>	<u>Total</u>
Fund balance, beginning of year	\$ 5,827,015	\$ 1,179,606	\$(10,738,470)	\$ 39,011,588	\$ 18,764,751	\$ 54,044,490
Excess revenue (expenditure) before Inter-fund transfers	4,351,983	2,730,373	(13,799,558)	2,651,831	-	(4,065,371)
Endowment donations (Note 8)	-	-	-	-	4,152,126	4,152,126
Inter-fund transfers	<u>(4,477,746)</u>	<u>(1,996,060)</u>	<u>8,270,389</u>	<u>(1,796,583)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 5,701,252</u>	<u>\$ 1,913,919</u>	<u>\$(16,267,639)</u>	<u>\$ 39,866,836</u>	<u>\$ 22,916,877</u>	<u>\$ 54,131,245</u>

(Note 14)

See accompanying notes to the consolidated financial statements.



# University of Prince Edward Island

## Consolidated statement of financial position

April 30

2013

2012

	Operating	Research	Post-retirement benefits	Capital assets	Endowment	Total	Total
<b>Assets</b>							
Current - Cash and cash equivalents	\$ 14,984,443					\$ 14,984,443	\$ 13,127,440
- Receivables (Note 3)	5,490,781	\$ 4,084,317				9,575,098	11,006,783
- Inventory and other	1,366,812					1,366,812	1,594,193
	21,842,036	4,084,317				25,926,353	25,728,416
Investments (Note 4)	11,443,104	33,350	\$ 12,328,120	\$ 5,754,879	\$ 23,738,561	53,298,014	47,834,964
Due from (to) other funds	(1,480,272)	5,217,882		(3,737,610)		-	-
Capital assets (Note 5)				188,251,291		188,251,291	190,782,655
	<u>\$ 31,804,868</u>	<u>\$ 9,335,549</u>	<u>\$ 12,328,120</u>	<u>\$ 190,268,560</u>	<u>\$ 23,738,561</u>	<u>\$ 267,475,658</u>	<u>\$ 264,346,035</u>
<b>Liabilities</b>							
Current - Payables and accruals (Note 6)	\$ 9,375,268					\$ 9,375,268	\$ 9,970,571
- Current portion of long term debt				\$ 3,459,197		3,459,197	3,430,034
- Deferred revenue (Note 7)	4,558,429			-		4,558,429	4,829,910
	13,933,697			3,459,197		17,392,894	18,230,515
Accrued benefit liabilities (Note 9)			\$ 34,798,971			34,798,971	27,622,422
Long term obligations (Note 10)				35,149,612		35,149,612	38,608,810
	13,933,697		34,798,971	38,608,809		87,341,477	84,461,747
<b>Deferred revenue</b>							
Research contracts		\$ 7,351,936				7,351,936	7,002,803
Capital assets (Note 12)				110,379,134		110,379,134	109,475,010
Other (Note 13)	12,025,700					12,025,700	9,275,230
	<u>25,959,397</u>	<u>7,351,936</u>	<u>34,798,971</u>	<u>148,987,943</u>		<u>217,098,247</u>	<u>210,214,790</u>
<b>Fund balances</b>							
Invested in capital assets				35,525,734		35,525,734	34,104,564
Externally restricted - post-retirement benefit			(22,470,851)			(22,470,851)	(16,267,639)
Externally restricted - endowments					\$ 18,432,016	18,432,016	17,651,022
Internally restricted (Note 14)		1,983,613		5,754,883	5,306,545	13,045,041	12,942,046
Unrestricted	5,845,471					5,845,471	5,701,252
	<u>5,845,471</u>	<u>1,983,613</u>	<u>(22,470,851)</u>	<u>41,280,617</u>	<u>23,738,561</u>	<u>50,377,411</u>	<u>54,131,245</u>
	<u>\$ 31,804,868</u>	<u>\$ 9,335,549</u>	<u>\$ 12,328,120</u>	<u>\$ 190,268,560</u>	<u>\$ 23,738,561</u>	<u>\$ 267,475,658</u>	<u>\$ 264,346,035</u>

(Note 14)

On behalf of the Board of Governors

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Finance and Audit Chair

See accompanying notes to the consolidated financial statements.

# University of Prince Edward Island

## Consolidated statement of financial position

April 30

2012

	<u>Operating</u>	<u>Research</u>	<u>Post-retirement benefits</u>	<u>Capital assets</u>	<u>Endowment</u>	<u>Total</u>
<b>Assets</b>						
Current - Cash and cash equivalents	\$ 13,127,440					\$ 13,127,440
- Receivables (Note 3)	6,602,471	\$ 4,404,312				11,006,783
- Inventory and other	1,594,193					1,594,193
	<u>21,324,104</u>	<u>4,404,312</u>				<u>25,728,416</u>
Investments (Note 4)	7,767,682	33,352	\$ 11,354,783	\$ 5,762,270	\$ 22,916,877	47,834,964
Due from (to) other funds	685,177	4,479,058		(5,164,235)		-
Capital assets (Note 5)				<u>190,782,655</u>		<u>190,782,655</u>
	<u>\$ 29,776,963</u>	<u>\$ 8,916,722</u>	<u>\$ 11,354,783</u>	<u>\$ 191,380,690</u>	<u>\$ 22,916,877</u>	<u>\$264,346,035</u>
<b>Liabilities</b>						
Current - Payables and accruals (Note 6)	\$ 9,970,571					\$ 9,970,571
- Current portion of long term debt				\$ 3,430,034		3,430,034
- Deferred revenue (Note 7)	<u>4,829,910</u>			<u>-</u>		<u>4,829,910</u>
	<u>14,800,481</u>			<u>3,430,034</u>		<u>18,230,515</u>
Accrued benefit liabilities (Note 9)			\$ 27,622,422			27,622,422
Long term obligations (Note 10)				<u>38,608,810</u>		<u>38,608,810</u>
	<u>14,800,481</u>		<u>27,622,422</u>	<u>42,038,844</u>		<u>84,461,747</u>
<b>Deferred revenue</b>						
Research contracts		\$ 7,002,803				7,002,803
Capital assets (Note 12)				109,475,010		109,475,010
Other (Note 13)	<u>9,275,230</u>					<u>9,275,230</u>
	<u>24,075,711</u>	<u>7,002,803</u>	<u>27,622,422</u>	<u>151,513,854</u>		<u>210,214,790</u>
<b>Fund balances</b>						
Invested in capital assets				34,104,564		34,104,564
Externally restricted - post-retirement benefit			(16,267,639)			(16,267,639)
Externally restricted - endowments					\$ 17,651,022	17,651,022
Internally restricted (Note 14)		1,913,919		5,762,272	5,265,855	12,942,046
Unrestricted	<u>5,701,252</u>					<u>5,701,252</u>
	<u>5,701,252</u>	<u>1,913,919</u>	<u>(16,267,639)</u>	<u>39,866,836</u>	<u>22,916,877</u>	<u>54,131,245</u>
	<u>\$ 29,776,963</u>	<u>\$ 8,916,722</u>	<u>\$ 11,354,783</u>	<u>\$ 191,380,690</u>	<u>\$ 22,916,877</u>	<u>\$264,346,035</u>

(Note 14)

See accompanying notes to the consolidated financial statements.

