THE UNIVERSITY OF BRITISH COLUMBIA

MARCH 31, 2007

CONSOLIDATED FINANCIAL STATEMENTS

VANCOUVER, BRITISH COLUMBIA V6T 1Z1

THE UNIVERSITY OF BRITISH COLUMBIA

CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

TABLE OF CONTENTS

1. Report of the Vice President, Administration and Finance ..... 1 - 23

2. Statement of Management Responsibility 24

3. Auditor's Report 25

4. Consolidated Financial Statements

   - Consolidated Statement of Financial Position 26
   - Consolidated Statement of Operations and Changes in Net Operating Assets 27
   - Consolidated Statement of Changes in Net Assets 28
   - Consolidated Statement of Cash Flows 29
   - Notes to the Consolidated Financial Statements ..... 30 - 45

5. Supplementary Schedules (unaudited)

   - Consolidated Schedule of Operations and Changes in Net Assets 46
   - Schedule of Specific Purpose Fund Operations and Changes in Net Assets 47
   - Schedule of Ancillary Enterprises Fund Operations and Changes in Net Assets 48

THE UNIVERSITY OF BRITISH COLUMBIA

MARCH 31, 2007

REPORT OF THE VICE PRESIDENT, ADMINISTRATION AND FINANCE

REPORT FROM THE VICE PRESIDENT, ADMINISTRATION AND FINANCE

For the fiscal year 2007, our financial performance resulted in an increase in net assets of $139.4 million to $1.4 billion and a stable net unrestricted operating balance at year-end of $7.1 million.

- The year marked a notable achievement in government support with the conclusion of the provincial government funding review; the University is now given an outline of the provincial funding over three years, which facilitates planning and budgeting. Strong continued government support for capital investment and the new funding for negotiated salary settlements affirms the government's commitment to providing a bright future for British Columbia's higher education.

- While the government's contributions have improved the financial health of the University, there remain significant pressures on the operating budget. The University has very limited flexibility with respect to its revenue sources for its core academic operations. There is no provincial funding for non-salary inflationary costs and tuition increases are capped at the rate of inflation, which does not cover these costs. A 1.7% across the board cut was necessary to balance the operating budget at UBC Vancouver for 2006/07.

- UBC Okanagan continues its solid growth and attained enrolment of an estimated 3,300 domestic full-time equivalent students. Significant infrastructure investments are underway at UBCO including an Arts & Science Building ($42 million), Engineering/Management Building ($74 million) Fipke Multipurpose Building ($31 million), Student Housing Phase 2 ($17 million) and University Centre and Meekison Centre ($33 million).

- The market value of the endowed funds benefiting UBC eclipsed the $1 billion mark and stands at $1.01 billion. The resources provided by the investment returns continue to help provide the highest quality learning and research environments.

- UBC's current credit rating is unparalleled by any other Canadian university. In 2006/07 Standard & Poor's upgraded the University's long-term debt rating from AA to AA+, citing the University's ability to generate consistent surpluses and the strong support from the provincial government. Moody's Investors Service reaffirmed the University's long-term debt rating at Aa1, citing UBC's consistent positive operating performance, a large and growing endowment and a modest debt burden.

Preparing the 2007/08 budget presented a number of challenges particularly with respect to the operating budget for the Vancouver campus which faces a significant budget deficit. The budget resolution for 2007/08 reflects a blend of specific targeted cost savings as well as areas for additional revenues, and a blend of both one-time and recurring savings. Addressing these financial challenges, as well as implementing a new budgeting process to ensure that funds are allocated according to an academic plan, are key goals to ensure a healthy future.

UBC continues to envision a healthy future with solid enrolment, continued government support and the finest academic environment. In this regard, UBC will continue to pursue its vision of making UBC a world class university.

Terry Sumner
Vice President, Administration and Finance

PRESENTATION OF UNIVERSITY FINANCIAL INFORMATION

The University's audited financial statements are prepared in accordance with generally accepted accounting principles and the reporting standards for not-for-profit organizations as set by the Canadian Institute of Chartered Accountants.

A significant characteristic of the presentation of university financial information is the deferral of grants, donations and contributions that have external restrictions. These funds are recognized as income in the year or years in which the corresponding costs are consumed. Accordingly, there are material deferred contributions and deferred capital contributions appearing as liabilities on the balance sheet awaiting amortization.

Another significant characteristic of the presentation of university financial information is the composition of what is typically called net assets. Net assets have five components: unrestricted operating, internally restricted reserves, endowment, related organizations, and invested in property, plant and equipment. The activity during the year in each component is shown in the Consolidated Statement of Changes in Net Assets.

BASIS OF UNIVERSITY ACCOUNTING

The underlying basis of university accounting is fund accounting. The University maintains separate funds for many of its activities, with each fund having assets, liabilities, revenues and expenses. Fund accounting helps to enhance accountability, budgetary control, and the stewardship of resources; it ensures that grants, donations, and contributions are spent only for the purposes intended.

The primary funds used by the University include General Purpose Operating, Specific Purpose (which includes Fee for Service, Continuing Education, Trust and Capital), Sponsored Research, Ancillary Enterprises and Endowment. With the exception of the General Purpose Operating Fund, all of the fund revenues are restricted as to use through objectives specified by donors, limitations and restrictions imposed by sources outside the University and determinations made by the Board of Governors.

During the year, the University changed its accounting policy on consolidation. In previous years, UBC consolidated its wholly owned subsidiaries and related not-for-profit organizations, and proportionately consolidated its share in joint ventures.

Under the new accounting policy, UBC has included its controlled for-profit entities and its share of the joint ventures in these financial statements using the equity method of accounting. The activities of these entities are not considered core to the mandate of UBC and therefore management believes that the use of the equity method is more representative of the relationship. The controlled not-for-profit organizations continue to be consolidated.

This change in accounting policy had no impact on net assets or excess of revenues over expenses for the current or prior year.

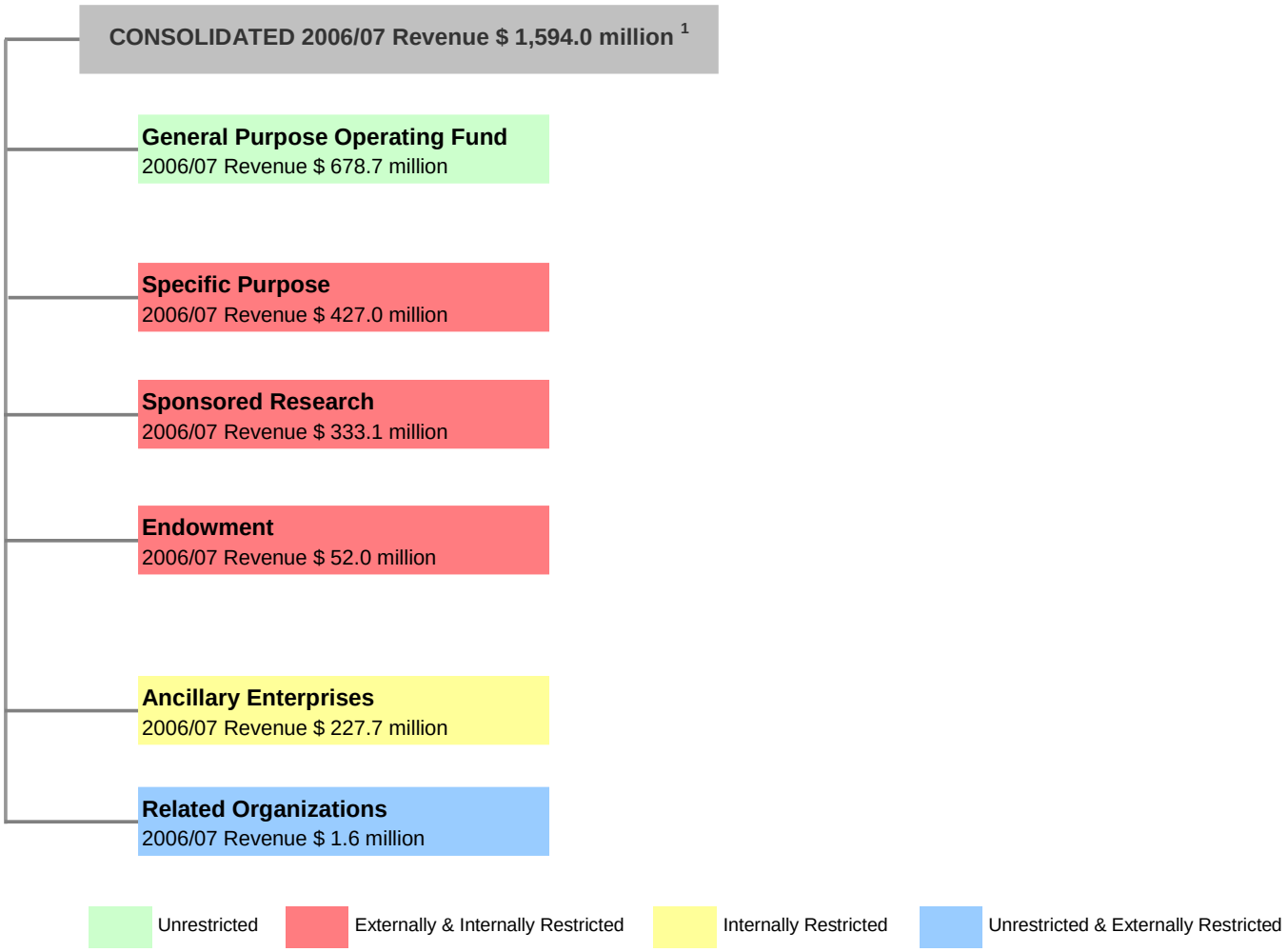
OVERVIEW OF FINANCIAL STRUCTURE

The University's financial statements are reported based on a combined entity basis, where funds are separated into three financial perspectives:

1. Unrestricted Funds
   The General Purpose Operating Fund (GPOF) is an unrestricted fund where funds can be allocated without a designated restriction on use. A portion of GPOF Net Assets can be restricted with Board approval, thereby moving it to Internally Restricted.

2. Internally Restricted Funds
   Funds are designated by management and the Board for specific uses.

3. Externally Restricted Funds
   Funds are externally restricted as specified by the legal deed or contract.



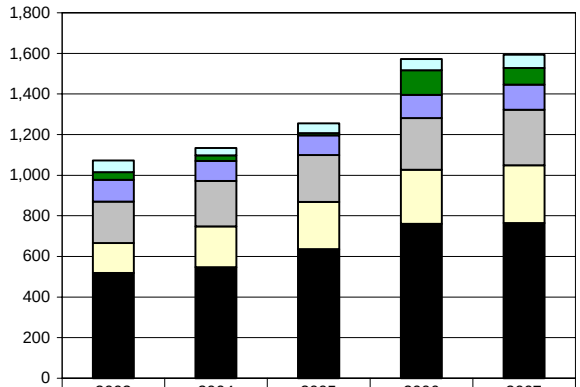
[1]Upon consolidation, inter-departmental services are eliminated and therefore the sum of the funds will not equal the total.

KEY STATISTICS OVER TIME

The subsequent charts show the growth of the University over the past five years.

Total Revenues by Source

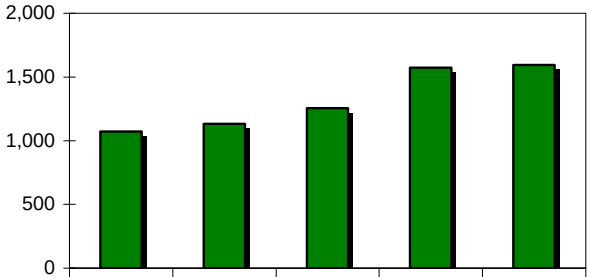
for the year ended March 31 ($ millions)



	2003	2004	2005	2006	2007
Amortization of Deferred Capital Contributions	57.6	36.1	48.3	55.7	66.4
Investment Income	38.3	26.9	10.7	120.8	80.8
Non-government Grants, Contracts and Donations	106.3	98.3	96.2	114.5	124.0
Sales and Services	203.6	224.6	231.1	254.5	273.8
Student Fees	148.7	200.5	232.1	265.7	284.0
Government Grants and Contracts	517.9	547.2	636.6	760.9	764.7

Total Revenues Change by Year

for the year ended March 31 ($ millions)



	2003	2004	2005	2006	2007
Revenues	1,072.4	1,133.6	1,254.9	1,572.1	1,593.7
% Change	11.6%	5.7%	10.7%	25.3%	1.4%

University revenues for the twelve months ended March 31, 2007 totaled $1.6 billion, a $21.6 million increase over the prior year.

Revenue sources are Government Grants and Contracts, Student Fees, Sales and Services, Non-government Grants, Investment Income and Amortization of Deferred Capital Contributions.

The 1.4% increase in revenue over the previous year results from the following significant changes:

Amortization of Deferred Capital Contributions increased by $10.7 million as a result of furnishings and new buildings such as the Fred Kaiser Building, the Chemical and Biological Engineering Building, UBCO Arts & Sciences Building, and other building additions.

Investment Income decreased by $40.0 million as large capital gains triggered by the restructuring of the investment portfolio in the prior year were not repeated in fiscal 2007.

Non-government Grants, Contracts and Donations increased by $9.5 million due to a class action settlement, a telecom alliance with Telus, and increased grants from agencies.

