



FINANCIAL SERVICES

2020-2021 Management Discussion & Analysis

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MANAGEMENT DISCUSSION AND ANALYSIS 2020-2021



INTRODUCTION

This MD&A, designed to supplement the FY 2021 audited financial statements, provides an overview of the following topics:

1. **BC Post-Secondary Financial Context**
2. **Financial Highlights**
3. **Current Operating Environment**
4. **Risks and Uncertainties**
5. **Looking Ahead**

1. BC Post-Secondary Financial Context:

The publicly funded BC Post-Secondary sector must report its financial statements using Public Sector Accounting Standards (“PSAS”) and any supplemental guidance provided by Section 23.1 of the BC Budget Transparency and Accountability Act.

Additionally, the sector is subject to the Balanced Budget legislation. This legislation requires that, in any given fiscal period, revenues must exceed expenditures (i.e. there must be an operating surplus), as reported under the PSAS accounting framework and the Province’s reporting mandate. This contributes to a complex operating environment, especially in times of economic uncertainty.

Longer term planning is required to ensure an annual operating surplus each year, regardless of historical surpluses, cash flow, and an organization’s ability to service a deficit. Due to the COVID 19 pandemic, the Ministry of Advanced Education and Skills Development has given a onetime approval for KPU to move ahead into FY 2022 with a deficit budget. There remains uncertainty if approvals would be required or continue to be granted in subsequent years due to continuing impacts of the pandemic.

There are limited opportunities to increase tuition revenue as the provincial government has mandated a 2% per year limit on domestic tuition increases. While international tuition rate increases are not currently limited by government, discretion must be used when setting rates to ensure that they are competitive within the international student market.

Government operating grants have also been relatively static over the past several years. For many organizations, including KPU, government grants are

provided in parallel to government student full-time equivalent (“FTE”) targets, meaning that changes in targets do not necessarily result in increased financial support.

COVID-19 Pandemic

Just prior to the end of FY 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. FY 2021, which was previously expected to be a revenue growth year, was significantly impacted by the pandemic and the University saw a reduction in the enrolment of full time equivalents as compared to FY 2020. Travel restrictions remained in place and quarantining was mandatory for anyone traveling into Canada.

As of the time of writing, management is optimistic of the effects of the COVID-19 pandemic on KPU’s finances for FY 2022. Enrolment for the summer 2021 semester is stronger than summer 2020 and summer 2019, but as the summer semester is traditionally KPU’s smallest semester, it is not generally indicative of enrolment for the fall and spring semesters, which are traditionally the larger semesters. There is however an expectation that most classes will return to campus in September 2021 in conjunction with continued virtual courses.

We continue to actively monitor enrolments and expect to have a better idea of the financial impact once KPU has passed the stable state date for fall 2021 enrolments.

Office of Planning and Accountability’s Role in Budget Development

The Office of Planning and Accountability is involved in the budget development process by modelling enrolment capacity based on instructional budgets

and conducting various demand scenarios on how that capacity could be filled. Past data on the cost of delivery is used to model the capacity that can be expected based on the instructional budgets for each Faculty. Data on past demand is used to model the number of seats that could be filled by domestic and international students based on various assumptions on future demand. Estimates of tuition reve-

nue for the demand scenario are developed based on seats filled, the credit value of those seats, the tuition fees per credit, and the mix of domestic and international students predicted in the demand scenario. In addition, 'what if' scenarios are conducted to determine the optimum distribution of budget across faculties to maximize alignment with known demand, to the extent possible.

2. Financial Highlights:

KPU finished FY 2021 with a modest surplus - \$4.2M for FY 2021 compared to \$4.7M surplus for FY 2020. What was initially anticipated to be a deficit year early in FY 2021 transitioned to a surplus through prudent expense management.

Overall revenue increased by \$3.7M over prior year. This was primarily due to an increase in tuition and student fee revenue because of an increase in the proportion in international students and an increase in the Province of British Columbia grant revenue. A portion of the grant revenue increase was due to the timing of the ratification of both the KFA and BCGEU the collective agreements whereby the FY 2020 grant increases tied to these collective agreements were not received until FY 2021. To offset these increases was a decrease in ancillary revenues as neither parking or food services revenue were collected during the year and there was a dampening of bookstore revenues.

Salaries and benefits expenses increased by 2% year over year. This growth reflects collective bargained increases, step increases for administrative staff, and also includes an early retirement incentive in FY2021. This increase would have been higher if the University had not implemented a hiring freeze early in FY 2021 which was followed by a three month hiring chill on all replacement positions.



Non - salary expenses including amortization expense increased by 3% year over year. Through prudent expense management year over year cost savings were realized on travel and professional development, supplies, and fees and services. These savings were realized despite an increase in COVID related costs. Offsetting these savings was an increase in donations, composed of endowments to the KPU Foundation to support equity, diversity, inclusion and ongoing indigenous initiatives, research initiatives, and to establish a KPU Financial Aid Fund.



Government Grants

Operating grant funding from the Province did increase in FY 2021, however a portion of this grant revenue increase was due to the timing of the ratification of both the KFA and BCGEU the collective agreements, whereby the FY 2020 grant increase tied to these collective agreements was not received and recognized into revenue until FY 2021. The proportion of KPU’s revenue that is funded by provincial grants has generally been decreasing in recent years (see Figure 1).

