

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

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UNIVERSITY COLLEGE OF THE NORTH

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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.

KPMG as University College of the North's appointed external auditors, have audited the financial statements. The Auditors report is addressed to 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



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INDEPENDENT AUDITORS' REPORT

To the Governing Council of University College of the North

Opinion

We have audited the financial statements of University College of the North (the "Entity"), which comprise the statement of financial position as at March 31, 2021, the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

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

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

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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditors' 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 auditors' report that includes our opinion.

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.



- 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

August 26, 2021

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 1

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 16,455,343	\$ 11,308,317
Accounts receivable (Note 4)	3,610,907	3,546,332
Due from Province of Manitoba (Note 5)	1,546,089	1,546,089
Inventories for resale	<u>276,737</u>	<u>272,324</u>
	<u>21,889,076</u>	<u>16,673,062</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	3,742,042	3,146,216
Accrued vacation benefits	3,308,177	3,301,160
Accrued severance benefits (Note 7)	4,446,654	4,397,570
Unearned revenue (Note 8)	4,359,235	3,128,288
Long term debt (Note 9)	<u>896,662</u>	<u>961,321</u>
	<u>16,752,770</u>	<u>14,934,555</u>
Net financial assets excluding portfolio investments endowed	5,136,306	1,738,507
Portfolio investments (Note 10)	<u>1,305,686</u>	<u>1,285,284</u>
Net financial assets	<u>6,441,992</u>	<u>3,023,791</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	18,921,933	19,327,648
Prepaid expenses	<u>1,054,645</u>	<u>988,616</u>
	<u>19,976,578</u>	<u>20,316,264</u>
Accumulated surplus (Note 15)	<u>\$ 26,418,570</u>	<u>\$ 23,340,055</u>

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 22)	2021 (Note 23)	2020 (Note 23)
REVENUES			
Grants			
Advanced Education, Immigration and Skills	\$ 35,330,775	\$ 36,541,499	\$ 36,282,084
Other Province of Manitoba	576,752	727,316	775,052
Government of Canada	-	1,084,809	366,518
Ancillary sales	1,871,800	1,828,271	2,530,680
Donations	-	138,397	162,749
Investment income	231,000	65,646	261,426
Contract Training	2,500,000	2,031,680	1,934,217
Tuition & Fees	2,946,025	3,905,140	3,984,523
Other Revenue	936,324	904,250	940,367
Gain on disposal of capital asset	-	3,781	1,000
	<u>44,392,676</u>	<u>47,230,789</u>	<u>47,238,616</u>
EXPENSES			
Academic	18,411,374	18,173,884	19,413,586
Administration	7,274,050	6,647,245	8,869,976
Ancillary salaries and services	2,425,300	2,378,405	2,941,705
Continuing education	491,000	443,201	122,037
Contract training	2,175,000	2,424,672	1,461,661
Information technology	2,054,800	2,307,181	2,071,875
Insurance claims	-	-	179,746
Library	1,606,152	1,527,075	1,426,615
Plant	4,845,700	5,198,834	4,958,339
Program support	5,109,300	4,949,439	5,943,695
Student awards	-	102,338	71,022
	<u>44,392,676</u>	<u>44,152,274</u>	<u>47,460,257</u>
ANNUAL SURPLUS (DEFICIT)	-	3,078,515	(221,641)
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>23,340,055</u>	<u>23,340,055</u>	<u>23,561,696</u>
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 23,340,055</u>	<u>\$ 26,418,570</u>	<u>\$ 23,340,055</u>