# University of Prince Edward Island

## Consolidated statement of financial position

May 1,

2011

	Operating	Research	Post-retirement benefits	Capital assets	Endowment	Total
<b>Assets</b>						
Current - Cash and cash equivalents	\$ 15,662,325					\$ 15,662,325
- Receivables (Note 3)	3,864,146	\$ 7,173,487				11,037,633
- Inventory and other	1,675,388					1,675,388
	21,201,859	7,173,487				28,375,346
Investments (Note 4)	7,766,013	33,350	\$ 10,517,720	\$ 4,639,652	\$ 18,764,751	41,721,486
Due from (to) other funds	1,792,567	1,852,989		(3,645,556)		-
Capital assets (Note 5)				188,046,812		188,046,812
	<u>\$ 30,760,439</u>	<u>\$ 9,059,826</u>	<u>\$ 10,517,720</u>	<u>\$ 189,040,908</u>	<u>\$ 18,764,751</u>	<u>\$258,143,644</u>
<b>Liabilities</b>						
Current - Payables and accruals (Note 6)	\$ 11,581,156			\$ 1,306,084		\$ 12,887,240
- Short term loan				1,910,904		1,910,904
- Current portion of long term debt				2,686,436		2,686,436
- Debt maturing in one year (Note 10)				962,344		962,344
- Deferred revenue (Note 7)	4,796,584			-		4,796,584
	16,377,740			6,865,768		23,243,508
Accrued benefit liabilities (Note 9)			\$ 21,256,190			21,256,190
Long term obligations (Note 10)				34,386,731		34,386,731
	16,377,740		21,256,190	41,252,499		78,886,429
<b>Deferred revenue</b>						
Research contracts		\$ 7,880,220				7,880,220
Capital assets (Note 12)				108,776,821		108,776,821
Other (Note 13)	8,555,684					8,555,684
	24,933,424	7,880,220	21,256,190	150,029,320		204,099,154
<b>Fund balances</b>						
Invested in capital assets				34,371,940		34,371,940
Externally restricted - post-retirement benefits			(10,738,470)			(10,738,470)
Externally restricted - endowments					\$ 14,015,558	14,015,558
Internally restricted (Note 14)		1,179,606		4,639,648	4,749,193	10,568,447
Unrestricted	5,827,015					5,827,015
	5,827,015	1,179,606	(10,738,470)	39,011,588	18,764,751	54,044,490
	<u>\$ 30,760,439</u>	<u>\$ 9,059,826</u>	<u>\$ 10,517,720</u>	<u>\$ 189,040,908</u>	<u>\$ 18,764,751</u>	<u>\$258,143,644</u>

(Note 14)

See accompanying notes to the consolidated financial statements.

# University of Prince Edward Island

## Consolidated statement of cash flows

Year Ended April 30

2013

2012

### Cash flows from operating activities

Cash received from (paid for)		
Provincial governments for operations	\$ 57,871,378	\$ 55,485,033
Operations	49,425,050	46,417,172
Restricted grants	17,362,361	19,539,188
Investment income received for operating purposes	1,295,181	1,603,096
Donations	3,142,742	3,036,009
Salaries and benefits	(84,989,941)	(82,932,530)
Materials and service	(35,123,939)	(35,365,271)
Interest	(2,232,387)	(2,178,081)
Net cash generated through operating activities	<u>6,750,445</u>	<u>5,604,616</u>

### Cash flows from financing and investing activities

Cash received from (paid for)		
Restricted grants and interest for capital assets	5,654,024	5,525,755
Restricted and endowment donations	821,680	4,152,126
Purchase of capital assets	(5,791,095)	(12,488,125)
Purchase of investments, net	(2,148,016)	(7,426,686)
Proceeds from issuance of long term debt	-	5,256,096
Principal payments on long term obligations	(3,430,035)	(3,163,667)
Net cash used in financing and investing activities	<u>(4,893,442)</u>	<u>(8,144,501)</u>
Net increase (decrease) in cash and cash equivalents	1,857,003	(2,539,885)
Cash and cash equivalents, beginning of year	<u>13,127,440</u>	<u>15,667,325</u>
Cash and cash equivalents, end of year	<u>\$ 14,984,443</u>	<u>\$ 13,127,440</u>

See accompanying notes to the consolidated financial statements.

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# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

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### 1. Purpose of the organization

The University of Prince Edward Island is incorporated as an income tax exempt not for profit organization with the following mission statement:

The University, founded on the tradition of liberal education, exists to encourage and assist people to acquire the skills, knowledge and understanding necessary for critical and creative thinking, and thus prepare them to contribute to their own betterment and that of society through the development of their full potential.

To accomplish these ends the university is a community of scholars whose primary tasks are to teach and learn, to engage in scholarship and research, and to offer service for the benefit of our Island and beyond.

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### 2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles using Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These statements are the first full set of consolidated financial statements presented by the University under these accounting standards. Details regarding the adoption of these standards and the impact on the consolidated financial statements is contained in Note 19.

#### Principles of consolidation

The consolidated financial statements of the University include the accounts of the Three Oaks Innovation Fund, a member corporation, and the University of Prince Edward Island Foundation, (U.S.) Inc. The Three Oaks Innovation Fund operates a research support division. The University of Prince Edward Island Foundation, (U.S.) Inc. is an income tax exempt foundation for charitable, scientific, literary or educational purposes.

#### Fund accounting

The University follows the deferral method of accounting for contributions.

Revenue and expenditure related to program delivery and administrative activities are reported in the operating fund.

Revenue and expenditure related to research activities are reported in the Research fund.

Revenue and expenditure related to employee future benefits are reported in the post retirement benefits fund.

Assets, liabilities, revenue and expenditure, except for depreciation, related to the University's capital assets are reported in Capital assets fund.

Endowment donations are reported in the Endowment fund as an increase to the fund balance. Investment income earned on resources of the Endowment fund are reported in the operating fund as deferred revenue and recognized as income in the year in which expenditures are incurred. Principal donations are held in perpetuity and the investment income is used for the purpose specified by the donors.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and other institutions, net of bank overdrafts. Temporary short term borrowings are considered to be financing activities.

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# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

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### 2. Summary of significant accounting policies (cont'd)

#### Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis except in the bookstore where cost is determined based on the retail method.

#### Revenue recognition

Restricted donations are recognized as revenue of the appropriate fund in the year in which the related expenditures are incurred or related capital asset depreciated. Unrestricted donations are recognized as revenue of the fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment donations are recognized as direct increases in net assets when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenditures are incurred.