This means that we are increasingly reliant on international tuition and other revenues to fund our ongoing obligations, including inflationary pressures and amortization.

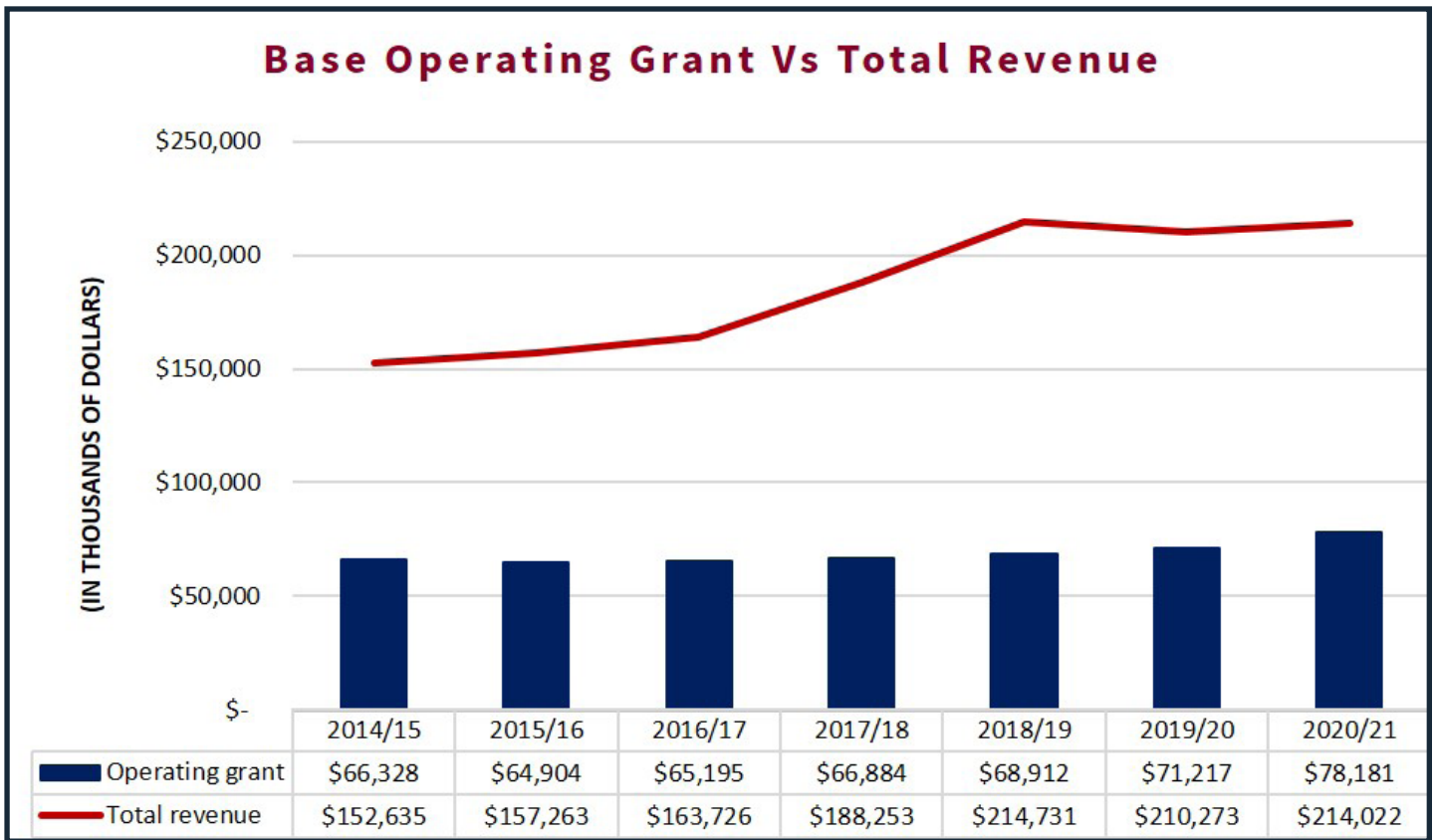


Figure 1 – Provincial Operating Grant vs. Total Revenue

Student Tuition & Fees

KPU continues to rely on international student revenues. They have been, and will continue to be, the main driver of growth at KPU. In FY 2015 international student tuition and fees were the third largest source of revenue but still below \$25M per year (see Figure 2). By FY 2019 international student tuition and fees became the top revenue generator for KPU. While we did see a decrease in international student tuition and fees in FY 2020, it increased in FY 2021 and was the second highest revenue source for FY 2021, closely behind the provincial operating grant revenue.

Tuition for international students is higher than that of domestic students because there is no government grant associated with international student FTEs.