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 3

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31

	BUDGET (Note 22)	2021	2020
Annual surplus (deficit)	\$ <u>-</u>	\$ <u>3,078,515</u>	\$ <u>(221,641)</u>
Acquisition of tangible capital assets	-	(972,587)	(752,587)
Amortization of tangible capital assets	1,438,000	1,377,583	1,413,308
Proceeds from disposal of tangible capital assets	-	4,500	-
Gain on disposal of tangible capital assets	<u>-</u>	<u>(3,781)</u>	<u>-</u>
	<u>1,438,000</u>	<u>405,715</u>	<u>660,721</u>
Decrease in prepaid expenses	<u>-</u>	<u>(66,029)</u>	<u>168,608</u>
CHANGE IN NET FINANCIAL ASSETS FOR YEAR	1,438,000	3,418,201	607,688
NET FINANCIAL ASSETS, <i>beginning of year</i>	<u>3,023,791</u>	<u>3,023,791</u>	<u>2,416,103</u>
NET FINANCIAL ASSETS, <i>end of year</i>	\$ <u><u>4,461,791</u></u>	\$ <u><u>6,441,992</u></u>	\$ <u><u>3,023,791</u></u>

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 4

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2021	2020
CASH FLOW FROM		
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 3,078,515	\$ (221,641)
Add (deduct) items not affecting cash:		
Loss (gain) on disposal of tangible capital assets	(3,781)	-
Amortization of tangible capital assets	<u>1,377,583</u>	<u>1,413,308</u>
	<u>4,452,317</u>	<u>1,191,667</u>
Add (deduct) change in non-cash working capital:		
Accounts receivable	(64,575)	(245,244)
Inventories for resale	(4,413)	(22,990)
Prepaid expenses	(66,029)	168,608
Accounts payable and accrued liabilities	595,826	(319,700)
Unearned revenue	1,230,947	80,583
Accrued vacation benefits	7,017	212,888
Accrued severance benefits	<u>49,084</u>	<u>360,251</u>
	<u>1,747,857</u>	<u>234,396</u>
	<u>6,200,174</u>	<u>1,426,063</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(972,587)	(752,587)
Proceeds from disposal of tangible capital assets	<u>4,500</u>	<u> </u>
	<u>(968,087)</u>	<u>(752,587)</u>
INVESTING ACTIVITY		
Net purchase of portfolio investments	<u>(20,402)</u>	<u>(90,843)</u>
FINANCING ACTIVITY		
Repayment of long term debt	<u>(64,659)</u>	<u>(62,284)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	5,147,026	520,349
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	<u>11,308,317</u>	<u>10,787,968</u>
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 16,455,343</u>	<u>\$ 11,308,317</u>
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest received	\$ 68,398	\$ 261,795
Interest paid	\$ 34,946	\$ 37,322

UNIVERSITY COLLEGE OF THE NORTH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

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. 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.

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.

UNIVERSITY COLLEGE OF THE NORTH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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 expenses, 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

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.

UNIVERSITY COLLEGE OF THE NORTH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

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.

UNIVERSITY COLLEGE OF THE NORTH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

3. FINANCIAL INSTRUMENT CLASSIFICATION

Financial instruments are classified as follows:

	Fair Value	2021 Amortized Cost	Total
Cash and cash equivalents	\$ -	\$ 16,455,343	\$ 16,455,343
Portfolio investments	-	1,305,686	1,305,686
Accounts receivable	-	3,610,907	3,610,907
Due from Province of Manitoba	-	1,546,089	1,546,089
Accounts payable and accrued liabilities	-	3,742,042	3,742,042
Accrued vacation benefits	-	3,308,177	3,308,177
Long term debt	-	896,662	896,662
	<u>\$ -</u>	<u>\$ 30,864,906</u>	<u>\$ 30,864,906</u>
	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, 2020 and March 31, 2021.

UNIVERSITY COLLEGE OF THE NORTH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

4. ACCOUNTS RECEIVABLE

	2021	2020
Students	\$ 1,438,370	\$ 1,768,746
Contract Training	1,701,257	868,894
Due from Post-Secondary Education	130,982	153,090
Due from Adult Learning & Literacy	123,930	123,930
Other	<u>534,988</u>	<u>950,935</u>
	3,929,527	3,865,595
Less: Allowance for doubtful accounts	<u>(318,620)</u>	<u>(319,263)</u>
	<u>\$ 3,610,907</u>	<u>\$ 3,546,332</u>

5. 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.