Profits from contracts are recognized on the percentage of completion basis. The percentage of completion is determined by relating the actual cost of work performed to date to the current estimated total cost of each contract. Any projected loss is recognized immediately for accounting purposes.

Revenues received without restrictions include tuition fees, and sales of services and goods. These amounts are reported as revenue at the same time the services are provided or the goods are sold. Operating grants from governments are also considered unrestricted and are recorded in the period to which the operating funds relate.

#### Employee benefit plans

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

The excess of experience gains and losses over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the expected average remaining service lives (EARSL) of active employees. The EARSL for employees covered by the pension plan is 11 years. The EARSL for employees covered by other post retirement benefits is 13 years.

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# University of Prince Edward Island

## Notes to the consolidated financial statements

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April 30, 2013

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### 2. Summary of significant accounting policies (cont'd)

#### Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Rates and bases of depreciation applied to write-off the cost of the capital assets over their estimated lives are as follows:

Site improvements	4%, declining balance
Buildings	2.5%, declining balance
Furniture and equipment	10%, declining balance
Computer equipment and motor vehicles	30%, declining balance
Library materials	10%, declining balance

Capital asset additions are depreciated at 50% of the regular rate in the year of acquisition. Facilities under construction are not depreciated until they are available for use.

Capital asset deferred revenue is amortized at the same rate of depreciation as the assets it was used to purchase.

An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value; it is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

#### Financial instruments

The University considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The University accounts for the following as financial instruments:

- Cash and cash equivalents
- Receivables
- Investments – actively traded
- Investments – not actively traded
- Payables and accruals
- Long term debt

A financial asset or liability is recognized when the University becomes a party to contractual provisions of the instrument.

The University initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs directly attributable to its origination, issuance, or assumption.

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# University of Prince Edward Island

## Notes to the consolidated financial statements

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April 30, 2013

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### 2. Summary of significant accounting policies (cont'd)

Financial assets and financial liabilities are subsequently measured according to the following methods:

<b>Financial instrument</b>	<b>Subsequent measurement</b>
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Investments - actively traded	Fair value
Investments – not actively traded	Fair value; amortized cost
Payables and accruals	Amortized cost
Long term debt	Amortized cost

#### **Derivative financial instruments**

The University has entered into several interest rate swap agreements with a chartered bank to reduce interest rate exposure associated with certain long term debt obligations. The agreements have the effect of converting the floating rate of interest on certain debt to a fixed rate. It is the University's policy not to use derivative financial instruments for trading or speculative purposes.

The University designates each interest rate swap agreement as a cash flow hedge of a specifically identified debt instrument. The swap agreements are effective hedges, both at maturity and over the term of the agreement, since the term to maturity, the notional principal amount, and the interest rate of the swap agreements all match the terms of the debt instruments being hedged. The swap agreements involved periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based. The payments are recorded as an adjustment of the interest expense on the hedged debt instrument.

In the event that the interest rate swap agreements are terminated or cease to be effective in part or in whole prior to maturity any associated realized or unrealized gains or losses are recognized in income. In the event a designated hedged debt instrument is extinguished or matures prior to the termination of the related interest rate swap agreement, any realized or unrealized gain or loss is recognized in income.

#### **Donations and pledges**

Donations are recorded as revenue in the fiscal period in which they are spent. Gifts in kind, including works of art, equipment, investments and library holdings are recorded at fair market value on the date of their donation.

Pledges of donations to be received in future years are not recorded in the financial statements.

#### **Foreign currency translation**

Foreign currency transactions are recorded at the exchange rate in effect at the time of the transaction. Monetary assets and liabilities denominated in foreign currency reported on the Statement of Financial Position are recorded at the exchange rate in effect on the financial statement date. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate in effect of the transaction date. The market value of long term investments denominated in foreign currency is disclosed in the notes to the financial statements at the exchange rate in effect on the financial statement date.

#### **Use of estimates**

In preparing the University's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period.

Significant estimates and assumptions are involved with the calculation of the allowance for doubtful accounts, useful life of capital assets, and accrued liabilities for employee future benefits. Actual results could differ from these estimates. Estimates are regularly reviewed by management and adjusted as required.



# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

<b>3. Receivables</b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>May 1, 2011</u></b>
Operating fund			
Accrued interest	\$ -	\$ 215,526	\$ 170,400
MPHEC grant	<b>3,157,191</b>	3,305,844	229,758
Pension administration fees	-	-	121,814
Sales and services	<b>605,084</b>	821,460	1,099,884
Student accounts	<b>1,000,718</b>	890,526	875,168
Other	<b>727,788</b>	1,369,115	1,367,122
	<b>5,490,781</b>	6,602,471	3,864,146
Research fund	<b>4,084,317</b>	4,404,312	7,173,487
	<b>\$ 9,575,098</b>	<b>\$ 11,006,783</b>	<b>\$ 11,037,633</b>

<b>4. Investments</b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>May 1, 2011</u></b>
Operating fund	<b>\$11,443,104</b>	\$ 7,767,682	\$ 7,766,013
Research fund	<b>33,350</b>	33,352	33,350
Post retirement benefits fund			
Health benefit plan	<b>8,192,791</b>	7,408,475	6,651,711
Retirement allowances	<b>3,259,244</b>	3,003,855	2,987,766
Supplementary retirement benefits	<b>876,085</b>	942,453	878,243
	<b>12,328,120</b>	11,354,783	10,517,720
Capital assets fund			
AVC equipment fund	<b>340,366</b>	918,318	1,204,174
Capital projects fund	<b>5,414,513</b>	4,843,952	3,435,478
	<b>5,754,879</b>	5,762,270	4,639,652
Endowment fund	<b>23,738,561</b>	22,916,877	18,764,751
	<b>\$53,298,014</b>	<b>\$ 47,834,964</b>	<b>\$ 41,721,486</b>

Investments summary	<b><u>2013</u></b>		<b><u>2012</u></b>		<b><u>2011</u></b>	
	<b><u>Cost</u></b>	<b><u>Market</u></b>	<b><u>Cost</u></b>	<b><u>Market</u></b>	<b><u>Cost</u></b>	<b><u>Market</u></b>
Equities	<b>\$28,612,226</b>	<b>\$32,146,265</b>	\$ 27,854,356	\$28,923,342	\$22,629,623	\$23,914,300
Fixed – amortized cost	-	-	18,911,622	19,639,061	17,807,186	18,492,179
Fixed – fair market value	<b>20,871,353</b>	<b>21,151,747</b>	-	-	-	-
Total	<b>\$49,483,579</b>	<b>\$53,298,012</b>	<b>\$ 46,765,978</b>	<b>\$48,562,403</b>	<b>\$40,436,809</b>	<b>\$42,406,479</b>

# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

5. Capital assets			<u>2013</u>	<u>2012</u>	May 1, <u>2011</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 814,301	\$ -	\$ 814,301	\$ 814,301	\$ 814,301
Site improvements	12,492,142	4,252,657	8,239,485	8,466,723	8,183,680
Buildings	199,453,793	56,401,375	143,052,418	144,217,479	141,250,623
Furniture, equipment and vehicles	52,787,964	21,201,442	31,586,522	32,395,602	32,688,279
Library materials	12,877,034	8,318,469	4,558,565	4,888,550	5,109,929
	<u>\$ 278,425,234</u>	<u>\$ 90,173,943</u>	<u>\$188,251,291</u>	<u>\$ 190,782,655</u>	<u>\$ 188,046,812</u>

6. Payables and accruals	<u>2013</u>	<u>2012</u>	May 1, <u>2011</u>
Operating fund			
Accrued interest	\$ 180,343	\$ 202,214	\$ 204,561
Faculty development allowance	353,130	378,048	396,273
Accrued payroll	2,482,206	2,069,132	3,007,803
Trade	2,910,948	3,322,255	4,314,029
Government remittances	160,627	665,057	106,692
Accrued vacation and other leaves	<u>3,288,014</u>	<u>3,333,865</u>	<u>3,551,798</u>
	9,375,268	9,970,571	11,581,156
Capital fund			
Construction holdbacks	<u>-</u>	<u>-</u>	<u>1,306,084</u>
	\$ 9,375,268	\$ 9,970,571	\$ 12,887,240

### 7. Deferred revenue, operating

Operating deferred revenue represents resources for operating purposes received in the current period which relate to a subsequent period. Changes in the deferred revenue balance are as follows:

	<u>2013</u>	<u>2012</u>	May 1, <u>2011</u>
Beginning balance	\$ 4,829,910	\$ 4,796,584	\$ 4,546,923
Resources received	7,525,154	8,731,930	10,551,323
Recognized as revenue	<u>(7,796,635)</u>	<u>(8,698,604)</u>	<u>(10,301,662)</u>
Ending balance	<u>\$ 4,558,429</u>	<u>\$ 4,829,910</u>	<u>\$ 4,796,584</u>

# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

<b>8. Donations</b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Donations received	<b><u>\$ 3,394,665</u></b>	<b><u>\$ 7,524,542</u></b>	<b><u>\$ 5,610,534</u></b>
Donations recognized			
Operating	<b><u>(2,088,611)</u></b>	<b><u>(1,880,693)</u></b>	<b><u>(1,979,464)</u></b>
Endowments	<b><u>(821,684)</u></b>	<b><u>(4,152,126)</u></b>	<b><u>(319,136)</u></b>
	<b><u>(2,910,295)</u></b>	<b><u>(6,032,819)</u></b>	<b><u>(2,298,600)</u></b>
Donations deferred	<b><u>\$ 484,370</u></b>	<b><u>\$ 1,491,723</u></b>	<b><u>\$ 3,311,934</u></b>

### 9. Pension plan and other employee post-retirement benefits

The University maintains a contributory defined benefit best average pension plan and provides post employment benefits which cover substantially all of its employees.

Annual funding requirements for the pension plan and for future retirement allowances are determined by Eckler Ltd., who completed their last actuarial estimate as of April 30, 2011. Annual funding for a health benefit plan is based on an actuarial estimate prepared by Morneau Shepell, last completed as of April 30, 2012. Funding of supplementary retirement obligations is determined in accordance with conditions of specific agreements.

	<b><u>2013</u></b>	<b><u>2012</u></b>
Net expense for the university's benefit plans is as follows:		
Pension	<b><u>\$ 12,649,700</u></b>	<b><u>\$ 10,415,073</u></b>
Other benefit plans		
Health benefits	<b><u>2,085,000</u></b>	<b><u>2,082,000</u></b>
Retirement allowances	<b><u>269,963</u></b>	<b><u>1,302,485</u></b>
	<b><u>2,354,963</u></b>	<b><u>3,384,485</u></b>
Expense per statement of operations	<b><u>\$ 15,004,663</u></b>	<b><u>\$ 13,799,558</u></b>

# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

### 9. Pension plan and other employee post-retirement benefits (cont'd)

The actuarial present value of benefit obligations and fair value of plan assets recognized in the accompanying statements of financial position as at April 30, 2013 and April 30, 2012 were as follows:

	<u>Pension plan</u>		<u>Post-retirement benefit plans</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 233,863,461	\$ 200,961,312	\$ 29,686,956	\$ 26,170,466
Service cost	10,278,733	8,278,802	1,168,947	2,131,199
Interest cost	10,118,738	10,290,986	1,240,194	1,267,946
Transfer in	180,300	108,462	-	-
Gross benefits paid	(7,515,375)	(6,741,821)	(1,110,526)	(1,111,655)
Actuarial loss	<u>10,243,294</u>	<u>20,965,720</u>	<u>3,401,000</u>	<u>1,229,000</u>
Benefit obligation, end of year	<u>\$ 257,169,151</u>	<u>\$ 233,863,461</u>	<u>\$ 34,386,571</u>	<u>\$ 29,686,956</u>
Change in plan assets:				
Fair value of plan assets, beginning of year	\$ 155,929,495	\$ 148,165,012	\$ -	\$ -
Actual return on plan assets	17,460,818	5,322,835	-	-
Employer contributions	6,770,790	6,327,647	-	-
Transfer in	180,342	108,462	-	-
Plan participant's contributions	3,522,581	2,747,449	-	-
Gross benefits paid	<u>(7,515,375)</u>	<u>(6,741,910)</u>	<u>-</u>	<u>-</u>
Fair value of plan assets, end of year	<u>\$ 176,348,651</u>	<u>\$ 155,929,495</u>	<u>\$ -</u>	<u>\$ -</u>
Funded status and amounts recognized, end of year				
Fair value of plan assets	\$ 176,348,651	\$ 155,929,495	\$ -	\$ -
Benefit obligation	<u>(257,169,151)</u>	<u>(233,863,461)</u>	<u>(34,386,571)</u>	<u>(29,686,956)</u>
Funded status, end of year	<u>(80,820,500)</u>	<u>(77,933,966)</u>	<u>(34,386,571)</u>	<u>(29,686,956)</u>
Unrecognized prior service cost	4,469,400	5,104,500	-	-
Unrecognized actuarial net loss	<u>71,449,700</u>	<u>73,807,000</u>	<u>4,489,000</u>	<u>1,087,000</u>
Amounts recognized, end of year	<u>\$ (4,901,400)</u>	<u>\$ 977,534</u>	<u>\$ (29,897,571)</u>	<u>\$ (28,599,956)</u>
		<u>2013</u>	<u>2012</u>	May 1, 2011
Accrued benefit asset (liability)				
Pension plan		\$ (4,901,400)	\$ 977,534	\$ 5,054,207
Other benefit plans		<u>(29,897,571)</u>	<u>(28,599,956)</u>	<u>(26,310,397)</u>
Liability per statement of financial position		<u>\$ (34,798,971)</u>	<u>\$ (27,622,422)</u>	<u>\$ (21,256,190)</u>

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# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

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### 9. Pension plan and other employee post-retirement benefits (cont'd)

Pension plan assets are held in trust and are not available for operating purposes of the University. Separate audited financial statements are prepared for the pension plan. The percentage of the fair value of the pension plan's total assets is as follows:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	<b>0.82%</b>	0.14%
Government and corporate bonds	<b>24.21%</b>	27.53%
Real estate fund	<b>14.31%</b>	12.01%
Equities and mutual funds	<b>60.66%</b>	60.32%

Plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. Net expense for 2013 includes \$635,000 (2012: \$550,805) of amortization of plan amendments.