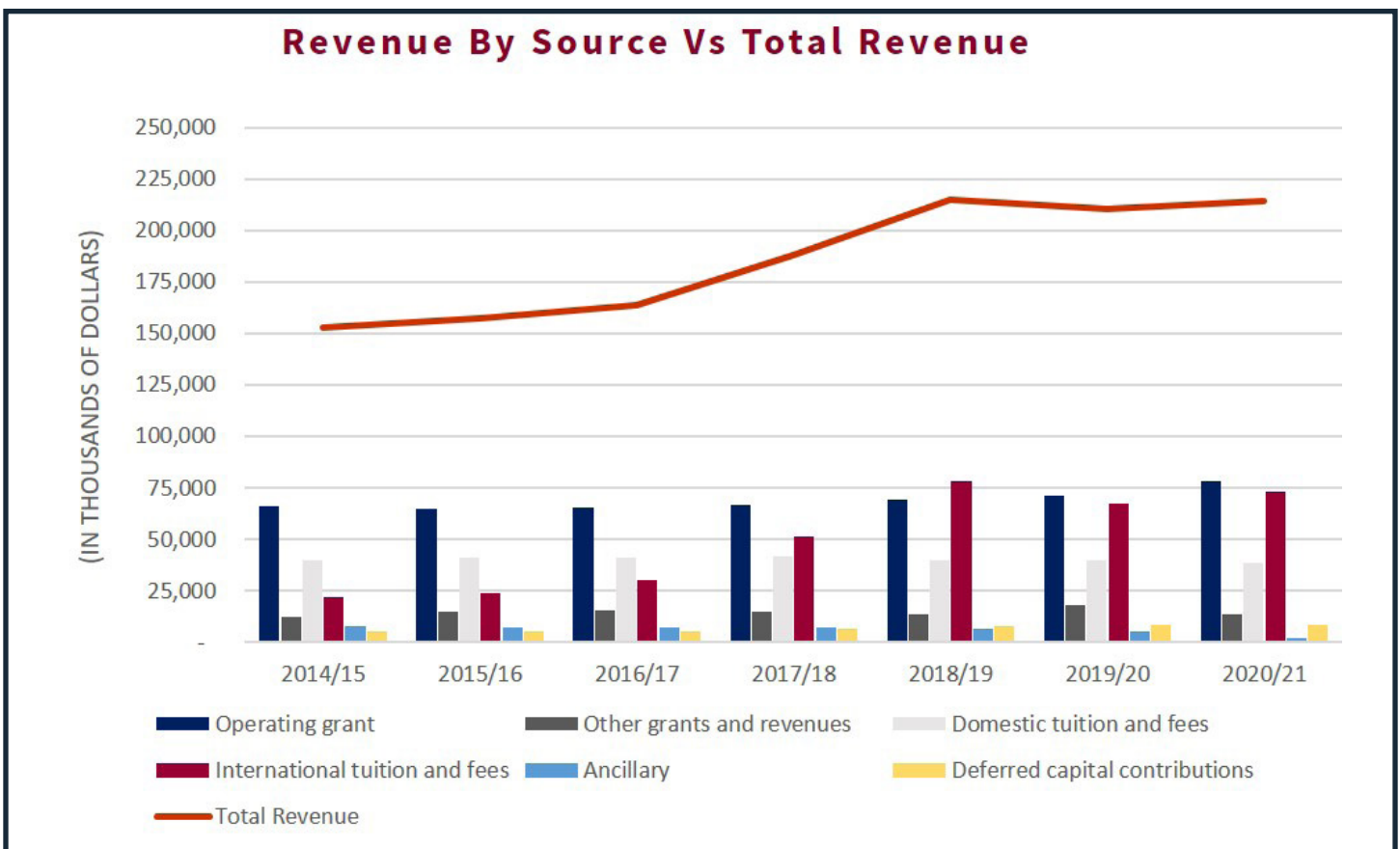


Figure 2 – Revenue by Source

In FY 2016 domestic student tuition accounted for 62% of tuition revenue, and international only 38% (see Figure 3). By FY 2019 these allocations had completely flipped, with international tuition revenue accounting for 67% of total tuition, and domestic tuition revenue now only 33%. International student revenue remains a high contributor in FY 2021 with international tuition representing 66% of tuition revenues and domestic representing 34% of tuition revenues.