Sales and Services increased by $19.3 million, largely attributed to housing rate increases and full year occupancy at UBCO, Marine Drive Housing Residence, and increased revenue from infrastructure services levy.

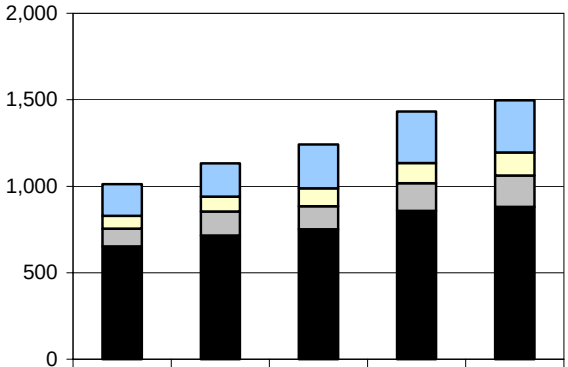
Student Fees revenue is $18.3 million higher driven by credit course tuition fee increases and student FTE growth.

Government Grants and Contracts increased by $3.8 million due in part to increased federal research grants and an increase in the provincial base grant to support student FTE growth at both campuses. Payments associated with the extraordinary mandate inflated government funding levels in 2005/06. These were one-time payments, which were not repeated in 2006/07.

The University's average revenue growth rate per year over the past five years is 10.9%.

Total Expenses by Source

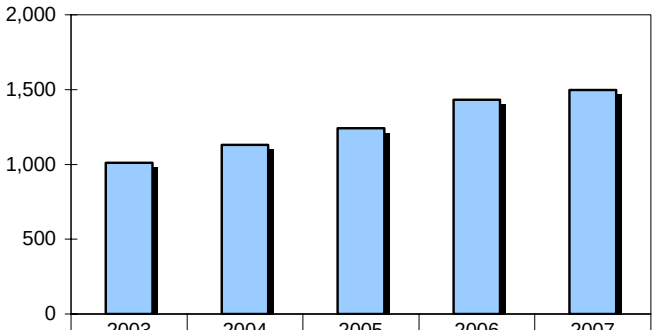
for the year ended March 31 ($ millions)



	2003	2004	2005	2006	2007
Other	183.5	192.6	253.5	298.4	301.3
Depreciation	74.4	85.6	103.7	116.6	132.9
Supplies and Sundries	102.7	138.0	132.9	159.9	181.1
Salaries and Benefits	651.5	715.5	751.0	857.8	881.2

Total Expenses Change by Year

for the year ended March 31 ($ millions)



	2003	2004	2005	2006	2007
Expenses	1,012.1	1,131.6	1,241.1	1,432.7	1,496.5
% Change	11.1%	11.8%	9.7%	15.4%	4.5%

The University's expenses for the twelve months ended March 31, 2007 totaled $1.5 billion, a $63.8 million increase over the prior year.

The four primary expense categories are Salaries, Employee Benefits, Supplies and Sundries, and Depreciation. Major components of the 'Other' category are Cost of Goods Sold, Scholarships, Fellowships and Bursaries, and Grants and Reimbursements to Other Agencies.

The 4.5% increase in expenses over the previous year results from the following significant changes:

Depreciation is $16.3 million higher, due to building additions, equipment, and completion of new capital projects in 2006 (refer to Capital Project Summary on page 21).

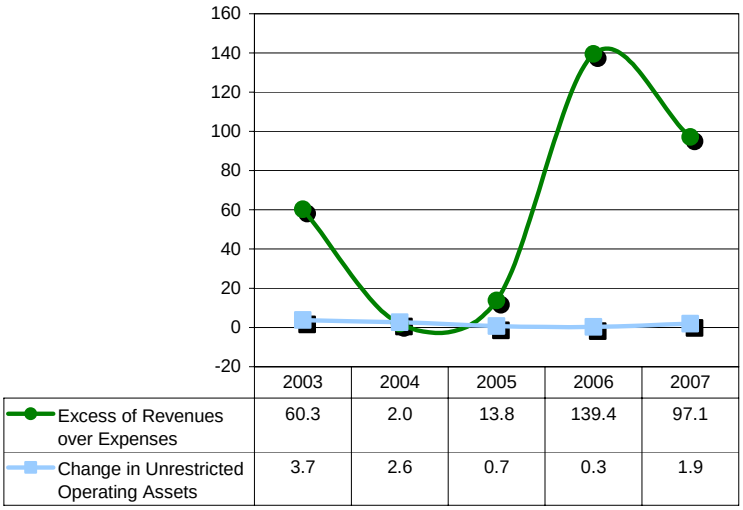
Supplies and Sundries increased by $21.2 million. A number of factors are behind the increase. Some of the areas to highlight include increases in research activities and UBCO recurring and growing activities.

Salaries and Benefits increased by $23.4 million, as a result of faculty and staff FTE growth, and pay increases to staff in accordance with salary settlements.

The University's average expense growth rate per year over the past five years is 10.5%.

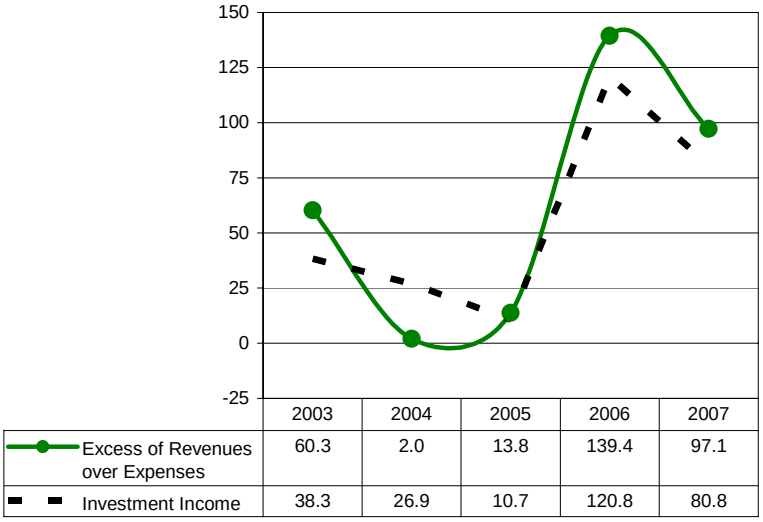
Excess of Revenues over Expenses

for the year ended March 31 ($ millions)



The Consolidated Statement of Operations and Changes in Net Operating Assets includes a line item "Excess of Revenues over Expenses" in the amount of $97.1 million. This excess funds growth in endowments (maintains purchasing power as required by endowment deeds), builds the capital asset base, and maintains prudent reserve levels.

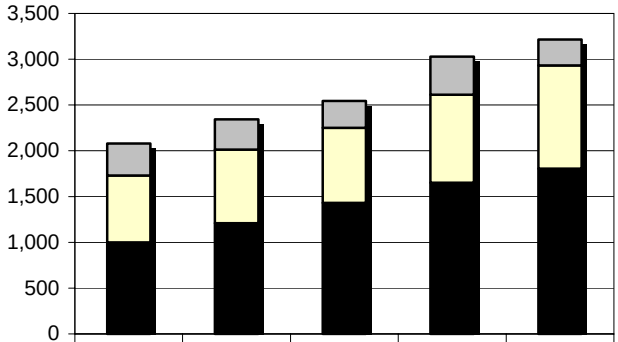
The cumulative Unrestricted Operating balance as at March 31, 2007 is a surplus of $7.1 million.



This chart shows the variability of investment income, given market forces and the timing associated with realizing market gains. The fluctuation with investment income largely drives the excess of revenues over expenses.

Assets

for the year ended March 31 ($ millions)



	2003	2004	2005	2006	2007
Current Assets	348.9	326.8	296.7	414.7	284.4
Investments	728.6	804.5	817.9	959.6	1,127.0
Property, Plant and Equipment	999.7	1,210.6	1,431.0	1,652.0	1,806.0

Assets include Cash and Short-term Investments, Accounts Receivable, Property, Plant and Equipment, Investments, Inventory, and Prepaid Expenses. Total asset growth over the previous year is $191.0 million, and is primarily due to growth in Property, Plant and Equipment and the investment portfolio.

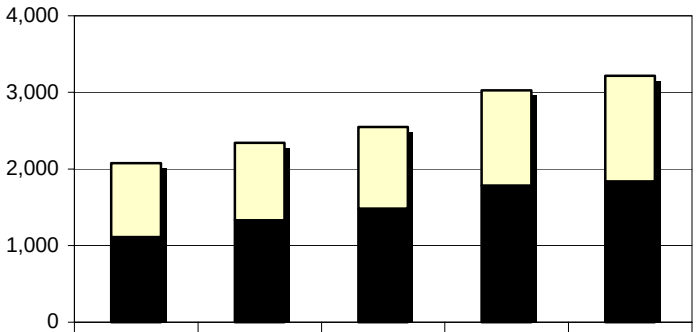
Current Assets have decreased $130.3 million largely due to a higher proportion in long-term investments.

Investments consist primarily of the principal amount of funds endowed. The book value of investments increased by $167.4 million over the prior year, due to $38.0 million of new endowment donations and strong market returns.

Property, Plant and Equipment increased by $154.0 million, owing to major capital additions such as Marine Drive Housing (Phase 2), Thunderbird Olympic Sports Arena, UBC Renew, and Thunderbird Parking.

Liabilities and Net Assets

for the year ended March 31 ($ millions)



	2003	2004	2005	2006	2007
Net Assets	966.8	1,014.4	1,065.2	1,241.4	1,380.8
Liabilities	1,110.4	1,327.5	1,480.4	1,785.0	1,836.5

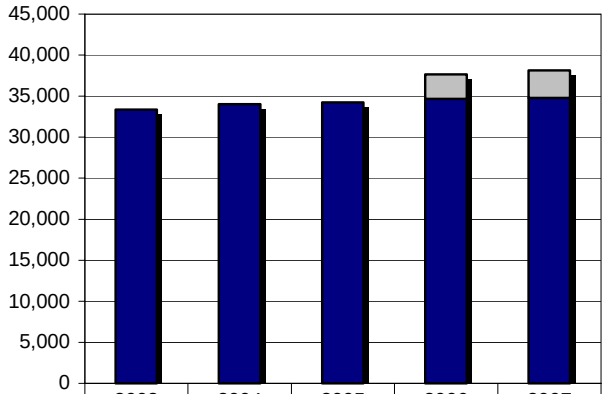
At March 31, 2007, the University's assets were $3.2 billion, liabilities were $1.8 billion, and net assets were $1.4 billion. Net assets have increased by $139.4 million over the prior year.

The equity or Net Assets for the University primarily consists of Endowment, Invested in Property, Plant and Equipment, and Internally Restricted Reserves. Net asset growth increased by 11.2% over the previous year, while the average growth rate per year over the past five years is 9.0%.

Liabilities include Accounts Payable and Accrued Liabilities, Long-term Debt, Deferred Contributions, and Deferred Capital Contributions. Total liability growth over the previous year is $51.5 million, as a result of increases in deferred capital contributions and deferred land lease revenues.

Students (Full Time Equivalent Domestic)

as of March 1

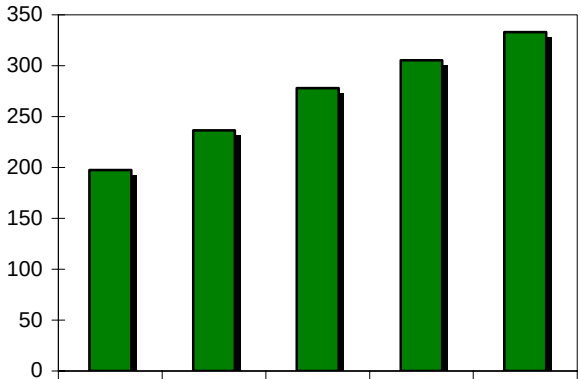


	2003	2004	2005	2006	2007
Student FTE UBCO	0	0	0	2,965	3,353
Student FTE UBCV	33,365	34,024	34,254	34,678	34,778

As of March 1, 2007 FTE domestic students, including undergraduate and graduate for both campuses, totaled 38,131, a 1.3% increase over the prior year. FTE growth, in part, was targeted based on funding from the Provincial Government.

Sponsored Research Revenue

for the year ended March 31 ($ millions)



	2003	2004	2005	2006	2007
Revenue	197.6	236.4	278.0	305.4	333.1
% Change	9.2%	19.6%	17.6%	9.9%	9.1%

With over $330 million in research revenue earned, the University is one of Canada's leading research-intensive universities. Sponsored research revenue earned for the twelve months ended resulted in a $27.7 million increase over the prior year.

It should be noted that research "awards" are at significantly higher levels than research "earned" as Canadian Foundation for Innovation (CFI) and British Columbia Knowledge Development Fund (BCKDF) capital awards are deferred and amortized over the life of the assets.

The University's average research revenue growth rate per year over the past five years is 13.1%.