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations for the pension plan is a discount rate of 4.0% (2012 – 4.3%) and for the future retirement allowances is a discount rate of 3.5%, expected long term rate of return on plan assets of 6.0% (2012: 6.0%), and a rate of compensation increase of 4.00% per annum. For the health benefits plan a 4.10% (2012: 4.85%) discount rate and 3.5% rate of compensation increase were assumed. Extended health and drug claims were assumed to increase 5.0% per annum and dental claims were assumed to increase at 4.0% per annum.

Other information about the university's pension plan is as follows:

	<u>2013</u>	<u>2012</u>
Employer contributions	\$ <b>6,659,422</b>	\$ 6,915,601
Employees' contributions	<b>3,640,816</b>	3,138,954
Benefits paid	<b>7,515,374</b>	6,741,821

The health benefit plan liability has been estimated to equal \$25,379,735 (2012: \$24,017,541; 2011 - \$22,617,930) based on the last actuarial extrapolation update as of April 30, 2013. In 2013, \$8,192,791 (2012: \$7,408,475; 2011 - \$6,651,711) of this liability has been funded.

The University has an obligation to pay lump sum retirement allowances to employees who retire after reaching the age of 55 years. The allowances are to a maximum of six months salary. The total liability has been estimated to equal \$3,798,979 as of April 30, 2013 is based on management estimates (2012: \$3,813,508; 2011 - \$2,987,769) and the rates of funding required for future service as determined by the actuary at that time. In 2013, \$3,259,212 (2012 - \$3,003,857; 2011 - \$2,987,766) of this liability has been funded.

Supplementary retirement obligations amount to \$718,857 (2012 - \$768,907; 2011 - \$704,699) and relate to the retirement obligations payable to past presidents for their term as president of the University. Upon termination of the retirement obligations, per the conditions of the agreements, any surplus funds become assets of the University. These obligations are fully funded.

# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

	<u>2013</u>	<u>2012</u>	<u>May 1, 2011</u>
<b>10. Long term obligations</b>			
Long term obligations funded by the Province of Prince Edward Island:			
6.25% CMHC loan payable \$53,646 annually including interest amortized to and maturing in October 2018. As security a mortgage has been provided on Bernardine Hall. The carrying value of Bernardine Hall is \$863,637.	\$ 246,474	\$ 282,994	\$ 317,335
7.625% CMHC loan payable \$95,597 annually including interest amortized to and maturing in September 2023. As security a mortgage has been provided on Blanchard Hall. The carrying value of Blanchard Hall is \$2,597,378.	682,301	723,502	761,732
CDOR plus 0.25%, hedged at 5.11%, Bank of Montreal long term loan on Regis and Joan Duffy Research Centre, payable \$57,150 quarterly plus interest, amortized to 2021 and maturing in 2021.	1,828,800	2,057,400	2,286,000
CDOR plus 0.25%, hedged at 4.69%, Bank of Montreal long term loan on Duffy Science Centre renovation, payable \$60,000 quarterly principal plus interest, amortized to 2018 and maturing in 2018.	1,140,000	1,380,000	1,620,000
CDOR plus 0.25%, hedged at 5.11%, Bank of Montreal long term loan on Duffy Science Centre renovation, payable \$56,667 quarterly principal plus interest, amortized to 2021 and maturing in 2021.	1,813,333	2,040,000	2,266,666
CDOR plus 0.25%, hedged at 5.35% Bank of Montreal long term loan on the Don and Marion McDougall Hall, payable \$96,667 quarterly principal plus interest, amortized to 2022 and maturing in 2022.	3,383,333	3,770,000	4,156,666
CDOR plus 0.25%, hedged at 5.55%, Bank of Montreal long term loan on the AVC Expansion, payable \$33,333 quarterly principal plus interest, amortized to 2023 and maturing in 2023.	1,300,000	1,433,334	1,566,667
CDOR plus 0.25%, hedged at 5.63%, Bank of Montreal long term loan on core renewal projects payable \$103,333 quarterly principal plus interest, amortized to 2023 and maturing in 2023.	4,133,334	4,546,667	4,960,000
CDOR plus 1.30%, hedged at 3.71%, Bank of Montreal long term loan on the Knowledge Infrastructure Program, payable in \$50,000 quarterly principal plus interest, amortized to 2020 and maturing in 2020.	1,450,000	1,650,000	1,850,000
CDOR plus 1.30%, hedged at 4.53%, Bank on Montreal long term loan on the Nursing and Applied Human Sciences Building, payable in \$179,000 quarterly principal plus interest, amortized to and maturing in 2022.	6,451,000	7,167,000	-
Other long term obligations:			
CDOR plus 0.25%, hedged at 5.75%, Bank of Montreal long term loan on Blanchard Hall and Bernardine Hall renovations, payable in \$54,517 quarterly payments including principal and interest, amortized to 2032 and maturing in 2032, funded by residence operations.	2,473,890	2,541,043	2,604,469

# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

### 10. Long term obligations (cont'd)

	<u>2013</u>	<u>2012</u>	<u>May 1, 2011</u>
CDOR plus 0.25%, hedged at 5.42%, Bank of Montreal long term loan on Bill and Denise Andrew Hall, payable \$208,000 quarterly including interest, amortized to 2031 and maturing in 2031, funded by residence operations.	<b>9,151,830</b>	9,451,586	9,735,632
CDOR plus 1.30%, hedged at 3.80%, Bank of Montreal long term loan on the AVC Phase III Expansion, payable in \$88,000 quarterly principal plus interest, amortized to and maturing in 2020.	<b>4,244,000</b>	4,596,000	4,948,000
3.48% Royal Bank term loan payable \$8,434 monthly including Interest maturing in April 2014 and amortized until 2016. The loan relates to the construction of W A Murphy Student Centre, funded by the Student Union.	<b>310,514</b>	399,318	485,111
Loans paid out during the year	<u>-</u>	<u>-</u>	<u>477,233</u>
	<b>38,608,809</b>	42,038,844	38,035,511
Less: debt maturing within one year current portion	<u>-</u>	<u>-</u>	<u>962,344</u>
	<b>3,459,197</b>	3,430,034	2,686,436
	<b><u>\$35,149,612</u></b>	<b><u>\$ 38,608,810</u></b>	<b><u>\$ 34,386,731</u></b>

Annual principal repayments in each of the next five years are due as follows: 2013 - \$3,459,197; 2014 - \$3,490,011; 2015 - \$3,522,577; 2016 - \$3,480,213; 2017 - \$3,427,862.

