

# **FINANCIAL STATEMENTS**

**March 31, 2020**

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**University College  
of the North**

# UNIVERSITY COLLEGE OF THE NORTH

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MARCH 31, 2020

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## **STATEMENT OF RESPONSIBILITY**

The accompanying financial statements are the responsibility of the management of University College of the North and have been prepared in accordance with Canadian public sector accounting standards, prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Governing Council of University College of the North met with management and external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The Office of the Auditor General as University College of the North's appointed external auditors, have audited the financial statements. The Auditors report is addressed to the Lieutenant Governor in Council, the Legislative Assembly of Manitoba and the Governing Council of the University College of the North and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of University College of the North in accordance with Canadian public sector accounting standards.

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Cam Mateika  
Chair, UCN Governing Council



**Auditor General**  
MANITOBA

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**INDEPENDENT AUDITOR'S REPORT**

To the Lieutenant Governor in Council  
To the Legislative Assembly of Manitoba  
To the Governing Council of the University College of the North

***Opinion***

We have audited the financial statements of the University College of the North (the University), which comprise the statement of financial position as at March 31, 2020, and the statement of operations, the statement of changes in net financial assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2020, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

***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 report. We are independent of the University 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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 University'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 an intention exists to liquidate the University or to cease operations, or there is no realistic alternative but to do so.

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



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***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 these 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. 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 University'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 University'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 University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

*Office of the Auditor General*

Office of the Auditor General  
Winnipeg, Manitoba  
August 27, 2020

# UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 1

## STATEMENT OF FINANCIAL POSITION

AS AT

	MARCH 31, 2020	MARCH 31, 2019 <i>(Restated)</i> <i>(Note 2)</i>	APRIL 1, 2018 <i>(Restated)</i> <i>(Note 2)</i>
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents	\$ 11,308,317	\$ 10,787,968	\$ 11,403,752
Accounts receivable <i>(Note 5)</i>	3,546,332	3,301,088	3,302,163
Due from Province of Manitoba <i>(Note 6)</i>	1,546,089	1,546,089	1,546,089
Inventories for resale	<u>272,324</u>	<u>249,334</u>	<u>267,205</u>
	<u>16,673,062</u>	<u>15,884,479</u>	<u>16,519,209</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities <i>(Note 7)</i>	3,146,216	3,465,916	2,953,995
Accrued vacation benefits	3,301,160	3,088,272	3,273,559
Accrued severance benefits <i>(Note 8)</i>	4,397,570	4,037,319	3,984,115
Unearned revenue <i>(Note 9)</i>	3,128,288	3,047,705	4,220,472
Long term debt <i>(Note 10)</i>	<u>961,321</u>	<u>1,023,605</u>	<u>1,083,599</u>
	<u>14,934,555</u>	<u>14,662,817</u>	<u>15,515,740</u>
Net financial assets excluding portfolio investments endowed	1,738,507	1,221,662	1,003,469
Portfolio investments <i>(Note 11)</i>	<u>1,285,284</u>	<u>1,194,441</u>	<u>1,075,802</u>
Net financial assets	<u>3,023,791</u>	<u>2,416,103</u>	<u>2,079,271</u>
<b>NON-FINANCIAL ASSETS</b>			
Tangible capital assets <i>(Note 12)</i>	19,327,648	19,988,369	20,258,536
Prepaid expenses	<u>988,616</u>	<u>1,157,224</u>	<u>1,257,359</u>
	<u>20,316,264</u>	<u>21,145,593</u>	<u>21,515,895</u>
Accumulated surplus <i>(Note 16)</i>	\$ <u>23,340,055</u>	\$ <u>23,561,696</u>	\$ <u>23,595,166</u>
Subsequent event <i>(Note 22)</i>			

Approved by the Governing Council

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# UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 2

## STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31

	BUDGET (Note 24)	2020 (Note 25)	2019 (Restated) (Note 2)
<b>REVENUES</b>			
Grants			
Manitoba Economic Development & Training	\$ 36,721,558	\$ 36,282,084	\$ 36,989,420
Other Province of Manitoba	725,900	775,052	719,259
Government of Canada	45,900	366,518	333,093
Ancillary sales	2,872,800	2,530,680	2,695,520
Donations		162,749	177,309
Investment income	151,000	261,426	248,671
Contract Training	2,769,300	1,934,217	1,366,704
Tuition & Fees	3,813,400	3,984,523	4,057,456
Other Revenue	868,500	941,367	1,010,031
	<u>47,968,358</u>	<u>47,238,616</u>	<u>47,597,463</u>
<b>EXPENSES</b>			
Academic	19,026,058	19,413,586	18,828,695
Administration	9,446,700	8,869,976	10,135,911
Ancillary salaries and services	3,439,600	2,941,705	3,245,905
Continuing education	116,000	122,037	277,825
Contract training	1,786,900	1,461,661	1,429,132
Information technology	2,053,800	2,071,875	1,874,550
Insurance claims		179,746	
Library	1,634,000	1,426,615	1,375,338
Plant	4,788,000	4,958,339	4,791,295
Program support	6,701,300	5,943,695	5,592,948
Student awards	-	71,022	79,334
	<u>48,992,358</u>	<u>47,460,257</u>	<u>47,630,933</u>
ANNUAL DEFICIT	(1,024,000)	(221,641)	(33,470)
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>23,561,696</u>	<u>23,561,696</u>	<u>23,595,166</u>
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 22,537,696</u>	<u>\$ 23,340,055</u>	<u>\$ 23,561,696</u>

# UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 3

## STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31

	BUDGET (Note 24)	2020	2019
Annual deficit	\$ (1,024,000)	\$ (221,641)	\$ (33,470)
Acquisition of tangible capital assets	-	(752,587)	(1,185,191)
Amortization of tangible capital assets	1,324,000	1,413,308	1,437,866
Loss on disposal of tangible capital assets	-	-	17,492
	<u>1,324,000</u>	<u>660,721</u>	<u>270,167</u>
Decrease in prepaid expenses	-	168,608	100,135
CHANGE IN NET FINANCIAL ASSETS FOR YEAR	300,000	607,688	336,832
NET FINANCIAL ASSETS, <i>beginning of year</i>	<u>2,416,103</u>	<u>2,416,103</u>	<u>2,079,271</u>
NET FINANCIAL ASSETS, <i>end of year</i>	<u>\$ 2,716,103</u>	<u>\$ 3,023,791</u>	<u>\$ 2,416,103</u>



# UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 4

## STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2020	2019 <i>(Restated)</i> <i>(Note 2)</i>
<b>CASH FLOW FROM</b>		
<b>OPERATING ACTIVITIES</b>		
Annual deficit	\$ (221,641)	\$ (33,470)
Add (deduct) items not affecting cash:		
Loss on disposal of tangible capital assets	-	17,492
Amortization of tangible capital assets	<u>1,413,308</u>	<u>1,437,866</u>
	<u>1,191,667</u>	<u>1,421,888</u>
Add (deduct) change in non-cash working capital:		
Accounts receivable	(245,244)	1,075
Inventories for resale	(22,990)	17,871
Prepaid expenses	168,608	100,135
Accounts payable and accrued liabilities	(319,700)	511,921
Unearned revenue	80,583	(1,172,767)
Accrued vacation benefits	212,888	(185,287)
Accrued severance benefits	<u>360,251</u>	<u>53,204</u>
	<u>234,396</u>	<u>(673,848)</u>
	<u>1,426,063</u>	<u>748,040</u>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	<u>(752,587)</u>	<u>(1,185,191)</u>
<b>INVESTING ACTIVITY</b>		
Net purchase of portfolio investments	<u>(90,843)</u>	<u>(118,639)</u>
<b>FINANCING ACTIVITY</b>		
Repayment of long term debt	<u>(62,284)</u>	<u>(59,994)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	<b>520,349</b>	(615,784)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	<u>10,787,968</u>	<u>11,403,752</u>
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 11,308,317</u>	<u>\$ 10,787,968</u>
<b>CASH FLOW SUPPLEMENTARY INFORMATION</b>		
Interest received	\$ 261,795	\$ 260,382
Interest paid	\$ 37,322	\$ 39,611

# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

### 1. NATURE OF OPERATIONS

The University College of the North (UCN) operates under the authority of *The University College of the North Act* Chapter U55 of the *Continuing Consolidation of the Statutes of Manitoba*, which came into force July 1, 2004. This Act provides for the continuation of Keewatin Community College, as established under *The Colleges Act* as a board-governed institution on April 1, 1993.

The purpose of UCN is to provide post-secondary education in northern Manitoba. It should be learner and community-centred, be characterized by a culture of openness, inclusiveness and tolerance, and be respectful of Aboriginal and northern values and beliefs.

The educational purposes of UCN are to serve the educational needs of Aboriginal and northern Manitobans and to enhance the economic and social well-being of northern Manitoba.

UCN has a tax-exempt status as a registered charity under *The Income Tax Act*.

### 2. PUBLIC SECTOR ACCOUNTING STANDARDS TRANSITION

Canadian public sector accounting standards permit Government not for profit organizations such as UCN to prepare financial statements with or without applying the specific Not-For-Profit guidance in the 4200 series of standards.