	2021	2020
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>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Accrued liabilities	\$ 1,078,520	\$ 1,035,255
Wages and benefits payable	893,321	857,201
Trade accounts payable	1,749,911	1,228,267
Due to Student Associations	<u>20,290</u>	<u>25,493</u>
	<u>\$ 3,742,042</u>	<u>\$ 3,146,216</u>

UNIVERSITY COLLEGE OF THE NORTH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

7. ACCRUED SEVERANCE BENEFITS

	2021	2020
Severance Benefit Liability:		
Balance, beginning of period	\$ 4,114,987	\$ 3,893,536
Actuarial gain	(176,841)	(126,184)
Benefits accrued	255,744	276,062
Interest on accrued benefits	226,443	216,623
Severance paid	<u>(431,700)</u>	<u>(145,050)</u>
Balance, end of period	3,988,633	4,114,987
Net unamortized actuarial gain (loss)	<u>458,021</u>	<u>282,583</u>
Severance liability	<u>\$ 4,446,654</u>	<u>\$ 4,397,570</u>
Severance Benefit Expense:		
Interest on accrued benefits	\$ 226,443	\$ 216,623
Employer service cost	255,744	276,062
Amortization of net actuarial loss (gain) over EARSL	<u>(1,404)</u>	<u>12,617</u>
Total expense related to severance benefit	<u>\$ 480,783</u>	<u>\$ 505,302</u>

An actuarial valuation of the severance obligations as at December 31, 2019 was conducted by Ellement Consulting Group. The key actuarial assumptions were updated as at March 31, 2021 based on information provided by the actuary. The key actuarial assumptions were a rate of return of 5.75% (2020 - 5.75%), 1.03% inflation (2020 - 1.06%), salary rate increases of 3.50% (2020 - 3.50%). The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2021 using the projection formula provided by the actuary. The expected effective date of the next actuarial valuation will be no later than March 31, 2021.

During the year UCN experienced an actuarial gain of \$176,841 (2020 - actuarial gain of \$126,184). The amortization on the actuarial net gain in 2021 is \$1,404 (UCN gain \$1,867; IUS loss \$463) and in 2020 is \$12,617 (UCN \$11,453; IUS \$1,164).

8. 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.

	2021	2020
Contract training	\$ 2,724,542	\$ 971,771
Grants	1,009,520	1,497,284
Other	<u>625,173</u>	<u>659,233</u>
	<u>\$ 4,359,235</u>	<u>\$ 3,128,288</u>

UNIVERSITY COLLEGE OF THE NORTH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

9. LONG TERM DEBT

	2021	2020
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>896,662</u>	\$ <u>961,321</u>

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

2022	\$ 67,126
2023	69,687
2024	72,346
2025	75,106
2026	<u>77,971</u>
	<u>\$ 362,236</u>

10. PORTFOLIO INVESTMENTS

Portfolio investments are endowed. The composition of portfolio investments measured at amortized cost is as follows:

	2021	2020
One year fixed term	\$ <u>1,305,686</u>	\$ <u>1,285,284</u>

Portfolio investments are held with the Province and mature between June 7, 2021 and February 10, 2022 and bear interest between 0.06% and 0.38%.

UNIVERSITY COLLEGE OF THE NORTH
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

11. TANGIBLE CAPITAL ASSETS

	Automotive equipment	Computer equipment	Other equipment	Buildings and improvements	Construction in progress	Land	Library holdings	2021 Total
Cost								
Opening balance	\$ 868,664	\$ 2,450,903	\$ 5,593,941	\$ 21,141,504	\$ 150,512	\$ 446,067	\$ 714,161	\$ 31,365,752
Additions	186,753	276,930	257,338	202,966	-	48,600	-	972,587
Disposals	<u>(16,520)</u>	<u>(309,794)</u>	<u>(28,577)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(354,891)</u>
Closing balance	1,038,897	2,418,039	5,822,702	21,344,470	150,512	494,667	714,161	31,983,448
Accumulated amortization								
Opening balance	861,142	2,189,935	4,088,668	4,898,359	-	-	-	12,038,104
Amortization	20,824	98,939	365,179	892,641	-	-	-	1,377,583
Disposals	<u>(16,520)</u>	<u>(309,794)</u>	<u>(27,858)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(354,172)</u>
Closing balance	865,446	1,979,080	4,425,989	5,791,000	-	-	-	13,061,515
Net book value	<u>\$ 173,451</u>	<u>\$ 438,959</u>	<u>\$ 1,396,713</u>	<u>\$ 15,553,470</u>	<u>\$ 150,512</u>	<u>\$ 494,667</u>	<u>\$ 714,161</u>	<u>\$ 18,921,933</u>