### 11. Interest rate swap agreements

The University has entered into interest rate swap agreements with a chartered bank to manage interest rate exposure associated with certain long-term debt obligations. The agreements have the effect of converting the floating rate interest on certain debt to a fixed rate.

The notional underlying principal value of the interest rate swaps related to debt outstanding at April 30, 2013 was \$37,369,519 (2012 - \$40,633,029; 2011 - \$35,994,100). The University has no plans to sell or terminate the interest rate swap agreements prior to maturity. If the University had terminated these swaps on April 30, 2013, it would have been obligated to incur a payment of \$6,929,262 (2012 - \$6,746,801; 2011 - \$4,532,896), the fair value of the swaps.

### 12. Deferred revenue, capital assets

Capital assets deferred revenue represents restricted contributions used to purchase buildings, equipment, and site improvements. Changes in the deferred revenue balance are as follows:

	<u>2013</u>	<u>2012</u>	<u>May 1, 2011</u>
General deferred revenue, capital assets			
Beginning balance	<b>\$109,475,010</b>	\$ 108,776,821	\$ 107,297,611
Capital grants and donations received	<b>4,599,894</b>	4,370,441	5,073,496
Capital grants and donations recognized	<b>(3,695,770)</b>	(3,672,252)	(3,594,286)
Ending balance	<b><u>\$110,379,134</u></b>	<b><u>\$ 109,475,010</u></b>	<b><u>\$ 108,776,821</u></b>

# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

### 13. Deferred revenue, other

Other deferred revenue represents unexpended investment income on endowment funds and contributions for other specified purposes. The funds are recognized as revenue in the periods the related expenditures are incurred. Changes in the deferred revenue balance are as follows:

	<u>2013</u>	<u>2012</u>	<u>May 1, 2011</u>
Beginning balance	\$ 9,275,230	\$ 8,555,684	\$ 6,987,483
Contributions received	614,273	2,606,665	922,785
Unrealized gain	2,396,764	224,133	1,164,622
Income earned	1,469,671	1,037,238	1,691,377
Recognized as revenue	<u>(1,730,238)</u>	<u>(3,148,490)</u>	<u>(2,210,583)</u>
Ending balance	<u>\$12,025,700</u>	<u>\$ 9,275,230</u>	<u>\$ 8,555,684</u>
Representing:			
Unexpended investment income on endowment funds (Note 15)	\$ 4,610,480	\$ 2,298,165	\$ 3,599,105
Special purpose funds	<u>7,415,220</u>	<u>6,977,065</u>	<u>4,956,579</u>
	<u>\$12,025,700</u>	<u>\$ 9,275,230</u>	<u>\$ 8,555,684</u>

### 14. Internal restrictions on fund balances

	<u>2013</u>	<u>2012</u>	<u>May 1, 2011</u>
The following amounts have been restricted by the Board of Governors for specific purposes:			
Capital projects			
CFI/AIF matching	\$ 354,483	\$ 354,815	\$ 148,550
Capital renovations	2,477,501	1,469,084	904,559
Library reserves	82,533	82,533	82,533
Green initiatives reserve	-	47,690	150,000
Technology development fund	2,500,000	2,500,000	1,500,000
Energy management sustainability fund	-	189,832	189,832
Nursing equipment	-	-	260,000
Landscaping	-	200,000	200,000
AVC equipment fund	<u>340,366</u>	<u>918,318</u>	<u>1,204,174</u>
	5,754,883	5,762,272	4,639,648
Endowment	5,306,545	5,265,855	4,749,193
Research	<u>1,983,613</u>	<u>1,913,919</u>	<u>1,179,606</u>
	<u>\$13,045,041</u>	<u>\$ 12,942,046</u>	<u>\$ 10,568,447</u>



# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

### 15. Restricted funds for scholarships, bursaries, and academic programs

Restricted funds available for scholarship and bursary purposes and for academic programs include both internally and externally restricted endowment fund balances and unexpended endowment investment income recorded as deferred revenue.

	<u>2013</u>	<u>2012</u>	<u>May 1, 2011</u>
Endowment Fund			
Externally restricted	<b>\$18,432,016</b>	\$ 17,651,022	\$ 14,015,558
Internally restricted	<b><u>5,306,545</u></b>	<u>5,265,855</u>	<u>4,749,193</u>
	<b>23,738,561</b>	22,916,877	18,764,751
Operating Fund			
Deferred revenue, unexpended investment income (Note 13)	<b><u>4,610,480</u></b>	<u>2,298,165</u>	<u>3,599,105</u>
	<b><u>\$ 28,349,041</u></b>	<b><u>\$ 25,215,042</u></b>	<b><u>\$ 22,363,856</u></b>

### 16. Inter-fund transfers

	<u>Operating</u>	<u>Research</u>	<u>Post- retirement benefits</u>	<u>Capital assets</u>
Depreciation	\$ 8,322,461			\$ (8,322,461)
Equipment additions	(836,349)	\$ (1,471,701)		2,308,050
Library materials	(164,295)			164,295
Land, buildings and site improvements	(247,000)	133,206		113,794
Principal debt repayment	(796,630)			796,630
AVC equipment fund	(32,141)			32,141
Internal financing	(2,827,044)			2,827,044
Research	2,348,036	(2,348,036)		
Interest repayment	(954,905)			954,905
Post retirement health benefits	(1,507,122)		\$ 1,507,122	
Retirement allowance	(523,529)		523,529	
Pension plan	<u>(6,770,800)</u>	<u>-</u>	<u>6,770,800</u>	<u>-</u>
	<b><u>\$ (3,989,318)</u></b>	<b><u>\$ (3,686,531)</u></b>	<b><u>\$ 8,801,451</u></b>	<b><u>\$ (1,125,602)</u></b>

### 17. Scholarships

The University received restricted grants to fund scholarships and bursaries from the Province of Prince Edward Island including the George Coles bursary and Island Student Awards. The total for the year was \$2,266,600 (2012 - \$2,126,800).

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# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

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### 18. Financial assets and liabilities

The following sections describe the University's financial risk exposure and related mitigation strategies:

#### **Credit risk**

The University is exposed to credit risk through payment default on its accounts receivable. Exposure to credit risk on accounts receivable is managed through active monitoring and collection practices. A provision for uncollectible accounts has been determined in the amount of \$287,623 (2012 - \$273,269) based on respective aging of accounts, risk profile of certain accounts and collections subsequent to year end. Receivables written off during the year and adjustments to the allowance for doubtful receivable amount to \$83,273 (2012 - \$165,239.)