Effective April 1, 2019 the Provincial Government required UCN to transition to the Public Sector Accounting without the 4200 series. The accounting policies described in Note 3 to the financial statements have been applied in preparing the financial statements for the year ended March 31, 2020, the comparative information for the year ended March 31, 2019 and the opening statement of financial position at April 1, 2018.

#### Explanation of Adjustments for Transition

Prior to the transition UCN's revenue recognition for contributions designated for the purchase of tangible capital assets were deferred and amortized to revenue at the same rate as the related capital assets were amortized to expenditures. PS 3410, Government Transfers, requires government transfers for the purchase of tangible capital assets with no other stipulations to be recognized as revenue in the year the stipulations are fulfilled which is common when the assets are purchased.

As a result, UCN recognized \$10,592,233 of deferred contributions related to capital assets as at April 1, 2018 as revenue, which increased accumulated surplus. For the fiscal year ending March 31, 2019, amortized revenue for deferred contributions related to capital assets in the amount of \$1,159,582 were restated to zero, while government transfers received during the fiscal year in the amount of \$1,185,191 were recognized as revenue. This resulted in a \$25,609 increase in total revenue and an equivalent decrease in the annual deficit for the fiscal year ending March 31, 2019.

The impact of the change at the date of transition is as follows:

<u>April 1, 2018</u>	Balance as previously reported	Change on transition	Balance as restated
<b>Statement of Financial Position</b>			
Liabilities			
Deferred contributions related to capital assets	\$ 10,592,233	\$ (10,592,233)	\$ -
Accumulated surplus	\$ 13,002,933	\$ 10,592,233	\$ 23,595,166

# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

### 2. PUBLIC SECTOR ACCOUNTING STANDARDS TRANSITION (*continued*)

<u>March 31, 2019</u>	Balance as previously reported	Change on transition	Balance as restated
<b>Statement of Financial Position</b>			
Liabilities			
Deferred contributions related to capital assets	\$ <u>10,617,842</u>	\$ <u>(10,617,842)</u>	\$ <u>-</u>
Accumulated surplus	\$ <u>12,943,854</u>	\$ <u>10,617,842</u>	\$ <u>23,561,696</u>
<b>Statement of Operations</b>			
Revenue			
Grants - Post-Secondary Education	\$ 35,804,229	\$ 1,185,191	\$ 36,989,420
Amortization of deferred contributions related to capital assets	\$ <u>1,159,582</u>	\$ <u>(1,159,582)</u>	\$ <u>-</u>
Annual deficit	\$ <u>(59,079)</u>	\$ <u>25,609</u>	\$ <u>(33,470)</u>

#### **Statement of Cash Flows**

The transition has no overall impact on the previously reported net decrease in cash for the year ending March 31, 2019. Although, due to the change in revenue recognition for PS 3410, cash flow from operating activities increased by \$1,185,191, while cash flow from financing activities decreased by an equivalent amount.

#### Change in Financial Statement Presentation

The transition required UCN to reclassify comparative figures and adopt structural changes to the presentation of the Statement of Financial Position and Statement of Operations. Changes to the Statement of Financial Position included the reporting of financials assets, liabilities, net financial assets, non-financial assets and accumulated surplus. Changes to the Statement of Operations included the reporting of the current year annual budget, expenditures by function and accumulated surplus for the beginning and end of year.

The transition also resulted in the removal of the Statement of Change in Fund Balances and adding the Statement of Changes in Net Financial Assets. The Statement of Changes in Net Financial Assets reconciles the change in net financial assets for the current year and prior year. The net financial assets (debt) position is a key financial performance indicator which is reported on the Statement of Financial Position.

In addition to structural changes to the statements, notes to the financial statements were removed or modified as required by the framework while new notes were added for accumulated surplus, expenses by object and segment information.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of UCN have been prepared in accordance with Canadian public sector accounting standards (PSAS). Significant accounting policies are as follows:

#### a) Basis of accounting

The financial statements of UCN have been prepared in accordance with Canadian public sector accounting standards using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of obligation to pay.

# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

#### b) Basis of reporting

These financial statements include the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all the funds and operations which are controlled by UCN. This includes the UCN Fund, the Inter-Universities Services (IUS) Fund, the Student Award Fund and the Endowment Fund.

*UCN Fund* - consists of transactions relating to educational and ancillary activities of UCN.

*IUS Fund* - consists of transactions related to educational programs of Inter-Universities Services Program which is administered by UCN.

*Student Award Fund* - consists of transactions related to donations for student scholarships and bursaries.

*Endowment Fund* - consists of transactions related to endowments for students scholarships and bursaries.

#### c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investments with maturity dates of less than 90 days when purchased.

#### d) Portfolio investments

Portfolio investments are recorded at amortized cost. Investments held for endowment purposes are recorded as financial assets below Net Financial Assets Excluding Portfolio Investments Endowed.