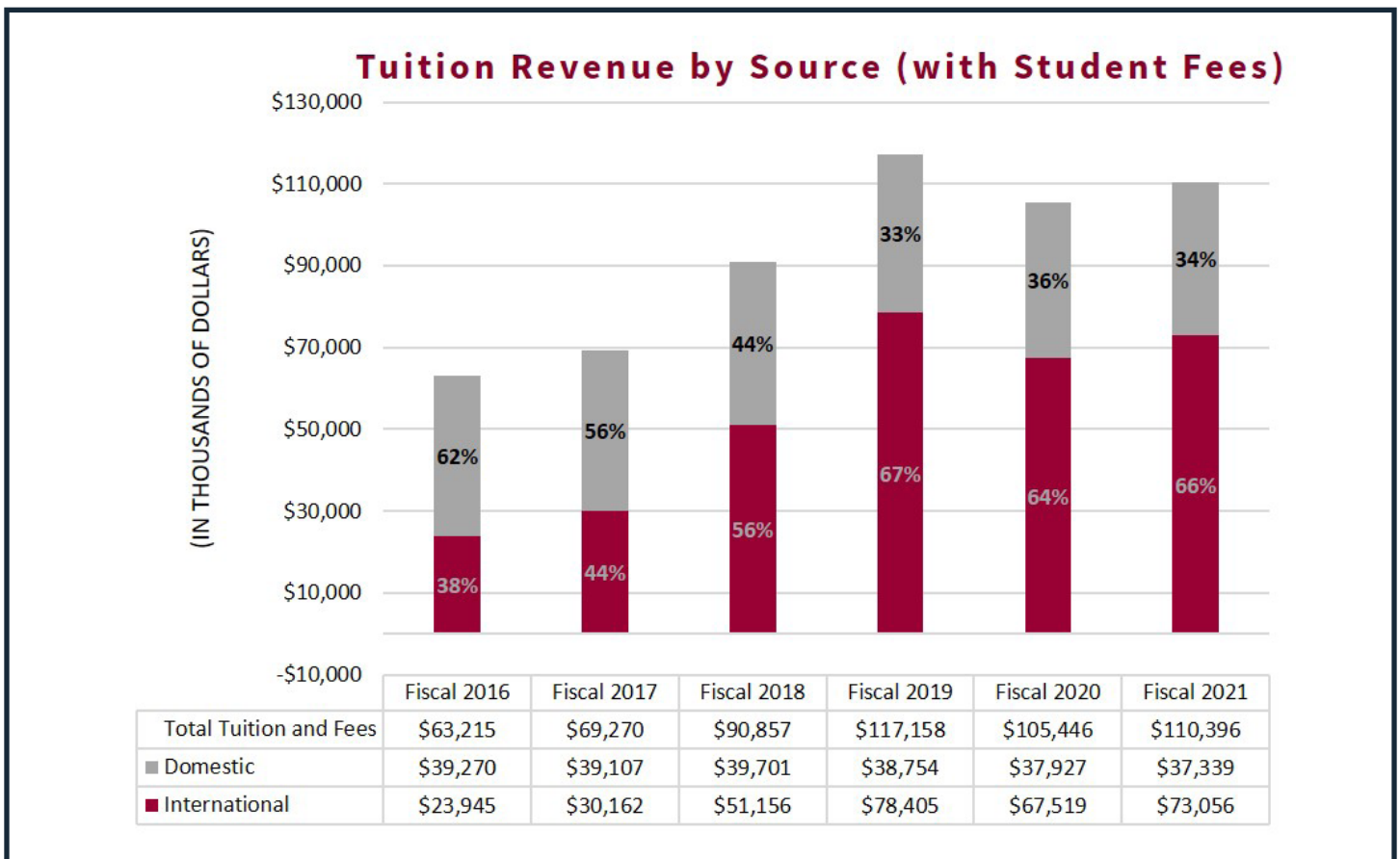


Figure 3 – Tuition Revenue by Source

International tuition is discussed more in the Risks and Uncertainties section below.

Salaries and Benefits

Salaries and benefits are KPU’s single largest expenditure. In FY 2021 there was an increase in salaries and benefits of approximately \$2 million or 2% year-over-year (FY 2020 \$9 million increase, or 6% year-over-year). This growth reflects accrued collectively bargained increases, step increases for administrative staff, an early retirement incentive in FY2021 and changes in staffing levels. Figure 4 below shows the salary expenses by group over a five-year period.