MARCH 31, 2007 MANAGEMENT ANALYSIS

CONSOLIDATED ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Statement of Operations and Changes in Net Operating Assets includes a line item "Excess of revenues over expenses" in an amount of $97.1 million. This excess of revenues over expenses in fiscal 2006/07 increases the University's net asset position. Categories within Net Assets as shown on the Consolidated Statement of Operations and Changes in Net Operating Assets as follows:

Net Assets ($ millions)	2007	2006
Excess of Revenues over Expenses	97.1	139.4
Increase in invested in Property, Plant and Equipment	(113.3)	(52.2)
Transfers (to) from Endowment Fund	(22.4)	(58.3)
Transfers (to) from Internally Restricted Reserves	41.3	(26.8)
Increase in Equity of Related Organizations	(0.9)	(1.9)
Change in Unrestricted Operating Assets	1.9	0.3
Net Unrestricted Operating Surplus, Beginning of Year	5.2	4.9
Net Unrestricted Operating Surplus, End of Year	7.1	5.2

- $97.1 million in excess of revenues over expenses is largely attributable to strong investment returns (refer to page 6).
- $113.3 million increase in invested in Property, Plant and Equipment is a result of the Irving K. Barber Learning Centre and capital infrastructure.
- $22.4 million is the net transferred to the endowment fund (after expenses), in accordance with endowment deeds to recognize the increase in endowment fund net assets from the favourable investment returns.
- $41.3 million is transferred from internally restricted reserves. The Board approves internally restricted reserves on an annual basis. Funds in the internally restricted reserves include employee benefits, faculty and department carry-forwards, specific purpose, ancillary, and research reserves.
- $0.9 million is a increase in income in comparison to a $1.9 million increase in income for the prior year in Related Organizations.
- After allocation of the excess of revenues over expenses, the change in unrestricted operating assets is $1.9 million. When this is combined with the accumulated unrestricted operating surplus of $5.2 million from previous years, the net unrestricted operating surplus at the end of the year is $7.1 million.

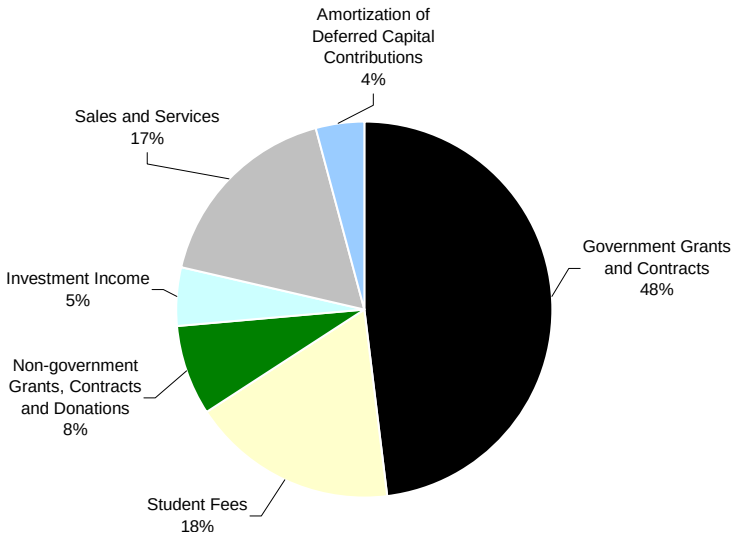
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES - REVENUES

Consolidated revenue for the twelve months ended March 31, 2007 totaled $1.6 billion. Consolidated revenues come from a variety of sources as illustrated below:

Revenues ($ millions)	2007	2006
Government Grants and Contracts	764.7	760.9
Student Fees	284.0	265.7
Non-government Grants, Contracts and Donations	124.0	114.5
Investment Income	80.8	120.8
Sales and Services	273.8	254.5
Amortization of Deferred Capital Contributions	66.4	55.7
Total	**1,593.7**	**1,572.1**

Total Revenue by Source

for the year ended March 31, 2007 ($ millions)



The $21.6 million increase in revenues results from the following:

<u>Government Grants and Contracts</u> increased by $3.8 million. The net effect of the increase is a result of provincial government funding relating to targeted funding and the base grant. Federal research grants (NSERC, SSHRC, CIHR, and CRC) also account for the growth.

<u>Student Fees</u> increased by $18.3 million. In 2006/07, tuition fees increased by 2% over the prior year, and the total number of student FTEs increased by 697 (including UBCO).

<u>Investment Income</u> decreased by $40.0 million as large capital gains triggered by the restructuring of the investment portfolio in the prior year were not repeated in fiscal 2007.

<u>Sales and Services</u> increased by $19.3 million as a result of housing rate increases and full year occupancy at UBCO, the Marine Drive Housing Residence, increased revenue from infrastructure services levy, and timber sales.

<u>Amortization of Deferred Capital Contribution</u> increased by $10.7 million, due to an increase in externally funded assets, increases in furnishings, and increases in new buildings.

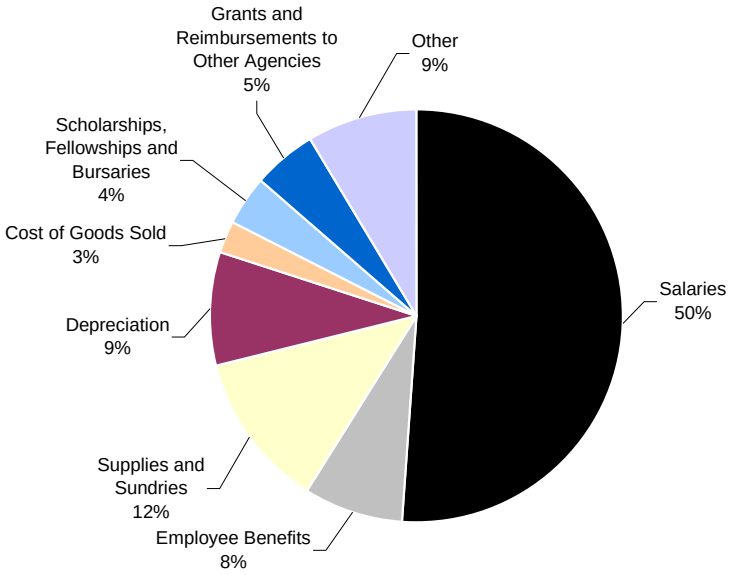
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES - EXPENSES

Consolidated expenses for the twelve months ended March 31, 2007 totaled $1.5 billion.

Expenses ($ millions)	2007	2006
Salaries	764.4	750.1
Employee Benefits	116.8	107.7
Supplies and Sundries	181.1	159.9
Depreciation	132.9	116.6
Cost of Goods Sold	40.5	42.8
Scholarships, Fellowships and Bursaries	56.0	51.7
Grants and Reimbursements to Other Agencies	74.7	61.3
Other	130.1	142.6
Total	**1,496.5**	**1,432.7**

Total Expenses by Source

for the year ended March 31, 2007 ($ millions)



The majority of the $63.8 million increase in expenses result from:

Salaries increased by $14.3 million due to rate and FTE increases and retroactive pay to faculty and staff.

Supplies and Sundries increased by $21.2 million. The increase is attributed to various components such as increased research activity and UBCO.

Depreciation increased by $16.3 million. The increase relates to an increase in CFI assets and building additions such as Marine Drive Housing (Phase 1), Fred Kaiser Building, Chemical and Biological Engineering Building, UBCO Arts and Sciences, David Strangway Building and others.

Cost of Goods Sold decreased by $2.3 million. The decrease is mainly attributable to Utilities, due to a slightly lower natural gas rate relative to the prior year.

Grants and Reimbursements to Other Agencies increased by $13.4 million. The increase is largely due to payments to Vancouver Coastal Health Authority relating to increased number of resident doctors, coupled with higher salaries and benefits.

The Other category decreased by $12.5 million; this primarily relates to a decrease in interest expense.

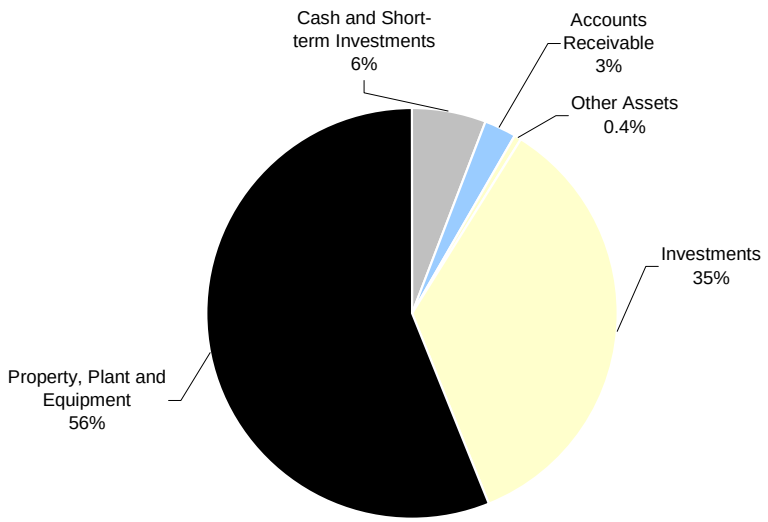
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets total $3.2 billion, while liabilities total $1.8 billion, leaving a net asset balance of $1.4 billion. The majority of this balance is in Endowments $751.0 million, Invested in Property, Plant and Equipment $434.0 million, and Internally Restricted Reserves including Related Organizations $188.6 million.

Assets ($ millions)	2007	2006
Cash and Short-term Investments	187.9	294.8
Accounts Receivable	82.4	107.4
Other Assets	14.0	12.5
Investments	1,127.0	959.6
Property, Plant and Equipment	1,806.0	1,652.0
Total	**3,217.3**	**3,026.3**

Total Assets by Category

for the year ended March 31, 2007 ($ millions)



Cash and Short-term Investments decreased by $106.9 million, as a result of a higher proportion in long-term investments.

Accounts Receivable decreased $25.0 million. The decrease primarily relates to the PSEC signing bonus.

Investments increased by $167.4 million, due to new donations totaling $38.0 million, an 11.7% market return (including unrealized gains), and the strong Canadian currency mark to markets.

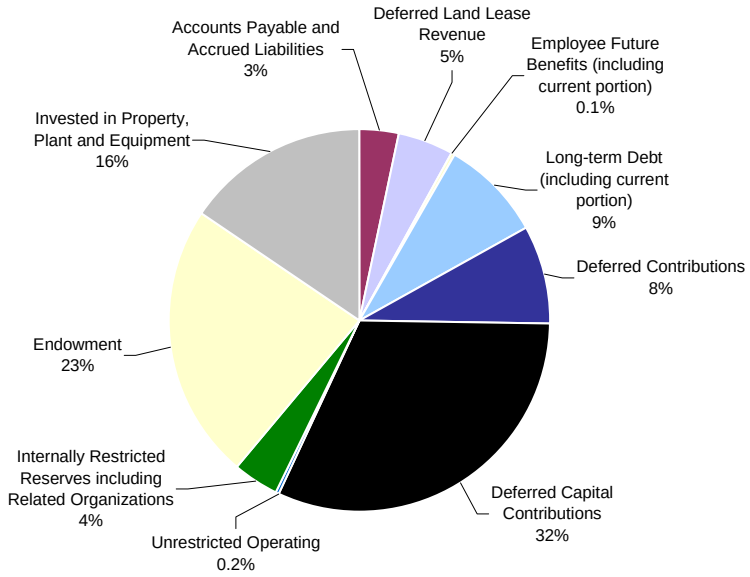
Property, Plant and Equipment increased by $154.0 million and is attributed to Marine Drive Housing (Phase 2), Thunderbird Olympic Sports Arena, UBC Renew, and Thunderbird Parking.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Liabilities and Net Assets ($ millions)	2007	2006
Accounts Payable and Accrued Liabilities	107.8	148.9
Deferred Land Lease Revenue	152.4	98.7
Employee Future Benefits (including current portion)	4.6	4.7
Long-term Debt (including current portion)	282.4	284.9
Deferred Contributions	268.0	273.2
Deferred Capital Contributions	1,021.2	974.5
Net Assets:		
Unrestricted Operating	7.1	5.2
Internally Restricted Reserves including Related Organizations	118.5	154.7
Endowment	751.0	690.6
Invested in Property, Plant and Equipment	504.2	390.9
Net Assets	**1,380.8**	**1,241.4**
Total	**3,217.3**	**3,026.3**

Liabilities and Net Assets by Category

for the year ended March 31, 2007 ($ millions)



<u>Accounts Payable and Accrued Liabilities</u> decreased by $41.1 million as a result of the one-time PSEC signing bonus payment accrued in the prior year.

<u>Deferred Capital Contributions</u> increased by $46.7 million, as a result of the Beaty Biodiversity Research Centre, Thunderbird Olympic Sports Arena, UBCO Fipke Building (multi-purpose building), and building and CFI additions.

Changes in Net Assets are explained on page 9.

MARCH 31, 2007 MANAGEMENT ANALYSIS

ANALYSIS BY FUND

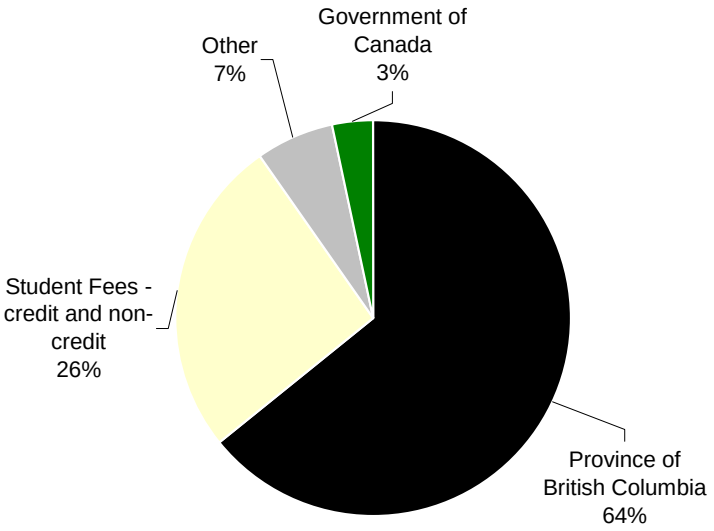
GENERAL PURPOSE OPERATING FUND

General Purpose Operating Fund revenues are not restricted as to use. The two major revenue sources for the General Purpose Operating Fund are the operating grant from the Province and student fees for credit courses.