	Automotive equipment	Computer equipment	Other equipment	Buildings and improvements	Construction in progress	Land	Library holdings	2020 Total
Cost								
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	<u>-</u>	<u>-</u>	<u>(21,974)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,974)</u>
Closing balance	868,664	2,450,903	5,593,941	21,141,504	150,512	446,067	714,161	31,365,752
Accumulated amortization								
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	<u>-</u>	<u>-</u>	<u>(21,974)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,974)</u>
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>

UNIVERSITY COLLEGE OF THE NORTH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

12. 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, 2021 was \$1,785,354 (2020 - \$1,832,271). 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.

13. CONTRACTUAL OBLIGATIONS

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

2022	\$1,073,558
2023	50,134
2024	5,098
2025	608

14. 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, 2021.

15. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2021	2020
Nominal surplus		
- UCN fund	\$ 4,610,886	\$ 1,743,913
- Inter-Universities Services fund	2,246,535	1,651,140
- Student award fund	141,748	153,244
- Endowment fund	1,394,130	1,425,431
Tangible capital assets net of related borrowings		
- UCN fund	<u>18,025,271</u>	<u>18,366,327</u>
	<u>\$ 26,418,570</u>	<u>\$ 23,340,055</u>

16. 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, 2021

17. 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 (2020 - \$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, 2021 \$15,810,700 (2020 - \$11,284,930), included in both cash and cash equivalents and portfolio investments, was invested with the Province of Manitoba.

18. 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	
	2021	2020
Cash and cash equivalents	\$ 16,455,343	\$ 11,308,317
Portfolio investments	1,305,686	1,285,284
Accounts receivable	3,610,907	3,546,332
Due from Province of Manitoba - vacation and severance benefits	<u>1,546,089</u>	<u>1,546,089</u>
Totals	<u>\$ 22,918,025</u>	<u>\$ 17,686,022</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	\$ 676,044	\$ 1,341,081	\$ 575,215	\$ 547,286	\$ 3,139,626
Government receivables	293,706	-	-	18,489	312,195
Other receivables	<u>477,665</u>	<u>41</u>	<u>-</u>	<u>-</u>	<u>477,706</u>
Gross receivables	1,447,415	1,341,122	575,215	565,775	3,929,527
Less: Allowance for doubtful accounts	<u>(23,591)</u>	<u>(77,651)</u>	<u>(90,487)</u>	<u>(126,891)</u>	<u>(318,620)</u>
Net receivables	<u>\$ 1,423,824</u>	<u>\$ 1,263,471</u>	<u>\$ 484,728</u>	<u>\$ 438,884</u>	<u>\$ 3,610,907</u>

UNIVERSITY COLLEGE OF THE NORTH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

18. 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;

	2021			
	Within 6 Months	6 months to 1 Year	1-5 Years	5 Years +
Accounts payable and accrued liabilities	\$ 3,254,904	\$ 251,985	\$ -	\$ 235,153
Accrued vacation benefits	2,341,804	689,404	274,900	2,069
Long term debt	<u>33,249</u>	<u>33,877</u>	<u>376,057</u>	<u>453,479</u>
	<u>\$ 5,629,957</u>	<u>\$ 975,266</u>	<u>\$ 650,957</u>	<u>\$ 690,701</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, 2021