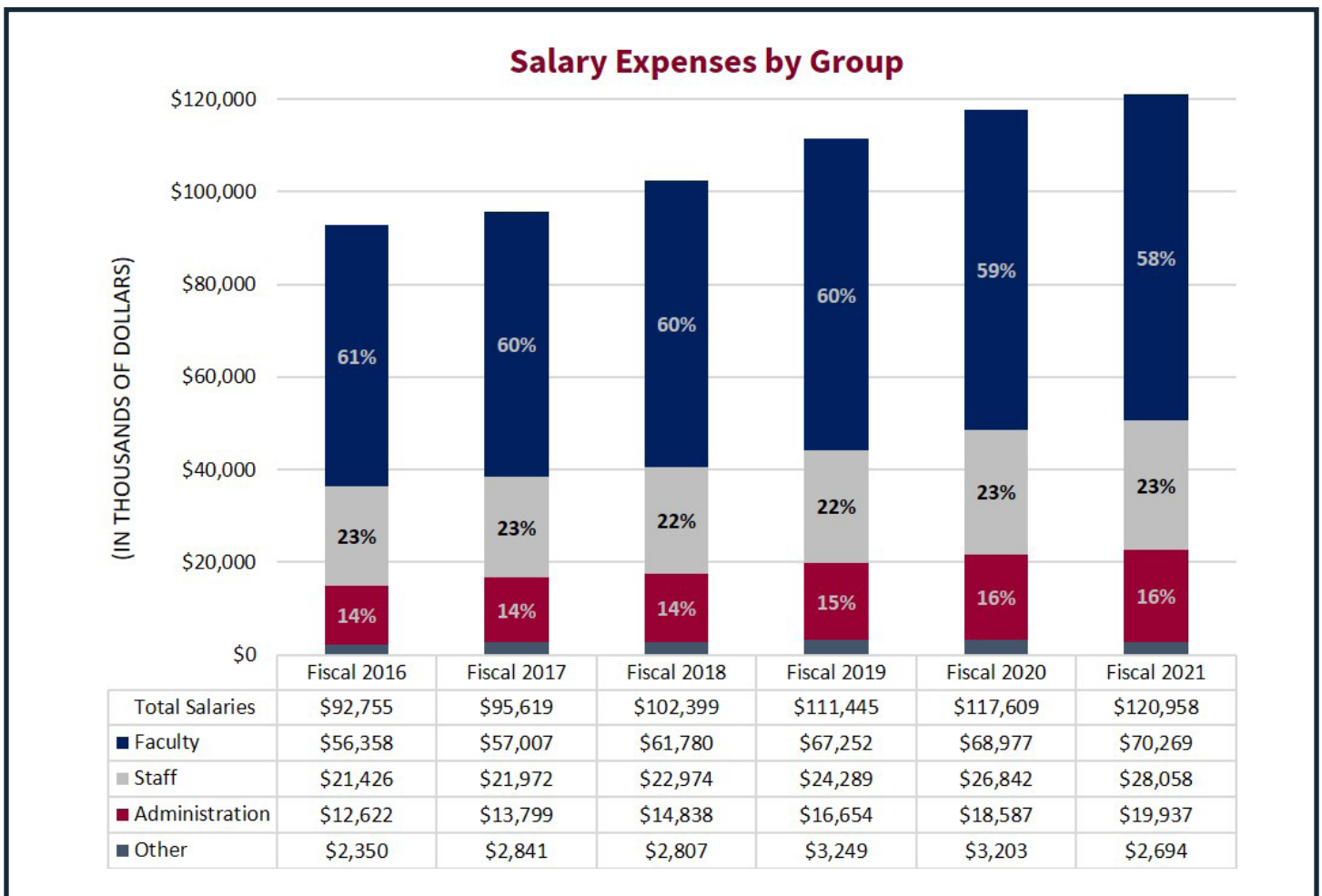


Figure 4 – Salary Expenses Group

Amortization Expense

Amortization expense reflects the ongoing operational cost of large capital assets that have a useful life beyond one fiscal period. The intent of amortization expense is to distribute the one-time cost of an asset over the lifespan of the asset's service life. These annual expenses reduce the amount that can be allocated in the budget process, as there is an operating expense impact for amortized assets not funded by the Province.

Due to the completion of several significant capital projects, including the Wilson School of Design, Civic Plaza, and the Spruce building renovation, KPU's amortization expense has grown by 46% over a four-year period (see Figure 5) (57% growth over a four-year period in FY2020). We began refining the capital budget process in the FY 2020 budget, and further refined it for the FY 2021 budget, in order to better manage our long-term self-funded amortization. Going forward the intent is that only organizational refreshes and high priority facility and teaching assets be approved so that we do not see the continued increase in self-funded amortization over the next few years.