Revenues ($ millions)	2007	2006
Province of British Columbia	435.8	461.3
Student Fees - credit and non-credit	176.1	175.7
Other	44.3	32.8
Government of Canada	22.5	19.0
Total	**678.7**	**688.8**

GPO Revenue by Source

for the year ended March 31, 2007 ($ millions)



The $10.1 million decrease in GPO revenues results from the following significant changes:

<u>Provincial Government Grants and Contracts</u> decreased by $25.5 million. The decrease is mainly due to the one-time PSEC signing bonus payment accrued in the prior year and the one-time grant related to UBCO transition activities.

<u>Student Fees</u> had an increase of $0.4 million over the prior year. Overall tuition revenue increased by $11.9 million over the prior year however this was offset by tuition revenue associated with International Students being transferred to the Specific Purpose Fund.

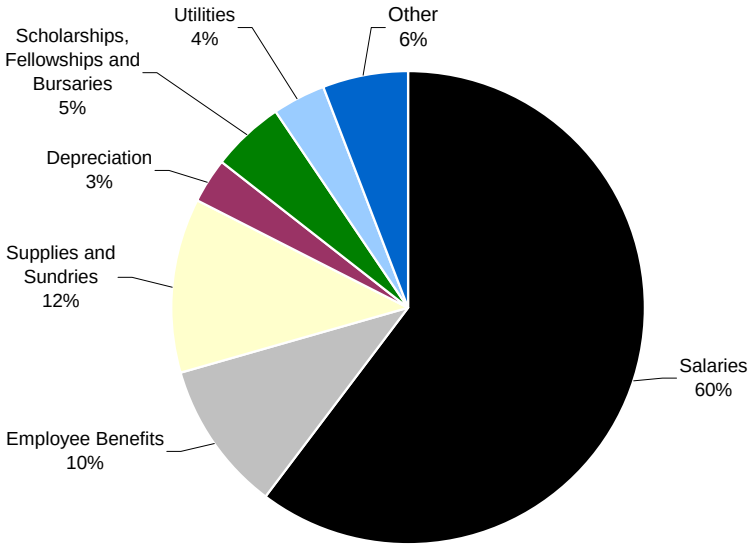
The <u>Other</u> category, which includes Non-government Grants, Investment Income, and Sales and Services, increased by $11.5 million, and is largely due to an increase in earnings of investment income.

GENERAL PURPOSE OPERATING FUND

Expenses ($ millions)	2007	2006
Salaries	367.1	385.1
Employee Benefits	63.7	57.8
Supplies and Sundries	72.2	67.3
Depreciation	19.7	21.8
Scholarships, Fellowships and Bursaries	29.6	28.1
Utilities	22.7	23.3
Other	35.4	27.7
Total	**610.4**	**611.1**

GPO Expenses by Source

for the year ended March 31, 2007 ($ millions)



The $0.7 million decrease in GPO expenses results from:

Salaries decreased by $18.0 million. This primarily relates to the one-time PSEC settlement mandate payment accrued in the prior year.

Benefits increased by $5.9 million. Benefit increases are attributable to FTE increases.

Depreciation decreased by $2.1 million as a result of a one-time correction in the depreciation of major computing software.

Utilities decreased by $0.6 million due to lower natural gas rates relative to prior year.

The Other category includes Travel and Field Trips, Professional and Consulting Fees, Grants and Reimbursements to Other Agencies, and Interest on Long-Term Debt. The increase of $7.7 million primarily relates to increased debt servicing costs on internal loans for new buildings.

SPECIFIC PURPOSE FUND

The Specific Purpose fund consists of a mix of internally and externally restricted funds. Unused funds that are externally restricted appear as deferred contributions on the balance sheet, while internally restricted unspent funds flow through to the income statement and are reserved within Net Assets. Internally restricted funds may be unrestricted by the Board at their discretion. The major categories of Specific Purpose Funds are Fee for Service, Capital, Trust and Continuing Education.

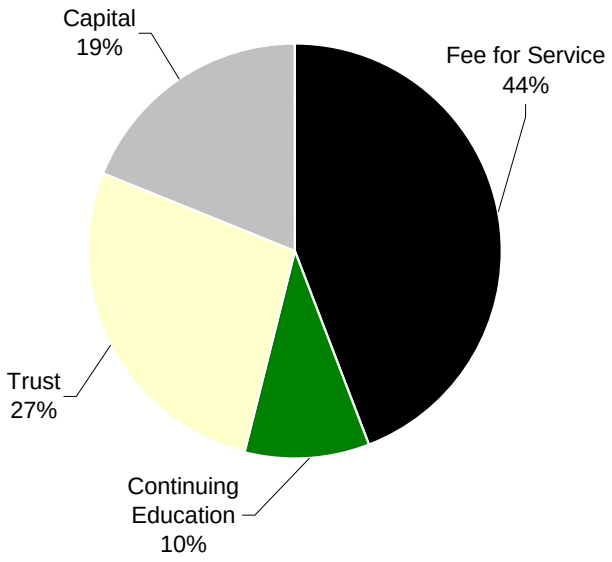
- Fee for Service operations are expected to be self-sustaining and fund their operations on an ongoing basis. Examples of Fee for Service operations include the Dental Clinic and the Psychology Clinic.
- The majority of capital projects are funded through external sources (such as government) and donations. This external funding is reflected as deferred capital contributions and amortized over the life of the asset. Where internal funds are used to fund projects, or portions of projects, they flow through capital in the Specific Purposes Fund.
- Revenues received in the Trust category are for a designated purpose, and are restricted by management decision.
- Continuing Education generates revenues by providing non-credit courses through a number of operations, including Continuing Studies and the Sauder School of Business.

Revenues ($ millions)*	2007	2006
Fee for Service	188.3	170.1
Continuing Education	42.0	39.9
Trust	116.5	100.6
Capital	80.2	64.1
Total	**427.0**	**374.7**

*Some reclassifications of 2006 numbers were made to conform to current years presentation

Specific Purpose Revenues by Source

for the year ended March 31, 2007 ($ millions)



The $52.3 million increase in Specific Purpose revenues results from the following significant changes:

<u>Fee for Service</u> revenue increased by $18.2 million as a result of student FTE and tuition increases related to international students.

<u>Trust</u> increased by $15.9 million, and is largely attributable to increased funding from the Ministry of Health for postgraduate residency education.

<u>Capital</u> increased by $16.1 million due in part to increased revenue from infrastructure services levy and amortization on deferred capital contributions.

SPONSORED RESEARCH FUND

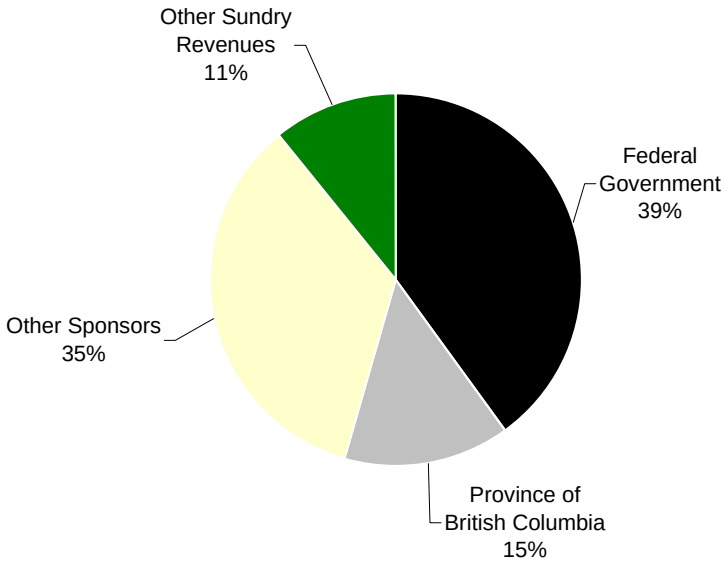
The Sponsored Research Fund consists of a mix of internally and externally restricted funds. The majority of funds are restricted to research use only as established by the grantor. Unused funds that are externally restricted appear as deferred contributions on the balance sheet while internally restricted unspent funds flow through to the income statement and are reflected in Net Assets.

Revenues ($ millions) *	2007	2006
Federal Government	132.9	124.4
Province of British Columbia	48.4	41.9
Other Sponsors	115.8	109.7
Other Sundry Revenues	36.0	29.4
Total	**333.1**	**305.4**

*Some reclassifications of 2006 numbers were made to conform to current years presentation

Sponsored Research Revenues by Source

for the year ended March 31, 2007 ($ millions)



Sponsored Research revenue increased by $27.7 million.

<u>Federal Government</u> increase is mainly due to increased research grants, such as the Canadian Institute of Health Research (CIHR).

<u>Province of British Columbia</u> increase is attributable to increased revenue from Genome BC and the Michael Smith Foundation.

<u>Other Sponsors</u> increase is primarily due to an increase in grants from granting agencies such as the Merck Frosst and the Foundation for the National Institutes of Health (FNIH).

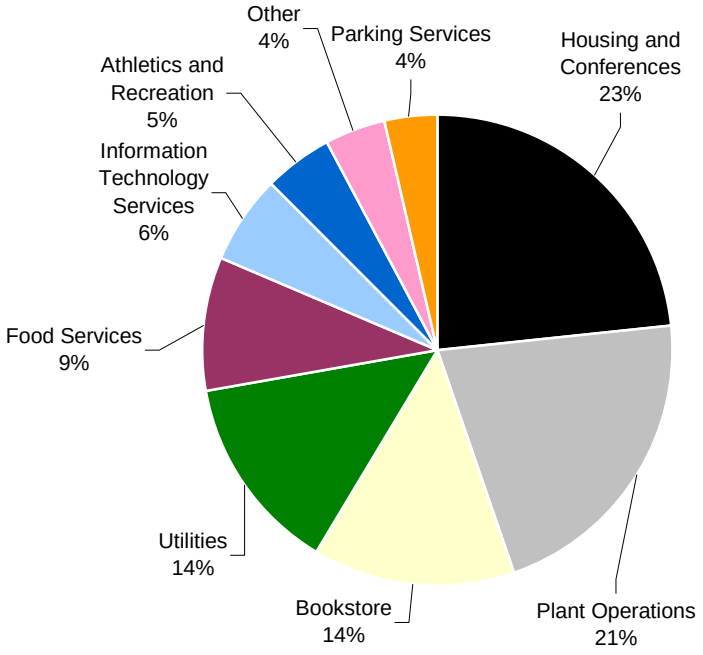
ANCILLARY ENTERPRISES

Ancillary enterprises provide goods and services to the University community. Their products and services are priced to generate sufficient revenues to cover operating expenses and debt service payments and, in certain cases, to create sufficient reserves for reinvestment in the business to ensure long term financial viability. These reserves are designated as internally restricted.

Revenues ($ millions)	2007	2006
Housing and Conferences	53.3	48.0
Plant Operations	48.3	46.8
Bookstore	31.9	30.1
Utilities	31.2	33.2
Food Services	20.5	20.3
Information Technology Services	14.3	15.0
Athletics and Recreation	10.5	11.0
Parking Services	8.2	9.5
Other	9.5	9.1
Total	**227.7**	**223.0**

Ancillary Revenues by Source

for the year ended March 31, 2007 ($ millions)



The $4.7 million increase in Ancillary revenues results from the following significant changes:

Housing Sales and Services increased by $5.3 million, due to housing rate increases and full year occupancy at UBCO and the Marine Drive Residence.

Utilities Sales and Services decreased by $2.0 million as a result of lower natural gas rates relative to the prior year.

Plant Operations Sales and Services increased by $1.5 million primarily due to higher maintenance standards associated with new and renewed space such as the Irving K. Barber Learning Centre, the David Strangway Building, and the Buchanan Building.

Major ancillaries in the Other category are: The Media Group, Robson Square, Applied Research and Evaluation Services (ARES), and the three UBCO Ancillaries: Athletics, Food Services, and Parking.

ENDOWMENT FUND

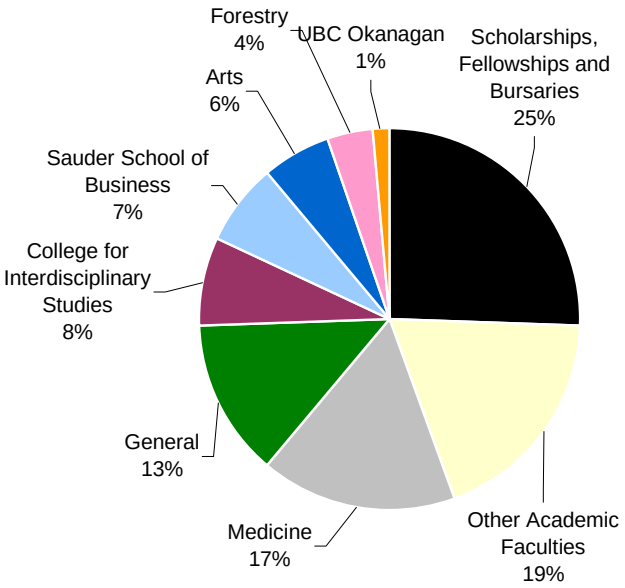
The University's endowment consists of restricted donations and internal allocations, the principal of which must be maintained in perpetuity. The University protects the endowment's total economic value from inflation by limiting the amount of income that may be expended annually. The investment income generated from endowments can be spent only in accordance with the various purposes established by the donors or the University's Board of Governors.