19. EXPENSE BY OBJECT

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

	2021 Budget	2021	2020
Advertising	\$ 274,337	\$ 215,719	\$ 391,219
Amortization of tangible capital assets	1,438,000	1,377,583	1,413,308
Bad debts	160,000	300,952	95,810
Cost of goods sold	833,600	777,422	1,139,661
Facility cost	2,158,500	2,121,388	2,121,388
Equipment and furniture	644,514	1,153,892	671,981
Insurance	122,900	107,656	111,117
Interest on long term debt	41,800	34,946	37,322
Library acquisitions	159,200	295,666	166,612
Repairs and maintenance	124,807	146,747	146,213
Operational supplies and expenses	6,150,109	4,730,272	5,513,217
Property taxes	499,500	531,064	502,467
Rentals and leases	481,683	642,371	628,383
Salaries	30,005,230	30,704,655	32,221,079
Scholarships and bursaries	-	102,338	71,022
Telephone and data communications	527,800	502,901	579,877
Travel	483,019	65,567	1,313,374
Utilities	287,677	341,135	336,207
	<u>\$ 44,392,676</u>	<u>\$ 44,152,274</u>	<u>\$ 47,460,257</u>

20. 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, 2021 the balance was nil (2020 - nil).

21. COVID-19 IMPLICATIONS

In March 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.

22. BUDGET

UCN's 2021 fiscal year budget was approved by the Governing Council on June 18, 2020.

UNIVERSITY COLLEGE OF THE NORTH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

23. 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 2. The fund results for the year are as follows:

	UCN Fund		IUS Fund		Student Award Fund		Endowment Fund		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenues										
Grants										
Post-Secondary Education	\$ 35,532,499	\$ 35,246,584	1,009,000	1,035,500	\$ -	\$ -	\$ -	\$ -	\$ 36,541,499	\$ 36,282,084
Other Province of Manitoba	727,316	775,052	-	-	-	-	-	-	727,316	775,052
Government of Canada	<u>1,084,809</u>	<u>366,518</u>	-	-	-	-	-	-	<u>1,084,809</u>	<u>366,518</u>
Subtotal	37,344,624	36,388,154	1,009,000	1,035,500	-	-	-	-	38,353,624	37,423,654
Other revenue	<u>8,361,655</u>	<u>9,092,892</u>	<u>405,969</u>	<u>530,023</u>	<u>90,842</u>	<u>61,057</u>	<u>18,699</u>	<u>130,990</u>	<u>8,877,165</u>	<u>9,814,962</u>
Total revenue	<u>45,706,279</u>	<u>45,481,046</u>	<u>1,414,969</u>	<u>1,565,523</u>	<u>90,842</u>	<u>61,057</u>	<u>18,699</u>	<u>130,990</u>	<u>47,230,789</u>	<u>47,238,616</u>
Expenses										
Amortization	1,372,565	1,407,372	5,018	5,936	-	-	-	-	1,377,583	1,413,308
Debt servicing	34,946	37,322	-	-	-	-	-	-	34,946	37,322
Other	11,587,430	13,205,774	295,323	511,752	102,338	71,022	50,000	-	12,035,091	13,788,548
Salaries and benefits	<u>30,185,421</u>	<u>31,078,639</u>	<u>519,233</u>	<u>1,142,440</u>	-	-	-	-	<u>30,704,654</u>	<u>32,221,079</u>
Total expenses	<u>43,180,362</u>	<u>45,729,107</u>	<u>819,574</u>	<u>1,660,128</u>	<u>102,338</u>	<u>71,022</u>	<u>50,000</u>	-	<u>44,152,274</u>	<u>47,460,257</u>
Annual Surplus (Deficit)	2,525,917	(248,061)	595,395	(94,605)	(11,496)	(9,965)	(31,301)	130,990	3,078,515	(221,641)
Surplus, <i>beginning 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>
Surplus, <i>end of year</i>	<u>\$ 22,636,157</u>	<u>\$ 20,110,240</u>	<u>\$ 2,246,535</u>	<u>\$ 1,651,140</u>	<u>\$ 141,748</u>	<u>\$ 153,244</u>	<u>\$ 1,394,130</u>	<u>\$ 1,425,431</u>	<u>\$ 26,418,570</u>	<u>\$ 23,340,055</u>