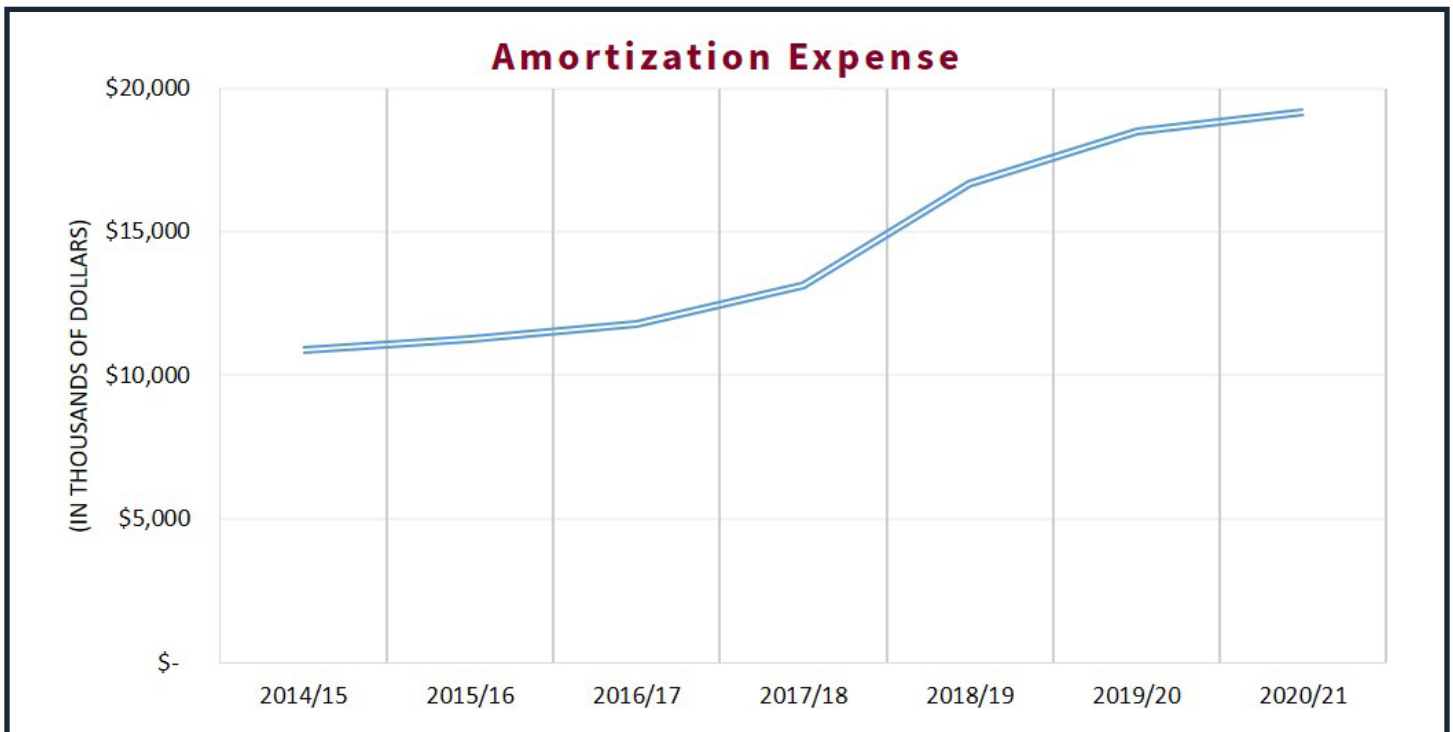


Figure 5 – Amortization

Non-salary Expenses

Non-salary expenditures, including amortization expenses, continued to increase in FY 2021, up approximately 3% or \$2 million (FY 2020 up approximately 7%, or \$4 million). This increase can be largely attributed to increased donations to the KPU Foundation to support equity, diversity, inclusion and ongoing indigenous initiatives, research initiatives, and to establish a KPU Financial Aid Fund. There was a net decrease of \$3M across all other expense categories due to prudent expense management.

Accumulated Surplus

Accumulated Surplus (see Figure 6 below) represents the University’s remaining interest in its net assets (assets minus liabilities). This balance is largely unavailable to fund KPU operations, as it has either already been invested in capital assets, or has been internally or externally restricted. Some of this balance does reflect cash available for use, however unless preapproved by the Ministry of Advanced Education and Skills Development, these funds cannot be spent without violating the Balanced Budget legislation noted above. Investment returns from these funds can be, and are, used for operating activities.

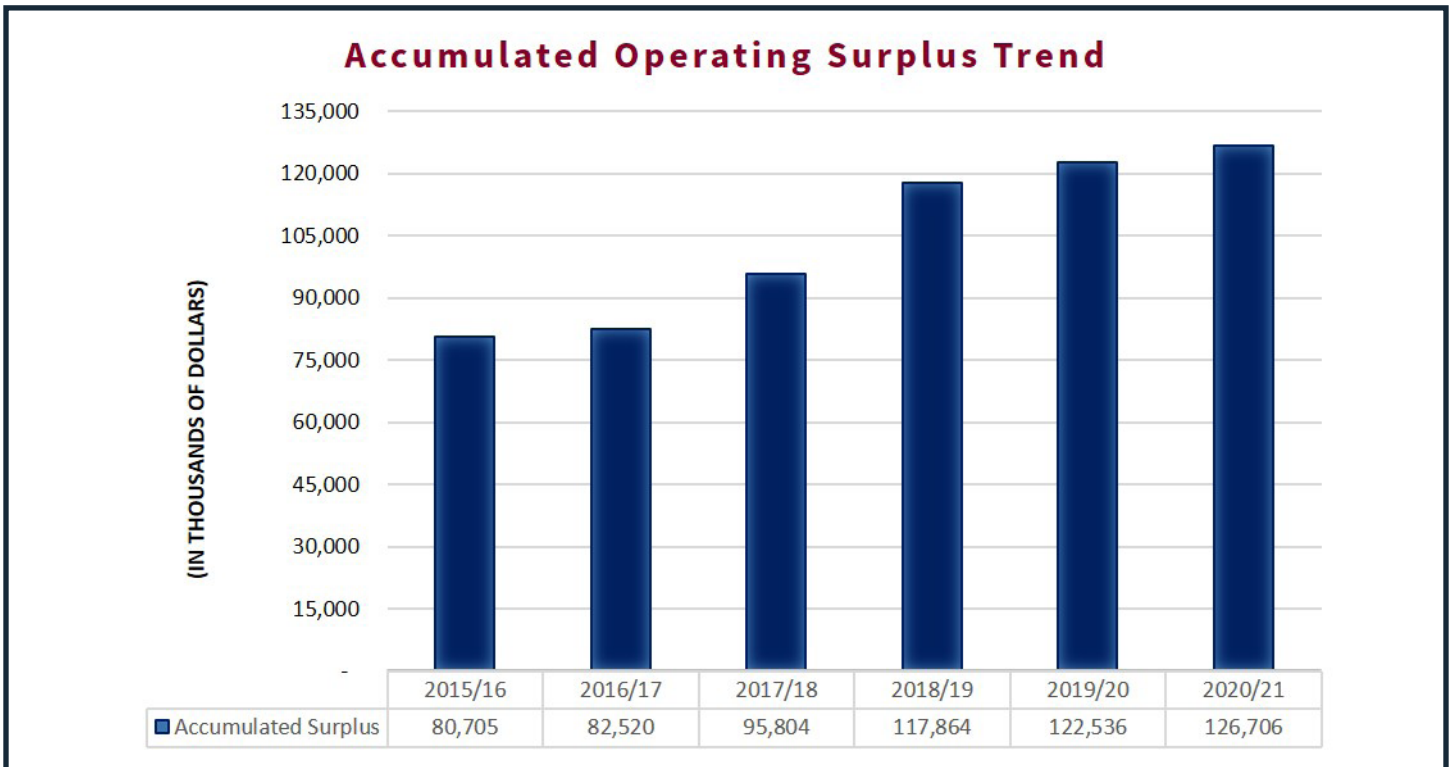


Figure 6 – Accumulated Surplus Trend

3. Current Operating Environment:

The financial context for the BC post-secondary sector is one that is tightly constrained by the provincial government, and institutions continue to face increasing cost pressures. Of particular concern for KPU is inflation, which continues to put significant pressure on operating