#### e) Endowments

Endowments consists of externally restricted donations received by UCN, the principal of which is required to be maintained in perpetuity. Investment income earned by the endowments are reinvested to grow the value of the endowments.

#### f) Inventories for resale

Inventories for resale is recorded at the lower of cost or net realizable value.

#### g) 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. The change in non-financial assets during the year, together with the excess of revenues over expenditures, provides the change in net financial assets (debt) for the year.

#### h) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Donated assets are recorded at their estimated fair value upon acquisition.

Amortization of capitalized assets is recorded on a straight line basis, using the half year rule, commencing in the year of acquisition over the following periods:

Automotive equipment	5 years
Computer equipment	5 years
Other equipment	10 years
Buildings	40 years
Building Improvements	10 years

# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Library holdings are valued using the "base stock" method and accordingly are recorded at the value transferred upon governance at April 1, 1993. No amortization is taken on library holdings, and subsequent library acquisitions are expensed in the year of acquisition.

Construction in progress is not amortized until construction is complete.

Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made.

#### i) Financial Instruments

The financial instruments at UCN consist of cash and cash equivalents, short-term investments, accounts receivable, due from Province of Manitoba - vacation and severance benefits, accounts payable and accrued liabilities, accrued vacation benefits and long-term debt.

UCN classifies its financial instruments as either fair value or amortized cost. UCN's accounting policy for each category is as follows:

##### Fair Value

These financial instruments are initially and subsequently carried at fair value. Transactions costs are expensed as incurred.

##### Amortized Cost

Financial instruments in this category are initially measured at fair value and are subsequently carried at amortized cost using the effective interest method, less any impairment losses on financial assets. Transaction costs are added to the carrying value of the financial instrument.

If an impairment loss is determined by UCN and there is no realistic prospect of recovery the financial asset(s) are written down to net recoverable value with the writedown being recognized in the statement of operations.

#### j) Revenue recognition

Revenues are recognized as they are earned and measurable.

Tuition and student fees are recognized as revenue in the semester or term earned. Contract training revenues are recognized as the contracted programs and services are delivered.

Government transfers are recognized in the financial statements when the transfer is authorized and eligibility criteria are met except, when and to the extent, stipulations by the transferor gives rise to an obligation that meets the definition of a liability. Stipulations by the transferor may require that the funds only be used for providing specific services or the acquisition of tangible capital assets. For transfers with stipulations an equivalent amount of revenue is recognized as the liability is settled.

#### k) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates included in the financial statements include allowance for doubtful accounts, net realizable value of inventories for resale, amortization and accrued severance benefits costs.

# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### l) Severance Benefits

UCN accrues its obligation for employee future benefits relating to severance. The cost of severance benefits earned by employees is actuarially determined using the accrued benefits cost method.

Actuarial gains or losses are amortized on a straight line basis over the expected average remaining service life of the active employees, commencing in the year following the year the respective annual actuarial gains or losses arise.

#### m) Leases

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

### 4. FINANCIAL INSTRUMENT CLASSIFICATION

Financial instruments are classified as follows:

	Fair Value	2020 Amortized Cost	Total
Cash and cash equivalents	\$ -	\$ 11,308,317	\$ 11,308,317
Portfolio investments	-	1,285,284	1,285,284
Accounts receivable	-	3,546,332	3,546,332
Due from Province of Manitoba	-	1,546,089	1,546,089
Accounts payable and accrued liabilities	-	3,146,216	3,146,216
Accrued vacation benefits	-	3,301,160	3,301,160
Long term debt	-	961,321	961,321
	<u>\$ -</u>	<u>\$ 25,094,719</u>	<u>\$ 25,094,719</u>

#### Fair Value Hierarchy

PS 3450 – Financial Instruments – requires the disclosure of a three-level hierarchy for the fair value measurements based upon the transparency of inputs to the valuation of financial instruments carried on the Statement of Financial Position at fair value.

The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy of all financial instruments measured at fair value on the statement of financial position are level one. There were no transfers between levels for the years ended March 31, 2019 and March 31, 2020.

# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

### 5. ACCOUNTS RECEIVABLE

	2020	2019
Students	\$ 1,768,746	\$ 1,571,275
Contract Training	868,894	781,235
Due from Post-Secondary Education	153,090	122,394
Due from Adult Learning & Literacy	123,930	123,930
Other	<u>950,935</u>	<u>1,023,541</u>
	3,865,595	3,622,375
Less: Allowance for doubtful accounts	<u>(319,263)</u>	<u>(321,287)</u>
	<u>\$ 3,546,332</u>	<u>\$ 3,301,088</u>

### 6. DUE FROM PROVINCE OF MANITOBA

The Province of Manitoba has recognized its liability to UCN for the opening balances of accrued employee severance benefits and vacation benefits as at April 1, 1998, when Keewatin Community College (precursor to UCN) assumed responsibility for these expenditures.