Endowment Funds (market value) ($ millions)	2007	2006
Scholarships, Fellowships and Bursaries	259.1	213.5
Other Academic Faculties	190.6	150.4
Medicine	168.9	135.0
General	135.0	115.6
College for Interdisciplinary Studies	77.8	66.1
Sauder School of Business	67.9	55.4
Arts	59.3	48.0
Forestry	41.5	36.6
UBC Okanagan	12.8	8.3
Total*	**1,012.9**	**828.9**

*Includes endowments held by the Vancouver Foundation for the benefit of UBC (2007 = $19.0m, 2006 = $18.2m)

Endowment Funds by Category (market value)

for the year ended March 31, 2007 ($ millions)



The market value of the endowment was $1.01 billion at March 31, 2007, an increase of $184.0 million from the previous year. This is attributable to a strong market performance during the year and $38.0 million in new endowments were established during 2006/07.

The below table shows the endowment income returns for 2007 and the prior year. In 2006, realized capital gains of $51.8 million were triggered as a result of restructuring the investment portfolio.

Endowment Income ($ millions)*	2007	2006
Interest and Dividend Income	31.6	16.5
Realized Capital Gains	20.4	27.8
Realized Capital Gains (restructuring)	-	51.8
Total	**52.0**	**96.1**

*Some reclassifications of 2006 numbers were made to conform to current years presentation

RELATED ORGANIZATIONS

The University has a financial and legal interest in a number of different entities. Some of these entities are wholly owned (such as UBC Properties Trust) while others, such as TRIUMF, are joint ventures. A complete listing of the related organizations and descriptions of each can be found in the notes to the financial statements.

During the 2007 fiscal year, UBC changed its accounting policy on consolidation. In previous years, UBC consolidated its wholly owned subsidiaries, related not-for-profit organizations, and proportionately consolidated its share in joint ventures.

Under the new accounting policy, UBC has included its three wholly owned subsidiaries and its share of the joint ventures in these financial statements using the equity method of accounting. These entities are considered stand alone profit oriented entities whose activities are not considered core to the mandate of UBC. Management believes that the use of the equity method is more representative of the relationship. The related not-for-profit organizations continue to be consolidated.

			Accounting Methodology:		UBC Share of Net Assets included in FS ($000):	
Related Organization	**For-Profit Entity**	**Ownership**	**Consolidation**	**Equity**	**2007**	**2006**
UBC Properties Trust	yes	100.0%		x	10,553.0	8,694.0
UBC Foundation	no	100.0%	x		1,744.0	2,858.0
Great Northern Way	yes	25.0%		x	4,250.0	-
WCUMSS	yes	20.0%		x	940.0	978.0
TRIUMF	yes	16.7%		x	240.0	189.0
Others			x	x	221.0	106.0
Total					**17,948.0**	**12,825.0**

MARCH 31, 2007 CAPITAL PROJECTS

CAPITAL PROJECTS

For the 2006/07 fiscal year, a high level overview of the capital projects underway (or at Board-approved phases) to 31 March 2007, at both the Vancouver and Okanagan campuses, are shown in the following table:

Project Name	Description	Board Approved Budget ($m)
Beaty Biodiversity Research Centre	The Beaty Biodiversity Centre will house research laboratories, as well as facilities for specialized processing and research involving a unique world class research collection of plants, fish, insects, vertebrates, fungi and fossils. The Centre will support research into habitat, species and ecosystems in which we live and will also include an important public education and exhibit function.	49.0
Centre for Comparative Medicine	This facility will be located in the Biosciences Reserve of South Campus. It will relocate and consolidate animal care facilities from South Campus, as well as from other locations around campus. It will provide updated facilities to current accreditation standards.	20.0
Centre for Integrated Research on Sustainability (CIRS)	To be located on the Great Northern Way Campus, CIRS will take a leadership role in the development and deployment of integrated sustainable building technologies and practices.	36.1
Irving K. Barber Learning Centre	The Learning Centre rebuilds and expands the Main Library, addressing three of the Library's key concerns: environmentally sound space for its collections of rare, archival and special materials; 15 years of growth space for the print collection and technologically enabled space to support the growing collection of electronic resources and services. Placing present and future generations at the forefront of learning, the Irving K. Barber Learning Centre will be an innovative and progressive hub for student interaction, academic pursuit, and research activity. It will play a key role in the intellectual, social, cultural, and economic growth of British Columbia, Canada, and the world.	68.8
Centre for Disease Modeling (CDM)	The Centre for Disease Modeling is located in the Life Sciences Centre building. It will establish an unparalleled facility in Canada to enable highly innovative research on a broad spectrum of human diseases of critical importance to Canadians.	42.5

Project Name	Description	Board Approved Budget ($m)
Lower Mall Single Student Housing (Phase 2)	This project, located on the Food Sciences site on Marine Drive, is being completed in two phases and will house approximately 1,640 students in a total of six buildings. This addresses both the demand for student housing as set out in *Trek 2010* and meets the obligations as set out in the Official Community Plan. Phase 1 was completed and occupied in August 2005. Phase 2 occupancy is anticipated for September 2007.	102.9
Museum of Anthropology	The Museum of Anthropology (MOA) Renewal is a project to renovate and add space that will allow improved programs, displays, and research capabilities to better meet the needs of a changing environment.	52.0
Sauder (Phase 1)	Phase 1 update to Sauder will provide a new building and renovated space in the existing Henry Angus Building. This space will assist the faculty in achieving the vision for the Sauder School of Business as a recognized leader in the creation, teaching and application of innovative management thinking.	34.0
Thunderbird Olympic Sports Arena	UBC has worked cooperatively with "Bid Corp" Corporation in confirming the feasibility of siting an ice hockey arena at the University for use as a venue for the 2010 Olympic Games. It will be used for women's and men's preliminary hockey games and some medal games during the Olympic Games.	47.8
Thunderbird Parking Facility	The Thunderbird parking facility is part of a comprehensive 10-Year Replacement Parking Plan to ensure adequate parking supply on campus.	24.8
UBC Renew	This project is an innovative agreement between UBC and the Ministry of Advanced Education to leverage $60M in provincial government funding with UBC sourced $60M to address the accumulated deferred maintenance debt and accelerate implementation of the Facilities and Infrastructure Management Plan (FIMP).	120.0
University Boulevard (Phase 1)	University Boulevard is the principal point of arrival onto campus and the main transit, pedestrian, and bicycle thoroughfare. It must convey a strong sense of place, a feeling of having entered the nucleus of a unique, distinct, exciting multi-use hub of campus life. This neighbourhood is envisioned to be a key corridor for interaction, between the University and the broader community, between social and academic pursuits, between various modes of transportation, and between multiple land uses distributed along the length of the street. Phase 1 consists of the underground Transit Station, road realignment, infrastructure and two buildings located on East Mall at the corner of University Boulevard. Each will run parallel to the other with an Atrium connecting the two.	81.5

Project Name	Description	Board Approved Budget ($m)
UBC Okanagan – Arts & Sciences Building	The location of the new Arts and Sciences building is in proximity to and complements the existing Arts and Science buildings, as well as the new Multi-Purpose building. This arrangement is highly desirable for facilitating greater interaction among Arts and Sciences faculty and students.	42.3
UBC Okanagan – Engineering/ Management Building	UBC's Faculty of Applied Science has recently been established as a dual-campus faculty, and is developing a full suite of engineering programs and activity at UBC Okanagan, including four-year baccalaureate programs, graduate programs and research activity. It is planned by 2009/10 that ten percent of UBCO's undergraduate students will be in engineering and a further ten percent in management. Initially the building will be used extensively as generic space to accommodate the near-term growth in other faculties.	74.1
UBC Okanagan – Fipke Building (Multipurpose Building)	This building will be a mix of generic research and teaching space. This will create synergies in collaboration between faculty and different departments and with industries; between research and teaching; and will ensure flexibility in the future as some research program areas grow and others decline.	30.5
UBC Okanagan – Student Housing (Phase 2)	The configuration for this phase of housing is quad style units with four single rooms, two bathrooms, a kitchen and a living area, designed to accommodate a more mature mix of students. The units would be arranged in seven townhouse style buildings comprising ten quads per building, providing 280 beds.	17.0
UBC Okanagan – University Centre and Meekison Centre	The University Centre will serve as the social and one of the major service centres for students on this campus. It will serve a student population of 7000 undergraduate and 500 graduate students.	33.1

THE UNIVERSITY OF BRITISH COLUMBIA

MARCH 31, 2007

STATEMENT OF MANAGEMENT RESPONSIBILITY

THE UNIVERSITY OF BRITISH COLUMBIA
STATEMENT OF MANAGEMENT RESPONSIBILITY
MARCH 31, 2007

The consolidated financial statements of the University of British Columbia (the University) have been prepared by management in conformity with Canadian generally accepted accounting principles for not-for profit organizations. The financial statements present fairly the financial position of the University as at March 31, 2007, and the results of its operations and the changes in its financial position for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors is responsible for reviewing and approving the financial statements, and overseeing management's performance of its financial reporting responsibilities.

The Board of Governors carries out its responsibility for review of the financial statements principally through its Audit Committee. No members of the Audit Committee are officers or employees of the University. The Audit Committee meets with management, the external auditors and the internal auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Audit Committee, with and without the presence of management.

The financial statements for the year ended March 31, 2007 have been reported on by the Auditor General of the Province of British Columbia. The Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation of the information in the financial statements.

Stephen J. Toope
President

Terry Sumner
Vice President – Administration and Finance

May 22, 2007

THE UNIVERSITY OF BRITISH COLUMBIA

MARCH 31, 2007

AUDITOR'S REPORT

Report of the Office of the Auditor General of British Columbia

To the Members of the Board of Governors of
The University of British Columbia, and
To the Minister of Advanced Education,
Province of British Columbia:

We have audited the consolidated statement of financial position of *The University of British Columbia* as at March 31, 2007 and the consolidated statement of operations and changes in net operating assets, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of *The University of British Columbia* as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
May 22, 2007

Errol S. Price, CA
Deputy Auditor General

THE UNIVERSITY OF BRITISH COLUMBIA

MARCH 31, 2007

CONSOLIDATED FINANCIAL STATEMENTS

THE UNIVERSITY OF BRITISH COLUMBIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of dollars)

		MARCH 2007	Restated (note 3) MARCH 2006
ASSETS			
Current assets			
Cash and short-term investments	(Note 5)	$ 187,907	$ 294,825
Accounts receivable		82,354	107,391
Inventory		9,531	9,231
Prepaid expenses		4,575	3,252
		284,367	414,699
Investments	(Note 6)	1,111,261	949,784
(fair value - $1,250,926; March 2006 - $1,049,633)			
Investments in equity accounted organizations	(Note 7)	15,694	9,844
Property, plant and equipment	(Note 9)	1,806,008	1,652,021
		$ 3,217,330	$ 3,026,348
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities		$ 107,836	$ 148,921
Current portion of long-term debt	(Note 12)	1,863	3,493
		109,699	152,414
Employee future benefits	(Note 11)	4,607	4,749
Deferred contributions	(Note 13)	267,956	273,219
Deferred capital contributions	(Note 14)	1,021,243	974,454
Deferred land lease revenue	(Note 15)	152,439	98,695
Long-term debt	(Note 12)	280,574	281,421
		1,836,518	1,784,952
Net assets			
Unrestricted operating		7,144	5,224
Internally restricted reserves	(Note 16)	100,491	141,826
Endowment fund	(Note 17)	751,038	690,609
Related organizations		17,948	12,825
Invested in property, plant and equipment	(Note 10)	504,191	390,912
		1,380,812	1,241,396
		$ 3,217,330	$ 3,026,348

Approved:

Chair, Board of Governors

Chair, Audit Committee

Vice President,
Administration and Finance

(See accompanying notes to the consolidated financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET OPERATING ASSETS
YEAR ENDED MARCH 31
(thousands of dollars)

		2007	Restated (note 3) 2006
Revenues			
Government grants and contracts	(Note 18)	$ 764,704	$ 760,902
Student fees		283,913	265,649
Non-government grants, contracts and donations		124,025	114,485
Investment income	(Note 8)	79,159	118,636
Income from equity-accounted organizations		1,636	2,180
Sales and services		273,797	254,502
Amortization of deferred capital contributions	(Notes 10 and 14)	66,429	55,737
		1,593,663	1,572,091
Expenses			
Salaries		764,384	750,109
Employee benefits		116,842	107,692
Supplies and sundries		181,069	159,949
Depreciation		132,879	116,648
Cost of goods sold		40,525	42,772
Scholarships, fellowships and bursaries		55,992	51,722
Travel and field trips		39,722	36,950
Professional and consulting fees		45,407	46,717
Grants and reimbursements to other agencies	(Note 19)	74,692	61,314
Utilities		24,858	25,970
Interest on long-term debt		20,162	32,827
		1,496,532	1,432,670
Excess of revenues over expenses		**$ 97,131**	**$ 139,421**