costs due to the nature and geographical location of our multi-campus, asset-rich, environment. In addition, expenditures are rising from net new activities largely driven by the success of our scholarship and research programs, as well as from faculty and student innovation.

4. Risks and Uncertainties:

KPU is operating in an increasingly complex environment—from a competitive, financial, regulatory, research and scholarship, and innovation perspective—and employs an Enterprise Risk Management (“ERM”) methodology to manage the significant risks associated with University operations.

International Tuition Revenues

KPU’s largest financial risk is related to international student enrolment and KPU’s overall reliance on this revenue stream. As KPU’s tuition revenues have grown, so have our physical infrastructure and number of employees, representing an increased reliance on the current levels of international student tuition for long-term sustainability. It is also important to note that of our three primary revenue drivers—government grants, domestic tuition, and international

tuition—international tuition is our most volatile (see Figure 7 below). A number of factors, including geo-political and immigration policy changes, and now the COVID-19 pandemic, can substantially impact this revenue stream with little notice.

Any significant decrease in international student enrolment and tuition would have a serious effect on KPU’s finances. Such a decrease would be further compounded by decreases already seen in on-campus parking revenues as well as cafeteria/catering revenues. Coupled with these issues is the difficulty in cutting back on expenses in a timely manner. Maintenance costs for KPU’s five campuses are largely fixed to some degree. Additionally, personnel changes cannot be made swiftly due to the Collective Agreements governing KPU.



Figure 7 below shows KPU’s stable revenues, which include domestic tuition and fees plus the operating grant from the Province, as a percentage of KPU’s total revenues. In FY 2015 stable revenues made up almost 70% of KPU’s total revenues. Starting in FY 2018 KPU started to see significant growth in international student tuition revenues, allowing for growth in faculty, staff, students, and infrastructure. Moving ahead to FY 2021, stable revenues now represent only 54% of total revenues. This represents a significant financial risk as we must ensure a balanced budget even if international student enrolments decline.