The amount recorded as due from Province of Manitoba – vacation benefits was initially based on the estimated value of the corresponding liability as at April 1, 1998. Subsequent to April 1, 1998, the Province has included in its ongoing annual funding to UCN, an amount equal to the current period's expense for vacation pay entitlements.

The amount recorded as due from Province of Manitoba – severance benefits is the value of the corresponding actuarial liability for severance benefits as at April 1, 1998. There has been no change to the value subsequent to April 1, 1998 because the Province has provided, in its ongoing annual funding to UCN, an amount equivalent to the change in the post employment liability including annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related severance benefits.

	2020	2019
Accrued vacation benefits	\$ 752,589	\$ 752,589
Accrued severance benefits	<u>793,500</u>	<u>793,500</u>
	<u>\$ 1,546,089</u>	<u>\$ 1,546,089</u>

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Accrued liabilities	\$ 1,035,255	\$ 1,015,720
Wages and benefits payable	857,201	705,008
Trade accounts payable	1,228,267	1,720,891
Due to Student Associations	<u>25,493</u>	<u>24,297</u>
	<u>\$ 3,146,216</u>	<u>\$ 3,465,916</u>

# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

### 8. ACCRUED SEVERANCE BENEFITS

	2020	2019
Severance Benefit Liability:		
Balance, beginning of period	\$ 3,893,536	\$ 4,050,202
Actuarial gain	(126,184)	(177,528)
Benefits accrued	276,062	279,032
Interest on accrued benefits	216,623	232,360
Severance paid	<u>(145,050)</u>	<u>(490,530)</u>
Balance, end of period	4,114,987	3,893,536
Net unamortized actuarial gain (loss)	<u>282,583</u>	<u>143,783</u>
Severance liability	<u>\$ 4,397,570</u>	<u>\$ 4,037,319</u>
Severance Benefit Expense:		
Interest on accrued benefits	\$ 216,623	\$ 232,361
Employer service cost	276,062	279,032
Amortization of net actuarial loss over EARSL	<u>12,617</u>	<u>32,342</u>
Total expense related to severance benefit	<u>\$ 505,302</u>	<u>\$ 543,735</u>

An actuarial valuation of the severance obligations as at December 31, 2018 was conducted by Ellement Consulting Group. The key actuarial assumptions were updated as at March 31, 2020 based on information provided by the actuary. The key actuarial assumptions were a rate of return of 5.75% (2019 - 5.75%), 1.06% inflation (2019 - 1.07%), salary rate increases of 3.50% (2019 - 3.75%). The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2020 using the projection formula provided by the actuary. The expected effective date of the next actuarial valuation will be no later than March 31, 2020.

During the year UCN experienced an actuarial gain of \$126,184 (2019 - actuarial gain of \$177,528). The amortization on the actuarial net loss in 2020 is \$12,617 (UCN \$11,453; IUS \$1,164) and in 2019 is \$32,342 (UCN \$30,192; IUS \$2,150).

### 9. UNEARNED REVENUE

Unearned revenue represents the unearned portion of grants received where external stipulations outlined by agreement have not been met and other unearned revenue from unearned tuition, student residence charges and other amounts received relating to future fiscal periods.

	2020	2019
Contract training	\$ 971,771	\$ 385,735
Grants	1,497,284	2,135,675
Other	<u>659,233</u>	<u>526,295</u>
	<u>\$ 3,128,288</u>	<u>\$ 3,047,705</u>



# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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### 10. LONG TERM DEBT

	2020	2019
Mortgage payable to the Province of Manitoba bearing interest at 3.75%, due March 31, 2032, repayable in monthly blended installments of \$8,300.	\$ <u>961,321</u>	\$ <u>1,023,605</u>

Principal repayments in each of the next five years are estimated as follows:

2021	\$ 64,660
2022	67,126
2023	69,687
2024	72,346
2025	<u>75,106</u>
	<u>\$ 348,925</u>

### 11. PORTFOLIO INVESTMENTS

Portfolio investments are endowed, the composition of portfolio investments measured at amortized cost is as follows:

	2020	2019
One year fixed term	\$ <u>1,285,284</u>	\$ <u>1,194,441</u>

Portfolio investments are held with the Province and mature between May 4, 2020 and February 10, 2021 and bear interest between 0.83% and 1.77%.