#### **Liquidity risk**

Liquidity risk is the risk that the University will encounter difficulty in meeting obligations associated with financial liabilities. The University is exposed to liquidity risk arising primarily from trade payables. The University ensures that it has sufficient capital to meet its short and long-term financial obligations after taking into account its operations and cash on hand. The University actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

#### **Market risk**

The University invests in publicly traded equities listed on domestic and foreign exchanges, and bonds traded over the counter through broker dealers. These securities are affected by fluctuations in market prices. Such market changes are subject to economic factors and other fluctuations in domestic and global capital markets, as well as risks to issuers, which may affect the market value of the individual securities. Policy guidelines have been established to ensure that the University's investments are diversified by issuer, industry and geographic location.

The University has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates. The University has diversified its foreign portfolio by investing in various foreign currencies.

#### **Interest rate risk**

Interest rate risk is the risk that the fair value or the future cash flows associated with a financial instrument will fluctuate due to changes in market interest rates. The University is exposed to interest rate risk on long term debt, which it manages through the use of fixed interest rates and use of interest rate swap agreements.

# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

### 19. Impact of the change in basis of accounting

The University has elected to apply the Canadian accounting standards for not-for-profit organizations under Part III of the CICA Handbook and standards for private enterprises under Part II of the CICA Handbook for items not addressed in Part III of the CICA Handbook. The financial statements for the year ended April 30, 2013, and comparative periods were prepared in accordance with the accounting principles and provisions set out in Section 1501: First Time Adoption by Not-for-Profit Organizations. These statements are the first full set of financial statements presented by the University under the new accounting standards. Implementation is required for the fiscal years beginning on or after January 1, 2012. The policies adopted are in effect for the year end April 30, 2013 and for the comparative period information presented.

The University has applied Section 1500, First-time adoption in preparing these financial statements under Canadian accounting standards for not-for-profit organizations. Upon transition, the University has applied all the mandatory exemptions and did not apply any of the optional exemptions available to them.

#### Adjustments to the opening financial position

The comparative figures have been restated to reflect the adoption of the new accounting standards. The schedules located on pages 29 and 30, presents the comparative Statement of Financial Position as at April 30, 2012 and May 1, 2011, as originally reported along with the transition adjustments and restated comparative amounts.

The fund balances have been affected by the application of the above changes in accounting policies upon transition.

	Adjustment Reference	Impact on Comparative period <u>April 30, 2012</u>	Impact on transition date <u>May 1, 2011</u>
Total fund balance, under previous accounting		\$ 44,442,847	\$ 45,506,624
Post retirement obligations	a	2,941,597	4,004,970
Interest rate swaps	b	<u>6,746,801</u>	<u>4,532,896</u>
Total fund balance, as adjusted		<u>\$ 54,131,245</u>	<u>\$ 54,044,490</u>

- (a) Future employee benefits – employee future benefit liabilities and expenses relating to the pension and post retirement medical benefit plan were previously recorded with unamortized transitional obligations or assets. Under Section 3861 – Employee Future Benefits, such obligations or assets are not able to be brought forward. The deferral and amortization approach has been adopted which is allowed under Section 3861. The associated obligations or assets have been realized immediately and its effects on the liability and related expense have been reflected in the revised transition financial statements presented in pages 29 and 30.
- (b) Long term debt – fair value of interest rate swaps designated as hedges were previously reported as part of long term debt. Changes in the fair value were recorded as part of the changes in net assets in the capital asset fund. In accordance with the standards for Hedge Accounting in Section 3856, the amount of the interest rate swaps is no longer recorded as a liability while it qualifies as an effective hedge.

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# University of Prince Edward Island

## Notes to the consolidated financial statements

April 30, 2013

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### 19. Impact of the change in basis of accounting (cont'd)

#### Adjustments to the comparative statement of operations

As required the comparative Statement of Operations and Changes in Fund Balances have been adjusted to reflect the transition to the new basis of accounting.

	Adjustment Reference <u>Above</u>	Post retirement benefit fund <u>April 30, 2012</u>	Total fund Balance <u>April 30, 2012</u>
Excess of expenditure over revenues		\$ (12,736,185)	\$ (3,001,998)
Post retirement obligations	a	<u>(1,063,373)</u>	<u>(1,063,373)</u>
Excess of expenditures over revenues		<u>\$ (13,799,558)</u>	<u>\$ (4,065,371)</u>

Adjustment b above did not have a direct impact on the statement of operations as the changes in the fair market value of the interest rate swaps were posted directly to the fund balance.

#### Adjustments to the comparative Statement of Cash Flows

No material adjustments to the comparative Statement of Cash Flows were required as a result of the transition.

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### 20. Comparative figures

Certain of the 2012 comparative figures have been restated to agree with the financial statement presentation adopted for the current year.

# University of Prince Edward Island

## Consolidated schedule of Atlantic Veterinary College operations and changes in fund balance

Year ended April 30

2013

2012

Revenue		
Operating grants	\$ 21,080,160	\$ 21,544,266
Student fees	2,921,609	2,892,918
International fees	3,518,169	3,429,816
Sales and services	8,149,348	7,272,229
Investment income	86,488	85,361
Donations	<u>498,681</u>	<u>421,302</u>
	<u>36,254,455</u>	<u>35,645,892</u>
Expenditure		
Salaries and benefits	26,175,404	24,884,707
Supplies	3,307,332	3,648,173
Depreciation	2,881,172	2,943,973
Other	556,322	498,884
Utilities	2,132,459	2,084,706
Travel	348,518	365,734
Repairs and maintenance	615,743	830,048
Library subscriptions	324,455	309,823
Professional fees	454,855	701,171
Scholarships	168,429	175,525
Advertising	143,557	183,566
Insurance	<u>123,936</u>	<u>120,244</u>
	<u>37,232,182</u>	<u>36,746,554</u>
Excess of expenditure over revenue before inter-fund transfers	\$ (977,727)	\$ (1,100,662)
Fund balance, beginning of year	\$ 1,043,166	\$ 1,557,161
Excess of expenditure over revenue before inter-fund transfers	(977,727)	(1,100,662)
Inter-fund transfers	<u>214,296</u>	<u>586,667</u>
Fund balance, end of year	<u>\$ 279,735</u>	<u>\$ 1,043,166</u>