Allocation of excess of revenues over expenses			
Increase in invested in property, plant and equipment	(Note 10)	$ (113,279)	$ (52,177)
Transfers to endowment fund	(Note 17)	(22,394)	(58,320)
Transfers from (to) internally restricted reserves	(Note 16)	41,335	(26,752)
Increase in equity of related organizations		(873)	(1,859)
Change in unrestricted net operating assets		1,920	313
Unrestricted net operating assets, beginning of year		5,224	4,911
Unrestricted net operating assets, end of year		**$ 7,144**	**$ 5,224**

(See accompanying notes to the consolidated financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(thousands of dollars)

	Unrestricted Operating	Internally Restricted Reserves	Endowment Fund	Related Organizations	Invested in Property, Plant and Equipment	Total MARCH 2007	Total Restated (note 3) MARCH 2006
Opening balance as previously reported	$ 5,224	$ 138,698	$ 684,522	$ 4,625	$ 390,912	$ 1,223,981	$ 1,065,241
Restatement (note 3)		3,128	6,087	8,200		17,415	
Opening balance, restated	5,224	141,826	690,609	12,825	390,912	1,241,396	1,065,241
Excess (deficiency) of revenues over expenses	68,308	16,447	11,503	873	-	97,131	139,421
Interfund transfers	(54,027)	48,513	5,514	-	-	-	-
Net change in invested in property, plant & equipment	(12,137)	(101,372)	230	-	113,279	-	-
Transfers to endowment principal	(224)	(4,923)	5,147	-	-	-	-
Net change during the year	1,920	(41,335)	22,394	873	113,279	97,131	139,421
Donated land						-	2,598
External endowment donations (note 17)	-	-	38,035	4,250	-	42,285	34,136
Balance, end of year	$ 7,144	$ 100,491	$ 751,038	$ 17,948	$ 504,191	$ 1,380,812	$ 1,241,396

(See accompanying notes to the consolidated financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA
CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of dollars)

	MARCH 2007	Restated MARCH 2006
Cash provided from operating activities		
Excess of revenues over expenses	$ 97,131	$ 139,421
Add non-cash items:		
Depreciation	132,879	116,648
Amortization of deferred capital contributions	(66,429)	(55,737)
Amortization of deferred land lease revenue	(880)	(545)
Employee future benefits	446	(717)
	163,147	199,070
(Decrease)/increase in non-cash current assets	72,954	(75,580)
Increase in investment in equity accounted entities	(1,600)	(2,177)
Increase/(decrease) in current liabilities excluding current portion of long-term debt and employee future benefits	(41,084)	75,259
Payments of employee future benefits	(589)	(1,690)
	192,828	194,882
Cash used in investing activities		
Property, plant and equipment acquisitions	(286,868)	(328,160)
Net increase in investments	(161,477)	(128,106)
	(448,345)	(456,266)
Cash provided from financing activities		
Net increase/(decrease) in deferred contributions	(5,263)	64,854
Net increase/(decrease) in long-term debt	(2,477)	119,158
Proceeds from land leases	54,626	22,360
Increase in deferred capital contributions	113,218	105,852
Endowment contributions	38,035	34,135
	198,139	346,359
Increase/(decrease) in cash and short-term investments	(57,378)	84,975
Cash and cash equivalents, beginning of year	218,233	133,258
Cash and cash equivalents, end of period	$ 160,855	$ 218,233

(See accompanying notes to the consolidated financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA

MARCH 31, 2007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 AUTHORITY AND PURPOSE

The University of British Columbia (UBC or the University) operates under the authority of the *University Act* of British Columbia. UBC is a comprehensive research university offering a full range of undergraduate, graduate and continuing studies programs. The academic governance of the university is vested in the Senate. A not-for-profit entity, UBC is governed by a Board of Governors, the majority of whom are appointed by the provincial government of British Columbia. UBC is also a registered charity and therefore exempt from income taxes under section 149 of the *Income Tax Act*.

2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(a) Basis of Presentation

The University reports its operations on a combined basis, which includes activities from various funds.

The unrestricted operating funds of the University relate to the University's academic program delivery, service and administrative activities.

Internally restricted reserves are funds that have been restricted, subject to approval by the Board of Governors (Note 16).

(b) Consolidation (see also note 3)

(i) The financial statements consolidate the accounts of the following not-for-profit organizations whose activities are intended to benefit UBC:

- UBC Foundation, which was formed to develop public awareness and encourage financial support for the University.
- American Foundation for UBC, an American charitable foundation that encourages financial support of the University.
- Hong Kong Foundation for UBC, which is incorporated in Hong Kong as a not-for-profit organization, to promote and advance all matters concerning education in Hong Kong and elsewhere.
- San Rafael Research Foundation, which operates as a fund-raising vehicle for the University.
- UK Foundation for the University of British Columbia, an official charitable organization in the UK that promotes and advances all matters concerning education in the United Kingdom and elsewhere in the world.
- UBC Society for the Education of Young Children, which maintains and operates an educational program for young children.

(ii) The financial statements include the accounts of the following for-profit entities using the equity method of accounting:

- UBC Properties Trust, which was established to carry out real estate development activities for the benefit of the University.

- UBC Investment Management Trust, whose primary purpose is to manage the investment assets of the University's endowment fund and the staff pension plan.

- UBC Research Enterprises Inc., which promotes the creation, testing, development, production and commercialization of intellectual property owned by the University.

- DDI Drug Development Inc, a development stage biotechnology enterprise.

(iii) The financial statements include the accounts of the following joint ventures using the equity method of accounting:

- Tri-Universities Meson Facility (TRIUMF)

  These financial statements include the University's 16.7% interest in TRIUMF. TRIUMF is a joint venture, amongst the University and five other universities, which was established to operate a facility for research in sub-atomic physics. TRIUMF operates on the UBC campus and elsewhere.

- Great Northern Way Campus Trust

  These financial statements include the University's 25% interest in the Great Northern Way Campus Trust. The trust was formed on September 15, 2002 to include the lands and premises comprising the Great Northern Way Campus for the equal benefit of the University, Simon Fraser University, British Columbia Institute of Technology and the Emily Carr Institute of Art and Design.

- Western Canadian Universities Marine Sciences Society (WCUMSS)

  These financial statements include the University's 20% interest in WCUMSS. The University is one of five university members of WCUMSS.

(c) Revenue Recognition

i) Restricted Revenues

The University follows the deferral method of accounting for contributions. Some contributions, such as grants and donations for research or capital purposes, are restricted in use by the external contributor. These restricted contributions are recognized as revenue in the year in which the related expenses are incurred. In the case of contributions received for the purchase of property, plant and equipment having a limited life, an amount equivalent to the depreciation expense is reported as revenue each year. Those contributions with an unlimited life are treated as a direct increase in invested in property, plant and equipment.

Some restricted contributions must be retained in perpetuity, allowing only the investment income earned thereon to be spent. These contributions are recorded as an increase in endowments.

ii) Unrestricted Revenues

Revenues received without restrictions include tuition fees and sales of services and products. Monies received from these sources are reported as revenue at the time the product is delivered or the services are substantially provided. The operating grant from the Province of British Columbia is also considered unrestricted and is recorded in the period to which the operating funds relate.

iii) Deferred Land Lease Revenue

The University leases certain properties to third parties for a period of 99 years. Cash received from land leases is deferred and recognized as revenue over the term of the lease.

iv) Investment Income

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realised gains or losses on the sale of investments, and write downs on investments where the loss in value is determined to be other than temporary. Investment transactions are recorded on a trade date basis. To the extent that investment income relates to externally restricted endowments, income is recorded in the year in which the related expenses are incurred. Transaction costs are expensed as incurred.

(d) Investments

Short-term investments are recorded at the lower of cost and fair value.

Long-term investments are recorded at cost or, where donated, at fair value on the date of donation. Investment value is written down when there has been impairment in value considered other than temporary.

(e) Inventory

Inventory held for resale is recorded at the lower of cost and net realizable value. Supplies inventories are recorded at cost.

(f) Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost, except for donated assets from unrelated parties, which are recorded at fair value at the date of acquisition. Land granted to the University is recorded at nominal value. Transfers of property, plant and equipment from related parties are recorded at carrying value.

Library books and periodicals are recorded at cost.

Museum and art collections are recorded at nominal value.

The following property, plant and equipment are amortized on a straight-line basis over their estimated useful life with no charge in the year of acquisition and a full charge in the year of disposal:

Site improvements	25-80 years
Buildings	10-50 years
Building renovations	5-10 years
Furnishings, equipment and systems	3-10 years
Library books	10 years

(g) Gifts-in-Kind

Gifts-in-kind include securities, furnishings, equipment, books, manuscripts, artwork and artifacts. Only securities are recorded in the financial statements, and are valued as described in (c) above.

(h) Contributed Services

The University benefits from services provided by volunteers in assisting the institution in carrying out its activities. The fair value of these services is not determinable and accordingly is not included in the financial statements.

(i) Employee Future Benefits

i) Pension Plans

The University has two pension plans providing pension and other benefits to its employees.

Faculty Pension Plan

The Faculty Pension Plan is a defined contribution plan providing benefits on a money purchase basis. The cost of pension benefits includes the current service cost based on 10% of salary, less a fixed offsetting amount relating to Canada Pension Plan contributory earnings. The University expenses contributions to this plan in the year the contributions are made.

Staff Pension Plan

The Staff Pension Plan provides benefits based on 2% of the average best three years' basic salary multiplied by the number of years of contributory service, less an adjustment for Canada Pension Plan contributory earnings. The University contribution for the Staff Pension Plan is 10% of salary, less a fixed offsetting amount relating to Canada Pension Plan contributory earnings. In the event of funding deficiencies, the University's contributions remain fixed and benefits for members may be reduced. Accordingly, the University expenses contributions to this plan in the year the contributions are made. Benefits security for employees is improved by the plan maintaining a contingency reserve. The contingency reserve recommended by the plan's actuary and approved by the pension board and Canada Revenue Agency is 40% of liabilities.

ii) Early Termination Arrangements and Income Replacement Plan

Early termination arrangements were available to tenured or tenure-track faculty members who had applied to the program prior to November 30, 2002. Effective November 30, 2002, the program was discontinued. An actuary determines the cost of employee future benefits and the cost is recognized over the service life of the employees. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations.

The income replacement plan provides income for disabled employees. The income replacement plan commences after a qualifying period of six months disability. When an employee is in receipt of income replacement benefits, the University continues to pay the costs of certain member benefits. The costs of the plan are employee funded. The University is not required to contribute to the plan nor is it responsible for any deficit that the plan may incur.

(j) Derivative Financial Instruments

The University may enter into interest rate swaps to manage its exposure to the impact of changes in interest rates and foreign currency derivative contracts to manage its exposure to the impact of changes in exchange rates.

Where derivative financial instruments meet specified criteria to be designated as hedges for accounting purposes, income and expenses are recognized in the Consolidated Statement of Operations in the same period as the related hedged item. Derivative financial instruments that do not qualify for hedge accounting are carried at fair value on the Consolidated Statement of Financial

Position and subsequent changes in fair values are recorded in the Consolidated Statement of Operations.

(k) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates, as additional information becomes available in the future.

(l) Comparative Figures

Comparative figures have been reclassified where necessary to be consistent with the presentation adopted in the current year.

(m) Debt issue costs

The underwriting discount along with consulting fees relating to the debenture issuances are capitalized and amortized to match the term of the long-term debenture. Amortization is calculated on a straight line basis.

(n) Future accounting changes – Financial Instruments

In 2005, the Canadian Institute of Chartered Accountants issued new accounting standards comprising handbook sections 3855 "Financial Instruments – Recognition and Measurement", 3865 "Hedges" and 3251 "Equity", which will become effective for UBC for the year beginning April 1, 2007.

The standards require that organizations elect to designate each financial asset as trading, available for sale, held to maturity or loans and receivables. UBC has designated its investments as held for trading, with realized and unrealized gains and losses being recorded in the statement of operations.

In addition, the standards require that all financial assets be measured at fair value on the statement of financial position with the exception of loans, receivables and investments classified as held-to-maturity, which will be measured at amortized cost.

Similarly, the standards require that all financial liabilities be measured at fair value on the statement of financial position when they are held for trading. Other financial liabilities should be measured at amortized cost.

3 RESTATEMENT OF COMPARATIVE FINANCIAL STATEMENTS

(a) During the year, the university changed its accounting policy on consolidation. In previous years, the university consolidated its wholly owned subsidiaries and related not-for-profit organizations, and proportionately consolidated its share in joint ventures.

Under the new accounting policy, UBC has included its controlled for-profit entities and its share of the joint ventures in these financial statements using the equity method of accounting. The activities of these entities are not considered core to the mandate of UBC and management believes that the use of the equity method is more representative of both the relationship and business purpose of these organizations. The controlled not-for-profit organizations continue to be consolidated.

This change in accounting policy had no impact on net assets or excess of revenues over expenses for the current or prior year.