**UNIVERSITY COLLEGE OF THE NORTH**  
**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2020**

12. TANGIBLE CAPITAL ASSETS

	Automotive equipment	Computer equipment	Other equipment	Buildings and improvements	Construction in progress	Land	Library holdings	2020 Total
<b>Cost</b>								
Opening balance	\$ 868,664	\$ 2,318,079	\$ 5,383,582	\$ 20,904,586	\$ -	\$ 446,067	\$ 714,161	\$ 30,635,139
Additions	-	132,824	232,333	236,918	150,512	-	-	752,587
Disposals	-	-	(21,974)	-	-	-	-	(21,974)
Closing balance	868,664	2,450,903	5,593,941	21,141,504	150,512	446,067	714,161	31,365,752
<b>Accumulated amortization</b>								
Opening balance	858,992	2,027,881	3,734,029	4,025,868	-	-	-	10,646,770
Amortization	2,150	162,054	376,613	872,491	-	-	-	1,413,308
Disposals	-	-	(21,974)	-	-	-	-	(21,974)
Closing balance	861,142	2,189,935	4,088,668	4,898,359	-	-	-	12,038,104
Net book value	<u>\$ 7,522</u>	<u>\$ 260,968</u>	<u>\$ 1,505,273</u>	<u>\$ 16,243,145</u>	<u>\$ 150,512</u>	<u>\$ 446,067</u>	<u>\$ 714,161</u>	<u>\$ 19,327,648</u>

	Automotive equipment	Computer equipment	Other equipment	Buildings and improvements	Construction in progress	Land	Library holdings	2019 Total
<b>Cost</b>								
Opening balance	\$ 908,384	\$ 2,294,352	\$ 5,286,306	\$ 20,206,571	\$ 110,287	\$ 446,067	\$ 714,161	\$ 29,966,128
Additions	10,746	23,727	115,549	1,035,169	-	-	-	1,185,191
Transfers	-	-	-	110,287	(110,287)	-	-	-
Disposals	(50,466)	-	(18,273)	(447,441)	-	-	-	(516,180)
Closing balance	868,664	2,318,079	5,383,582	20,904,586	-	446,067	714,161	30,635,139
<b>Accumulated amortization</b>								
Opening balance	896,547	1,832,057	3,345,581	3,633,407	-	-	-	9,707,592
Amortization	12,911	195,824	406,721	822,410	-	-	-	1,437,866
Disposals	(50,466)	-	(18,273)	(429,949)	-	-	-	(498,688)
Closing balance	858,992	2,027,881	3,734,029	4,025,868	-	-	-	10,646,770
Net book value	<u>\$ 9,672</u>	<u>\$ 290,198</u>	<u>\$ 1,649,553</u>	<u>\$ 16,878,718</u>	<u>\$ -</u>	<u>\$ 446,067</u>	<u>\$ 714,161</u>	<u>\$ 19,988,369</u>

# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

### 13. PENSION COSTS AND OBLIGATIONS

UCN's employees are contributing members of the provincially operated Civil Service Superannuation Plan or the Teacher's Retirement Allowances Fund defined benefit pension plans. Until March 31, 2009, the accumulated superannuation liabilities were funded directly by the Province of Manitoba, rather than UCN itself for all employees hired prior to October 1, 2002. Employees hired on or after October 1, 2002 were funded directly by UCN. Commencing April 1, 2009, UCN was required to match all their employees' current pension contributions.

The total contributions for the year ending March 31, 2020 was \$1,832,271 (2019 - \$1,856,517). These contributions represent the total pension obligations of UCN. UCN is not required under present legislation to make any further contributions with respect to any actuarial deficiencies of the plan. As at December 31, 2017, the Civil Service Superannuation Fund had a deficit of \$4.4 billion and the Teacher's Retirement Allowances Fund had a deficit of \$3.7 billion.

### 14. CONTRACTUAL OBLIGATIONS

UCN has entered into various contracts to rent office equipment, lease facility space, and for services provided by third parties for security, food services, and snow removal. Contractual obligations over the next four years are as follows:

2021	\$1,001,128
2022	189,740
2023	24,830
2024	1,824

### 15. CONTINGENCIES

UCN is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of UCN, or the outcomes are not determinable. UCN believes they have made adequate provision in the financial statements in respect of these claims, as of March 31, 2020.

### 16. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2020	2019
Nominal surplus		
- UCN fund	\$ 1,743,913	\$ 1,393,537
- Inter-Universities Services fund	1,651,140	1,745,745
- Student award fund	153,244	163,209
- Endowment fund	1,425,431	1,294,441
Tangible capital assets net of related borrowings		
- UCN fund	<u>18,366,327</u>	<u>18,964,764</u>
	<u>\$ 23,340,055</u>	<u>\$ 23,561,696</u>

### 17. ECONOMIC DEPENDENCE

UCN receives the majority of its revenue from and consequently is economically dependant on the Province of Manitoba for continued operations.

# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

### 18. RELATED PARTY TRANSACTIONS

UCN is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown Corporations. UCN enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount. The amount of \$2,121,388 (2019 - \$2,121,388) in facility costs was paid to Manitoba Finance for the rental of buildings. Funds available for short-term investments are invested with the Province of Manitoba. At March 31, 2020 \$11,284,930 (2019 - \$10,792,622), included in both cash and cash equivalents and portfolio investments, was invested with the Province of Manitoba.

### 19. RISK MANAGEMENT

Financial instruments are exposed to risk through the normal course of operations. UCN has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, interest rate risk and foreign currency risk. These risks are managed through the UCN's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

#### 1. Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The carrying amount of financial assets represents that maximum credit exposure. The maximum exposure to credit risk was:

	Carrying Amount	
	2020	2019
Cash and cash equivalents	\$ 11,308,317	\$ 10,787,968
Portfolio investments	1,285,284	1,194,441
Accounts receivable	3,546,332	3,301,088
Due from Province of Manitoba - vacation and severance benefits	<u>1,546,089</u>	<u>1,546,089</u>
Totals	<u>\$ 17,686,022</u>	<u>\$ 16,829,586</u>

The investments of UCN are purchases made with excess cash intended to be for short periods of time. The investments held by UCN are not exposed to significant credit risk as they are held by the Province of Manitoba.

The credit risk from accounts receivable is relatively low as the majority of receivables are from students, contract training and from government agencies. Credit risk from student receivables is managed through registration cancellation and by maintaining standard collection procedures. Credit risk for contract training is managed through standard collection procedures. Amounts due from the the Province of Manitoba are typically collected when due.

UCN establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, client analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

	0-60 Days	61-120 Days	121-365 Days	365+ Days	Total
Student receivables	\$ 661,375	\$ 563,336	\$ 855,011	\$ 586,573	\$ 2,666,295
Government receivables	578,598	-	-	99,685	678,283
Other receivables	<u>521,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>521,017</u>
Gross receivables	1,760,990	563,336	855,011	686,258	3,865,595
Less: Allowance for doubtful accounts	<u>-</u>	<u>(9,841)</u>	<u>(24,391)</u>	<u>(285,031)</u>	<u>(319,263)</u>
Net receivables	<u>\$ 1,760,990</u>	<u>\$ 553,495</u>	<u>\$ 830,620</u>	<u>\$ 401,227</u>	<u>\$ 3,546,332</u>

# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

### 19. RISK MANAGEMENT *(continued)*

Due from Province of Manitoba – vacation benefits are based on the estimated value of the corresponding liability as at April 1, 1998 when Keewatin Community College (precursor to UCN) assumed responsibility for these expenditures.

Due from Province of Manitoba – severance benefits are based on the corresponding actuarial liability for severance benefits as at April 1, 1998. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related vacation and severance benefits.

### 2. Liquidity Risk

Liquidity risk is the risk that UCN will encounter difficulty in having available sufficient funds to meet its commitments.

The cash flow of operating funds is prepared on a just in time basis. The short term funds of UCN are invested so that maturity dates coincide with cash requirements. Term investments can be withdrawn prior to the maturity date if needed.

The following table sets out the contractual maturities of financial liabilities;

	2020			
	Within 6 Months	6 months to 1 Year	1-5 Years	5 Years +
Accounts payable and accrued liabilities	\$ 2,496,576	\$ 319,500	\$ -	\$ 330,140
Accrued vacation benefits	2,131,607	338,758	830,795	-
Long term debt	<u>32,027</u>	<u>32,632</u>	<u>362,237</u>	<u>534,425</u>
	<u>\$ 4,660,210</u>	<u>\$ 690,890</u>	<u>\$ 1,193,032</u>	<u>\$ 864,565</u>

### 3. Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect UCN's income or the fair values of its financial instruments.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. UCN is exposed to limited interest rate risk as all investments held are short-term in nature and are held by the Province of Manitoba and the long term debt is fixed rate.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. UCN is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in a foreign currency.

# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

### 20. EXPENSE BY OBJECT

The statement of operations reports expenditures by function, the following reports expenditures by object.