# University of Prince Edward Island

## Consolidated schedule of Research operations and changes in fund balances

Year ended April 30

2013

2012

	<u>Total</u>	<u>Total</u>
Revenues		
Deferred revenue, beginning of year	\$ 7,002,803	\$ 7,880,220
Research funds received	17,391,499	15,892,596
Deferred revenue, end of year	<u>(7,351,936)</u>	<u>(7,002,803)</u>
	<u>17,042,366</u>	<u>16,770,013</u>
Expenditures		
Salaries and benefits	7,914,486	8,633,060
Supplies	1,710,717	2,466,704
Travel	1,141,953	1,207,648
Professional fees	2,478,410	1,687,357
Scholarships	<u>40,575</u>	<u>44,871</u>
	<u>13,286,141</u>	<u>14,039,640</u>
Excess of revenue over expenditure before inter-fund transfers	<u>\$ 3,756,225</u>	<u>\$ 2,730,373</u>
Fund balances, beginning of year	\$ 1,913,919	\$ 1,179,606
Excess of revenue over expenditure before inter-fund transfers	3,756,225	2,730,373
Inter-fund transfers (Note 16)	<u>(3,686,531)</u>	<u>(1,996,060)</u>
Fund balances, end of year	<u>\$ 1,983,613</u>	<u>\$ 1,913,919</u>
Unspent funds at year end		
Fund balances	\$ 1,983,613	\$ 1,913,919
Deferred revenue	<u>7,351,936</u>	<u>7,002,803</u>
	<u>\$ 9,335,549</u>	<u>\$ 8,916,722</u>

# University of Prince Edward Island

## Consolidated Schedule of Restatement of Opening Statement of Financial Position

As of May 1, 2011

(\$ thousands)

	Original			Adjustments (see Note 19)			Restated		
	Post-retirement benefits	Capital assets	Total	Post-retirement benefits	Capital assets	Total	Post-retirement benefits	Capital assets	Total
<b>Assets</b>									
Current									
Cash and cash equivalents	\$ -	\$ -	\$ 15,662	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,662
Receivables	-	-	11,038	-	-	-	-	-	11,038
Inventory and other	-	-	1,675	-	-	-	-	-	1,675
	-	-	28,375	-	-	-	-	-	28,375
Investments	10,518	4,640	41,721	-	-	-	10,518	4,640	41,721
Due from (to) other funds	-	(3,646)	-	-	-	-	-	(3,646)	-
Capital assets	-	188,047	188,047	-	-	-	-	188,047	188,047
	\$ 10,518	\$ 189,041	\$ 258,144	\$ -	\$ -	\$ -	\$ 10,518	\$ 189,041	\$ 258,144
<b>Liabilities</b>									
Current									
Payables and accruals	\$ -	\$ 1,306	\$ 12,887	\$ -	\$ -	\$ -	\$ -	\$ 1,306	\$ 12,887
Short term loan	-	1,911	1,911	-	-	-	-	1,911	1,911
Current portion of long term debt	-	2,686	2,686	-	-	-	-	2,686	2,686
Debt maturing in one year	-	962	962	-	-	-	-	962	962
Deferred revenue	-	-	4,797	-	-	-	-	-	4,797
	-	6,866	23,244	-	-	-	-	6,866	23,244
Accrued benefit liabilities	25,261	-	25,261	(4,005)	-	(4,005)	21,256	-	21,256
Derivative instruments	-	4,533	4,533	-	(4,533)	(4,533)	-	-	-
Long term obligations	-	34,387	34,387	-	-	-	-	34,387	34,387
	25,261	45,785	87,424	(4,005)	(4,533)	(8,538)	21,256	41,252	78,886
<b>Deferred revenue</b>									
Research contracts	-	-	7,880	-	-	-	-	-	7,880
Capital asstes	-	108,777	108,777	-	-	-	-	108,777	108,777
Other	-	-	8,556	-	-	-	-	-	8,556
	25,261	154,562	212,637	(4,005)	(4,533)	(8,538)	21,256	150,029	204,099
<b>Fund balances</b>									
Invested in capital assets	-	29,839	29,839	-	4,533	4,533	-	34,372	34,372
Externally restricted	(14,743)	-	(728)	4,005	-	4,005	(10,738)	-	3,277
Internally restricted	-	4,640	10,568	-	-	-	-	4,640	10,568
Unrestricted	-	-	5,827	-	-	-	-	-	5,827
	(14,743)	34,479	45,507	4,005	4,533	8,538	(10,738)	39,012	54,045
	\$ 10,518	\$ 189,041	\$ 258,144	\$ -	\$ -	\$ -	\$ 10,518	\$ 189,041	\$ 258,144

# University of Prince Edward Island

## Consolidated Schedule of Restatement of Opening Statement of Financial Position

As of April 30, 2012

(\$ thousands)

	Original			Adjustments (see Note 19)			Restated		
	Post-retirement benefits	Capital assets	Total	Post-retirement benefits	Capital assets	Total	Post-retirement benefits	Capital assets	Total
<b>Assets</b>									
Current									
Cash and cash equivalents	\$ -	\$ -	\$ 13,127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,127
Receivables	-	-	11,007	-	-	-	-	-	11,007
Inventory and other	-	-	1,594	-	-	-	-	-	1,594
	-	-	25,728	-	-	-	-	-	25,728
Investments	11,355	5,762	47,835	-	-	-	11,355	5,762	47,835
Due from (to) other funds	-	(5,164)	-	-	-	-	-	(5,164)	-
Capital assets	-	190,783	190,783	-	-	-	-	190,783	190,783
	\$ 11,355	\$ 191,381	\$ 264,346	\$ -	\$ -	\$ -	\$ 11,355	\$ 191,381	\$ 264,346
<b>Liabilities</b>									
Current									
Payables and accruals	\$ -	\$ -	\$ 9,971	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,971
Short term loan	-	-	-	-	-	-	-	-	-
Current portion of long term debt	-	3,430	3,430	-	-	-	-	3,430	3,430
Debt maturing in one year	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	4,830	-	-	-	-	-	4,830
	-	3,430	18,231	-	-	-	-	3,430	18,231
Accrued benefit liabilities	30,564	-	30,564	(2,942)	-	(2,942)	27,622	-	27,622
Derivative instruments	-	6,747	6,747	-	(6,747)	(6,747)	-	-	-
Long term obligations	-	38,609	38,609	-	-	-	-	38,609	38,609
	30,564	48,786	94,150	(2,942)	(6,747)	(9,689)	27,622	42,039	84,461
<b>Deferred revenue</b>									
Research contracts	-	-	7,003	-	-	-	-	-	7,003
Capital asstes	-	109,475	109,475	-	-	-	-	109,475	109,475
Other	-	-	9,275	-	-	-	-	-	9,275
	30,564	158,261	219,903	(2,942)	(6,747)	(9,689)	27,622	151,514	210,214
<b>Fund balances</b>									
Invested in capital assets	-	27,358	27,358	-	6,747	6,747	-	34,105	34,105
Externally restricted	(19,209)	-	(1,558)	2,942	-	2,942	(16,267)	-	1,384
Internally restricted	-	5,762	12,942	-	-	-	-	5,762	12,942
Unrestricted	-	-	5,701	-	-	-	-	-	5,701
	(19,209)	33,120	44,443	2,942	6,747	9,689	(16,267)	39,867	54,132
	\$ 11,355	\$ 191,381	\$ 264,346	\$ -	\$ -	\$ -	\$ 11,355	\$ 191,381	\$ 264,346