(b) During the year, the University identified certain items that had previously been deferred on the statement of financial position but which should have been recognized in the net assets of the University. The opening net assets for the current year have been adjusted accordingly, and the impact on the 2006 statement of operations and changes in net operating assets has been to increase the excess of revenues over expenses for that year by $17.4 million.

The effect of the above accounting changes on the 2006 consolidated financial statements was as follows:

	As previously stated	Consolidation change (note 3a)	Other changes (note 3b)	Restated
		(thousands of dollars)		
Assets	3,065,865	(45,604)	6,087	3,026,348
Liabilities	1,841,884	(45,604)	(11,328)	1,784,952
Equity	$ 1,223,981	$ 0	$ 17,415	$ 1,241,396
Revenues	1,569,762	(15,086)	17,415	1,572,091
Expenses	1,447,755	(15,086)	0	1,432,669
Excess of Revenues over Expenses	$ 122,007	$ 0	$ 17,415	$ 139,422

All notes to the Financial Statements have been restated to reflect the above changes.

4 FINANCIAL INSTRUMENTS

(a) Fair Value Disclosure

The fair values of cash and short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their carrying values because of the short-term maturity of these instruments.

The fair values of investments are estimated to be market values as disclosed in Note 6. The fair value of long term debt is disclosed in Note 12. The fair value of derivative financial instruments is disclosed in Note 20.

b) Interest Rate Risk

The University is not at risk for changes in interest rates as all borrowings are at fixed rates of interest.

c) Foreign Exchange Risk

The University is exposed to foreign exchange risk on investments held in foreign currencies and may use foreign currency swaps to mitigate this risk (note 20c).

5 CASH AND SHORT-TERM INVESTMENTS

	2007		2006	
	Cost	Fair value	Cost	Fair value
	(thousands of dollars)		(thousands of dollars)	
Cash and unpresented cheques	$ (13,480)	$ (13,480)	$ (22,872)	$ (22,872)
Short term investments maturing in less than 90 days	174,335	174,219	241,105	241,141
Cash and cash equivalents	160,855	160,739	218,233	218,269
Bonds maturing between 90 days and one year	27,052	26,820	76,592	75,876
	$ 187,907	$ 187,559	$ 294,825	$ 294,145

The university has a $20 million revolving line of credit and a US $5 million line of credit secured by certain investments.

6 INVESTMENTS

	2007		2006	
	Cost	Fair value	Cost	Fair value
	(thousands of dollars)		(thousands of dollars)	
Government and corporate bonds				
Maturity				
< 1 year	$ 13,473	$ 13,485	$ 7,519	$ 7,520
2 – 5 years	123,022	122,572	111,070	110,447
> 5 year	101,228	102,096	86,955	89,007
Various - Pooled	120,532	118,374	103,329	100,380
	358,255	356,527	308,873	307,354
Short-term notes and treasury bills	10,704	10,701	7,510	7,441
Canadian equities	249,851	329,252	306,936	384,233
United States equities	110,508	128,002	109,238	118,811
Other international equities	303,822	347,201	149,187	157,412
Other	78,121	79,243	68,040	74,382
	$ 1,111,261	$ 1,250,926	$ 949,784	$ 1,049,633

Other investments include promissory notes of $19.2 million with a related party, UBC Properties Trust. The promissory notes are unsecured with floating interest rates at prime less 1%. The settlement periods extend to March 2010.

Other investments also includes the UBC golf course, real estate investments and promissory notes issued to unrelated parties.

7 INVESTMENTS IN EQUITY ACCOUNTED ORGANIZATIONS

UBC includes seven entities using the equity method of accounting (note 2b). Financial information in respect of UBC's share of the significant entities is disclosed below.

	UBC Properties Trust		Great Northern Way		TRIUMF	
	2007	2006	2007	2006	2007	2006
	(thousands of dollars)		(thousands of dollars)		(thousands of dollars)	
Assets	144,163	89,068	20,478	13,289	1,443	1,014
Liabilities	130,350	67,568	8,579	5,389	883	632
Equity	$ 13,813	$ 21,500	$ 11,899	$ 7,900	$ 560	$ 382
Revenue	73,815	44,274	338	93	10,100	9,700
Expenses	25,980	14,414	588	457	9,922	9,726
Net income	$ 47,835	$ 29,860	$ (250)	$ (364)	$ 178	$ (26)
Cash Flows:						
Operating	$ 34,887	17,691	(155)	(309)		
Financing	$ (60,566)	(30,444)	7,399	1,899		
Investing	$ 17,947	12,844	6,683	(1,622)		

No cashflow information is provided in TRIUMF's financial statements on the basis that this would not provide any additional useful information to the user. Significant differences in accounting policies between these entities and UBC are as follows:

(i) UBC Properties Trust recognizes revenue from sales of 99 year leases in its income statement in the year that the transaction is completed. UBC defers these revenues on the balance sheet and amortizes the balance to the statement of operations over the duration of the lease (note 2 c (iii)).

(ii) TRIUMF expenses all capital assets in its income statement as acquired; UBC capitalizes the assets and depreciates them over the useful lives (note 2 f). TRIUMF recognizes revenue in the year it is received, whereas UBC follows the deferral method of accounting for contributions (note 2 c (i)).

(iii) During the year, the following significant related party transactions occurred:

UBC Properties Trust invoiced UBC $3.3 million for project management fees. This is recorded as a supplies and sundries expense.

UBC issued promissory notes to UBC Properties Trust amounting to $19 million. This is reflected within investments (note 6).

8 INVESTMENT INCOME

	2007	2006
	(thousands of dollars)	
Interest and dividend income	$ 49,994	$ 32,176
Capital gains and losses	23,190	79,664
Foreign exchange	1,279	770
Other	4,696	6,026
	$ 79,159	$ 118,636

9 PROPERTY, PLANT AND EQUIPMENT

	2007			2006
	(thousands of dollars)			
	Cost	Less Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 18,972	$ -	$ 18,972	$ 18,972
Site improvements	56,778	15,275	41,503	35,852
Buildings and renovations	1,893,180	494,801	1,398,379	1,260,377
Furnishings, equipment and systems	416,392	149,319	267,073	258,918
Library books	138,038	57,957	80,081	77,902
	$ 2,523,360	$ 717,352	$ 1,806,008	$ 1,652,021

10 INVESTED IN PROPERTY, PLANT AND EQUIPMENT

Invested in property, plant and equipment represents the unamortized value of property, plant and equipment funded by the University, net of outstanding debt. It excludes those assets funded through capital contributions. Invested in property, plant and equipment is made up of the following:

	2007	2006
	(thousands of dollars)	
Total property, plant and equipment (Note 9)	$ 1,806,008	$ 1,652,021
Less:		
Deferred capital contributions (Note 14)	(1,021,243)	(974,454)
Long-term debt, excluding related organizations debt	(280,574)	(286,655)
Invested in property, plant and equipment	$ 504,191	$ 390,912

The net change in invested in property, plant and equipment is calculated as follows:

	2007	2006
	(thousands of dollars)	
Acquisition of property, plant and equipment	$ 286,868	$ 392,809
Decrease in debt used for the purchase of property, plant and equipment	6,079	(132,485)
Depreciation expense	(132,879)	(116,648)
Amortization of deferred capital contributions (Note 14)	66,429	55,737
Property, plant and equipment purchased with restricted contributions (Note 14)	(113,218)	(147,236)
Increase in invested in property, plant and equipment	$ 113,279	$ 52,177

11 EMPLOYEE FUTURE BENEFITS

(a) Contributions to Pension Plans

University contributions made to each of the pension plans were:

	2007	2006
	(thousands of dollars)	
Faculty Pension Plan	$ 26,149	$ 23,975
Staff Pension Plan	23,320	20,739
	$ 49,469	$ 44,714

(b) Early Termination Arrangements and Income Replacement Plan

At March 31, 2007, the accrued benefit obligation for employee future benefits was actuarially valued at $4.61 million. The accrued benefit obligation as at March 31, 2007 is calculated as follows:

	2007	2006
	(thousands of dollars)	
Balance, beginning of year	$ 4,750	$ 7,157
Current costs or recoveries and interest on benefit obligation	446	(718)
Less actual payments during the year	(589)	(1,690)
Balance, end of year	$ 4,607	$ 4,749

12 LONG-TERM DEBT

	Maturity Date	Interest Rate	2007	2006
			(thousands of dollars)	
Series A Debentures Unsecured	2031	6.65%	$ 125,000	$ 125,000
Unamortized debt issue cost and discounts			(1,249)	(1,300)
Net outstanding			123,751	123,700
Series B Debentures Unsecured	2035	4.817%	125,000	125,000
Unamortized debt issue cost			(716)	(611)
Net outstanding			124,284	124,389
Canada Mortgage and Housing Corporation Mortgages Unsecured	2012 to 2023	5.125% to 7.875%	12,370	13,024
Province of BC Unsecured Debentures	2011 to 2013	8.5% to 10.04%	53,430	69,930
Sinking Funds (market value $34,120)			(31,139)	(47,235)
Unamortized discounts			(259)	(300)
Net outstanding			22,032	22,395
Secured Mortgages			0	1,406
Total long-term debt			282,437	284,914
Less current portion			(1,863)	(3,493)
Balance, end of year			$ 280,574	$ 281,421

The principal portion of long-term debt repayments over the next five years is:

2008	1,863
2009	1,907
2010	1,954
2011	2,005
2012	2,058

The above figures include sinking fund payments of $1.2 million per year. Sinking fund payments are made into government invested funds, to be applied against repayment of provincial debentures on maturity. Earnings on the sinking fund during the year were $2.1 million.

The current portion of the long-term debt does not reflect these sinking fund earnings. The fair value of the long-term debt at March 31, 2007 is $331,394,000 (2006: $332,369,000).

13 DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants, donations and contributions. Changes in deferred contributions are as follows:

	2007	2006
	(thousands of dollars)	
Balance, beginning of year	$ 273,219	$ 208,366
Grants, contributions, and donations received	630,646	611,037
Transferred to deferred capital contributions (Note 14)	(113,218)	(147,236)
Transferred to revenue	(522,691)	(398,948)
Balance, end of year	$ 267,956	$ 273,219

The balances consist of funds restricted for:

	2007	2006
	(thousands of dollars)	
Research	$ 160,755	$ 175,292
Capital	28,500	42,139
Other specific purposes	78,701	55,788
Balance, end of year	$ 267,956	$ 273,219

14 DEFERRED CAPITAL CONTRIBUTIONS

Capital contributions received to purchase property, plant and equipment are deferred and recognized as revenue as related assets are amortized.

	2007	2006
	(thousands of dollars)	
Balance, beginning of year	$ 974,454	$ 882,955
Grants, contributions and donations received (note 13)	113,218	147,236
Current year amortization	(66,429)	(55,737)
Balance, end of year	$ 1,021,243	$ 974,454

15 DEFERRED LAND LEASE REVENUE

	2007	2006
	(thousands of dollars)	
Balance, beginning of year	$ 98,695	$ 76,880
Net proceeds	54,626	22,360
Recognition of revenue	(882)	(545)
Balance, end of year	$ 152,439	$ 98,695

The proceeds were paid to the University by a related party, UBC Properties trust.

16 INTERNALLY RESTRICTED RESERVES

Funds that are internally restricted include employee benefits, faculty and department carry-forwards, specific purpose, ancillary and research reserves. These internally restricted reserves are described in more detail below:

	2007	2006
	(thousands of dollars)	
Employee benefits	$ (335)	$ 265
Faculty and department carry-forwards	50,105	41,823
Specific purpose reserves	(25,992)	31,445
Ancillary reserves	28,073	19,936
Research reserves	48,640	48,357
	$ 100,491	$ 141,826

(a) Employee Benefits

This amount represents the funding of the future obligations of the early termination arrangements, vacation pay and the benefit liabilities related to the income replacement plan.

(b) Faculty and Department Carry-forwards

These reserves are the unspent general purpose operating fund budgets that faculties and departments are permitted to carry forward at the end of each year.

(c) Specific Purpose Reserves

These reserves are set aside to fund future obligations for continuing education and fee for service operations that are expected to be self-sustaining and fund their operations on an ongoing basis. The reserve balance relates to internally funded capital projects.

(d) Ancillary Reserves

These reserves represent the net assets set aside related to the operations of the ancillary units. Ancillary enterprises are expected to operate on a financially sustainable basis and, as such, funds need to be set aside for future maintenance, renovations and reinvestment in the business.

(e) Research Reserves

These reserves represent the commitments made to fund future overhead costs of research and internally funded research projects.

17 ENDOWMENT FUND

The endowment fund consists of restricted donations to the University and internal allocations by the University. The book value of endowments held by the University directly is as follows:

	2007	2006
	(thousands of dollars)	
Balance, beginning of year	$ 690,609	$ 598,154
Donations	38,035	34,135
Transfers to (from) endowment fund:		
Internal transfers to endowments	5,148	1,906
Investment income (loss)	52,005	96,101
Use of endowment funds	(34,759)	(39,687)
	22,394	58,320
Balance, end of year	$ 751,038	$ 690,609

(i) The book value of the endowment does not include $127.4 million which is reflected within deferred land sales revenue on the balance sheet and will be amortized to endowment income over the period of the 99 year leases. This amount is, however, included within endowment investments, and generates a return to investment income for the endowment.

(ii) The fair value of endowment investments is $993.9 million (2006: $828.3 million).