	2020 Budget	2020	2019
Advertising	\$ 477,100	\$ 391,219	\$ 517,931
Amortization of tangible capital assets	1,324,000	1,413,308	1,437,866
Bad debts	150,000	95,810	176,809
Cost of goods sold	1,337,000	1,139,661	1,201,230
Facility cost	2,136,000	2,121,388	2,121,388
Equipment and furniture	847,400	671,981	748,693
Insurance	125,300	111,117	116,876
Interest on long term debt	41,800	37,322	39,611
Library acquisitions	309,400	166,612	190,512
Loss on disposal of capital assets	-	-	14,472
Repairs and maintenance	224,900	146,213	156,813
Operational supplies and expenses	6,171,559	5,513,217	5,516,064
Property taxes	523,500	502,467	523,329
Rentals and leases	534,200	628,383	594,794
Salaries	32,417,500	32,221,079	31,750,368
Scholarships and bursaries		71,022	79,334
Telephone and data communications	583,900	579,877	626,947
Travel	1,492,999	1,313,374	1,466,746
Utilities	<u>295,800</u>	<u>336,207</u>	<u>351,150</u>
	<u>\$ 48,992,358</u>	<u>\$ 47,460,257</u>	<u>\$ 47,630,933</u>

### 21. LINE OF CREDIT

UCN has an approved borrowing limit of \$2,000,000 at an interest rate of 2.4% and is secured by a guarantee from the Province of Manitoba with no fixed terms of repayment. At March 31, 2020 the balance was nil (2019 - nil).

### 22. SUBSEQUENT EVENT

Subsequent to March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has continued to result in a widespread health crisis that has affected economies and financial markets around the world resulting in economic downturn. This outbreak may also cause staff shortages, reduced demand, increased government regulations or interventions, all of which may negatively impact the financial condition or results of operations of UCN. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.

### 23. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period.

### 24. BUDGET

UCN's 2020 fiscal year budget was approved by the Governing Council on May 23, 2019.

# UNIVERSITY COLLEGE OF THE NORTH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

### 25. DISCLOSURE OF FUNDS

UCN uses funds to report transactions in accordance with specific activities or objectives. The presentation by fund is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 3. The fund results for the year are as follows:

	UCN Fund		IUS Fund		Student Award Fund		Endowment Fund		TOTAL	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenues										
Grants										
Post-Secondary Education	\$ 35,246,584	\$ 35,943,520	1,035,500	1,045,900	\$ -	\$ -	\$ -	\$ -	\$ 36,282,084	\$ 36,989,420
Other Province of Manitoba	775,052	719,259	-	-	-	-	-	-	775,052	719,259
Government of Canada	<u>366,518</u>	<u>333,093</u>	-	-	-	-	-	-	<u>366,518</u>	<u>333,093</u>
Subtotal	36,388,154	36,995,872	1,035,500	1,045,900	-	-	-	-	<b>37,423,654</b>	38,041,772
Other revenue	<u>9,092,892</u>	<u>8,877,395</u>	<u>530,023</u>	<u>497,289</u>	<u>61,057</u>	<u>62,368</u>	<u>130,990</u>	<u>118,639</u>	<u>9,814,962</u>	<u>9,555,691</u>
Total revenue	<u>45,481,046</u>	<u>45,873,267</u>	<u>1,565,523</u>	<u>1,543,189</u>	<u>61,057</u>	<u>62,368</u>	<u>130,990</u>	<u>118,639</u>	<u>47,238,616</u>	<u>47,597,463</u>
Expenses										
Amortization	1,407,372	1,431,930	5,936	5,936	-	-	-	-	1,413,308	1,437,866
Debt servicing	37,322	39,611	-	-	-	-	-	-	37,322	39,611
Other	13,205,774	13,959,930	511,752	363,824	71,022	79,334	-	-	13,788,548	14,403,088
Salaries and benefits	<u>31,078,639</u>	<u>30,557,051</u>	<u>1,142,440</u>	<u>1,193,317</u>	-	-	-	-	<u>32,221,079</u>	<u>31,750,368</u>
Total expenses	<u>45,729,107</u>	<u>45,988,522</u>	<u>1,660,128</u>	<u>1,563,077</u>	<u>71,022</u>	<u>79,334</u>	-	-	<u>47,460,257</u>	<u>47,630,933</u>
Annual Surplus (Deficit)	( 248,061)	( 115,255)	( 94,605)	( 19,888)	( 9,965)	( 16,966)	130,990	118,639	( 221,641)	( 33,470)
Surplus, <i>beginning of year</i>	<u>20,358,301</u>	<u>20,473,556</u>	<u>1,745,745</u>	<u>1,765,633</u>	<u>163,209</u>	<u>180,175</u>	<u>1,294,441</u>	<u>1,175,802</u>	<u>23,561,696</u>	<u>23,595,166</u>
Surplus, <i>end of year</i>	<u>\$ 20,110,240</u>	<u>\$ 20,358,301</u>	<u>\$ 1,651,140</u>	<u>\$ 1,745,745</u>	<u>\$ 153,244</u>	<u>\$ 163,209</u>	<u>\$ 1,425,431</u>	<u>\$ 1,294,441</u>	<u>\$ 23,340,055</u>	<u>\$ 23,561,696</u>