(iii) Endowments include unrestricted funds with a book value of $25.8 million (2006 = $25.6 million).

(iv) Endowments with a book value of $13.1 million (2006 = $13.1 million) are held by the Vancouver Foundation for the benefit of UBC and are not included in the above figures. The fair value of these endowments is $19.0 million (2006 = $18.3 million).

(v) Not included within the endowment fund itself was an endowment donation of $4.25 million, being UBC's 25% share of an endowment received by Great Northern Way. This is included within related organization equity.

18 GOVERNMENT GRANTS AND CONTRACTS

	2007	2006
	(thousands of dollars)	
Province of British Columbia		
Core Academic Funding	$ 435,842	$ 420,877
Extraordinary mandate contract settlement	-	41,444
Post Graduate Medical Education Program	66,743	53,213
Other funding	75,921	74,333
Total Province of British Columbia	578,506	589,867
Government of Canada	174,264	161,187
Other governments	11,934	9,848
	$ 764,704	$ 760,902

19 GRANTS AND REIMBURSEMENTS TO OTHER AGENCIES

During the year, the University distributed research and other funds to agencies totalling $74.7 million (2006 - $61.3 million). These funds were distributed under agreements with granting agencies, whereby the University is the administrative head and a portion of the research is undertaken at other agencies.

Reimbursements were made to the Health Authorities for payments made on behalf of the University for the postgraduate medical education program.

20 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

Contractual obligations and contingent liabilities are as follows:

(a) Capital Projects

i) At March 31, 2007, outstanding commitments totalled $62.6 million (2006 - $55.6 million) for capital projects. These commitments are payable in subsequent years, and are funded by provincial contributions, private donations and earnings from sales and services.

ii) In its capacity as development manager, UBC Properties Trust is committed to payment of any cost overruns on the Keenleyside project. To date, no cost overruns have occurred.

iii) UBC is committed to build a flyover and reservoir on the UBC Okanagan campus at an estimated cost of $6.5 million. The provincial government will provide related funding.

(b) Litigation

The University is involved from time to time in litigation, which arises in the normal course of operations. Liabilities on any litigation are recognized in the financial statements when the outcome becomes reasonably determinable. In management's judgement, no material exposure exists at this time on the eventual settlement of any existing litigation.

(c) Derivative Financial Instruments

At March 31, 2007 the University had outstanding US dollar forward currency contracts and index-linked swaps of $187.5 million that mature in June 2007. The unrealized gain at March 31, 2007 was $2.2 million and this has been reflected in the statement of operations and within investments.

(d) Self Insurance

The University is a member of a self-insurance co-operative in association with other Canadian universities that provides property and general liability insurance coverage. Under this arrangement, referred to as the Canadian University Reciprocal Insurance Exchange (C.U.R.I.E.), the University is required to share in any net losses experienced by C.U.R.I.E. However, the University also receives periodic return premium distributions when C.U.R.I.E. is in an acceptable surplus position.

(e) Investments

Under its endowment investment strategy, the University has outstanding commitments to fund private equity and real estate investments totalling approximately $99 million (2006 - $111 million) and $86 million (2006 – $79 million) over the following four years.

21 DONATION PLEDGES AND GIFTS-IN-KIND

The estimated value of donations, which have been pledged but not received as at March 31, 2007, was approximately $176.5 million (2006 - $163.6 million). These amounts are not reflected in the financial statements of the University.

For the fiscal year 2007, gifts-in-kind with an estimated value of $21.6 million were received (2006 - $11.6 million), of which $3.3 million (2006 - $7.0 million) is not recorded in the financial statements.

22 ASSETS HELD IN TRUST

The Rick Hansen Trust holds several endowments for the benefit of the Rick Hansen Institute at the University. The total assets held in the Rick Hansen Trust are $25.8 million (2006 - $25.6 million). These assets are not controlled by UBC and are therefore not included in the financial statements.

THE UNIVERSITY OF BRITISH COLUMBIA

MARCH 31, 2007

SUPPLEMENTARY SCHEDULES (UNAUDITED)

THE UNIVERSITY OF BRITISH COLUMBIA
CONSOLIDATED SCHEDULE OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31
(thousands of dollars)
(Unaudited)

	General Purpose Operating		Specific Purposes	Sponsored Research	Ancillary Enterprises	Endowment	Related Organizations	Inter-departmental Services	Total	
	2007	2006	2007	2007	2007	2007	2007	2007	2007	2006
			(Schedule 2)		(Schedule 3)					
Revenues										
Government grants and contracts										
Government of Canada	$ 22,548	$ 18,975	$ 18,858	$ 132,858	$ -	$ -	$ -	$ -	$ 174,264	$ 161,187
Province of British Columbia	435,842	461,321	94,260	48,360	-	-	44	-	578,506	589,867
Other governments	-	-	727	11,207	-	-	-	-	11,934	9,848
Student fees - Credit	173,913	173,702	53,486	-	-	-	-	-	227,399	213,338
Student fees - Non-credit	2,163	1,981	47,746	-	6,605	-	-	-	56,514	52,311
Non-government grants, contracts and donations	(35)	46	19,862	104,545	-	-	(347)	-	124,025	114,485
Investment income	26,509	14,019	13,595	-	317	52,005	1,908	(13,539)	80,795	120,816
Sales and services	17,721	18,749	143,062	6,954	219,031	-	-	(112,971)	273,797	254,502
Amortization of deferred capital contributions	-	-	35,453	29,219	1,757	-	-	-	66,429	55,737
	678,661	688,793	427,049	333,143	227,710	52,005	1,605	(126,510)	1,593,663	1,572,091
Expenses										
Salaries - Academic	218,373	219,279	47,406	71,410	-	11,045	-	-	348,234	339,589
- Student services	14,445	20,096	27,634	36,512	-	427	-	-	79,018	78,984
- Staff	134,279	145,757	73,682	57,514	74,277	1,597	-	(4,217)	337,132	331,536
	367,097	385,132	148,722	165,436	74,277	13,069	-	(4,217)	764,384	750,109
Employee Benefits	63,739	57,795	18,915	17,144	15,583	1,461	-	-	116,842	107,692
Supplies and sundries	72,238	67,294	70,322	71,420	32,792	12,205	631	(78,539)	181,069	159,949
Depreciation	19,653	21,839	52,600	41,372	18,477	777	-	-	132,879	116,648
Cost of goods sold	-	-	1,155	-	58,990	34	-	(19,654)	40,525	42,772
Scholarships, fellowships and bursaries	29,601	28,063	16,058	878	-	9,363	92	-	55,992	51,722
Travel and field trips	7,935	8,623	9,600	19,251	2,363	1,064	-	(491)	39,722	36,950
Professional and consulting fees	12,224	9,591	19,201	11,968	-	2,005	9		45,407	46,717
Grants and reimbursements to other agencies	8,734	7,171	49,508	16,257	-	193	-	-	74,692	61,314
Utilities	22,686	23,329	1,939	1,117	9,024	162	-	(10,070)	24,858	25,970
Interest	6,446	2,228	15,561	-	11,525	169	-	(13,539)	20,162	32,827
	610,353	611,065	403,581	344,843	223,031	40,502	732	(126,510)	1,496,532	1,432,670
Excess (deficiency) of revenues over expenses	68,308	77,728	23,468	(11,700)	4,679	11,503	873	-	97,131	139,421
Interfund transfers	(46,345)	(40,781)	13,552	14,016	13,263	5,514	-	-	-	-
Released (to) from reserves	42,423	14,599	-	-	-	-		-	42,423	14,599
Reserves for the year	(50,105)	(41,823)	57,437	(283)	(7,657)	-	-	-	(608)	(40,539)
Transfers from (to) capital reserves	-	-	-	-	(480)	-	-	-	(480)	(812)
Transfers (to) from Invested in capital assets	(12,137)	(8,995)	(89,663)	(1,904)	(9,805)	230	-	-	(113,279)	(52,177)
Transfers (to) from endowment principal	(224)	(415)	(4,794)	(129)	-	(17,247)	-	-	(22,394)	(58,320)
Increase in equity of related organizations	-	-		-	-	-	(873)	-	(873)	(1,859)
Net change in unrestricted fund balances during the period	1,920	313	-	-	-	-	-	-	1,920	313

THE UNIVERSITY OF BRITISH COLUMBIA
SCHEDULE OF SPECIFIC PURPOSES FUND OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED 31 MARCH
(thousands of dollars)
(Unaudited)

	Fee for Service	Continuing Education	Trust	Capital	Total 2007	Total 2006
Revenues						
Government grants and contracts						
Government of Canada	$ (24)	$ 285	$ 18,597	$ -	$ 18,858	$ 17,824
Province of British Columbia	10,942	106	72,767	10,445	94,260	86,616
Other governments	-	-	727	-	727	212
Student fees - Credit	47,286	6,200	-	-	53,486	39,637
Student fees - Non-credit	16,803	30,767	176	-	47,746	43,948
Non-government grants, contracts and donations	1,296	314	18,125	127	19,862	15,693
Investment income	7	-	609	12,979	13,595	14,131
Sales and services	112,040	4,291	5,517	21,214	143,062	125,387
Amortization of deferred capital contributions	-	-	34	35,419	35,453	31,217
	188,350	41,963	116,552	80,184	427,049	374,665
Expenses						
Salaries - Academic	32,780	5,900	8,726	-	47,406	44,994
- Student services	5,441	202	21,991	-	27,634	24,263
- Staff	50,161	11,764	11,543	214	73,682	67,651
	88,382	17,866	42,260	214	148,722	136,908
Employee Benefits	13,496	2,569	2,822	28	18,915	17,606
Supplies and sundries	42,430	9,444	2,387	16,061	70,322	65,646
Depreciation	7,780	689	4,407	39,724	52,600	43,401
Cost of goods sold	1,066	-	89	-	1,155	1,903
Scholarships, fellowships and bursaries	7,507	56	8,495	-	16,058	13,922
Travel and field trips	4,388	1,440	3,785	(13)	9,600	8,395
Professional and consulting fees	7,897	3,384	8,042	(122)	19,201	25,130
Grants and reimbursements to other agencies	1,840	-	47,668	-	49,508	40,172
Utilities	1,170	420	337	12	1,939	1,791
Interest	130	289	29	15,113	15,561	28,760
	176,086	36,157	120,321	71,017	403,581	383,634
Excess (deficiency) of revenues over expenses	12,264	5,806	(3,769)	9,167	23,468	(8,969)
Interfund transfers	(1,924)	(176)	13,843	1,809	13,552	27,934
Reserves for the year	(13,549)	(5,347)	(10,885)	87,218	57,437	38,097
Transfers (to) from invested in capital assets	5,340	(183)	1,648	(96,468)	(89,663)	(55,572)
Transfers to endowment principal	(2,131)	(100)	(837)	(1,726)	(4,794)	(1,490)
Net change in unrestricted fund balances during the period	-	-	-	-	-	-

THE UNIVERSITY OF BRITISH COLUMBIA
SCHEDULE OF ANCILLARY ENTERPRISES FUND OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31
(thousands of dollars)
(Unaudited)

	Bookstore	Food Services	Housing & Conferences	Parking Services	Athletics and Recreation	Information Technology Services	Utilities	Plant Operations	Other	Total 2007	Total 2006
Revenues											
Sales and services	$ 31,923	20,315	52,214	8,982	4,193	14,367	30,519	47,340	9,178	$ 219,031	$ 214,475
Income from investments	-	160	616	(773)	266	(80)	-	-	128	317	517
Fees	-	-	-	-	5,646	-	-	959	-	6,605	6,384
Amortization of deferred capital contributions	1	-	466	-	349	-	685	-	256	1,757	1,627
	31,924	20,475	53,296	8,209	10,454	14,287	31,204	48,299	9,562	227,710	223,003
Expenses											
Cost of goods sold	23,137	6,557	-	30	76	4,019	24,104	(95)	1,162	58,990	61,849
Salaries - staff	4,401	7,352	12,924	1,903	4,473	7,631	3,059	30,091	2,443	74,277	69,470
Employee Benefits	959	1,861	2,511	442	663	1,487	551	6,699	410	15,583	15,042
Supplies and sundries	1,994	2,675	8,339	2,275	2,779	(1,644)	2,308	9,902	4,164	32,792	32,572
Depreciation	436	796	10,542	1,569	518	2,353	1,214	369	680	18,477	16,462
Travel and field trips	65	54	159	36	1,532	169	22	55	271	2,363	2,014
Utilities	167	670	5,925	305	403	325	51	887	291	9,024	8,920
Interest expense	311	219	8,712	1,338	-	81	213	126	525	11,525	9,298
	31,470	20,184	49,112	7,898	10,444	14,421	31,522	48,034	9,946	223,031	215,627
Excess (deficiency) of revenues over expenses	454	291	4,184	311	10	(134)	(318)	265	(384)	4,679	7,376
Interfund transfers	5	35	250	(907)	636	-	12,691	-	553	13,263	250
Change in net assets	459	326	4,434	(596)	646	(134)	12,373	265	169	17,942	8,430
Net assets, beginning of year	5,636	7,459	66,640	21,244	3,306	9,482	5,606	182	2,941	122,496	114,066
Net assets, end of year	$ 6,095	$ 7,785	$ 71,074	$ 20,648	$ 3,952	$ 9,348	$ 17,979	$ 447	$ 3,110	$ 140,438	$ 122,496