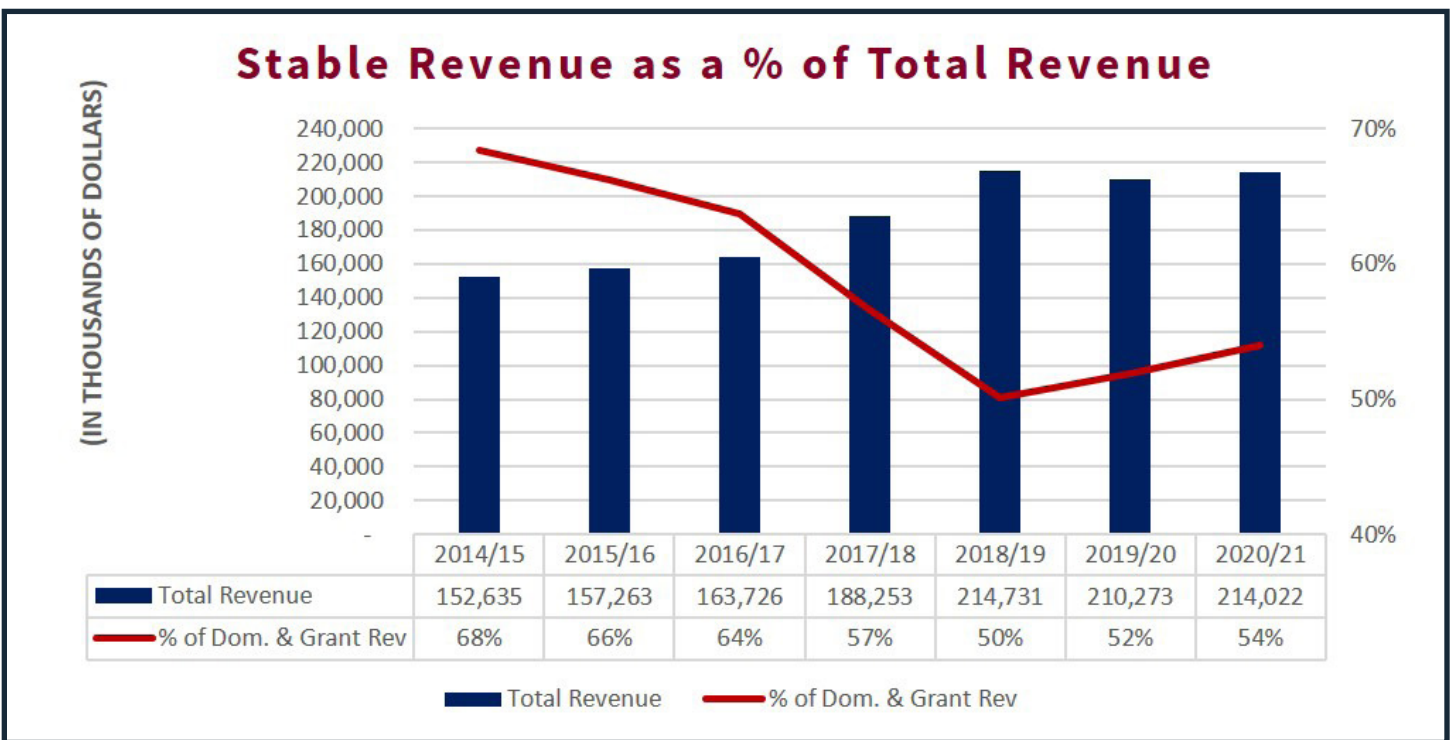


Figure 7 – Stable Revenue As Percentage of Total Revenue

Figure 8 below shows the five-year enrolment trend of international and domestic student FTEs over the past five years. The Figure shows an increasing trend in the total proportion of international student enrolments from FY 2018 to FY 2021. While domestic student enrolments remained relatively static for FY 2016 though to 2018, they started to decline in FY 2019 with a further decline in FY 2020 and FY 2021. Overall FY 2021 saw a decrease in total students which can be attributed to the uncertainty surrounding the pandemic.

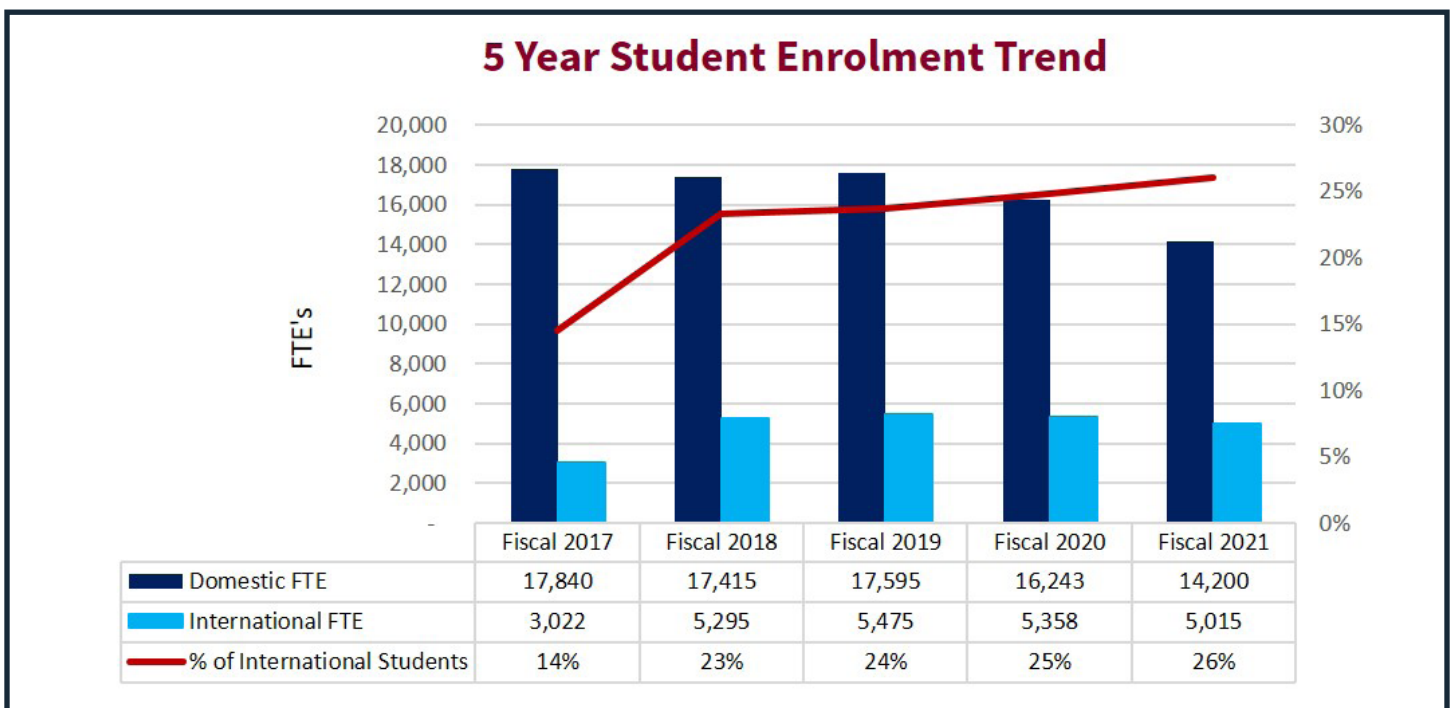


Figure 8 – Five-year Enrolment FTE



COVID-19 Pandemic

FY 2021 had a significant impact on KPU, its students and employees. In late FY 2020 and early FY 2021 KPU was successful at transitioning its courses to online learning while the majority of employees transitioned to working remotely. The University demonstrated resilience through this time. Despite an overall drop in revenues in FY 2021 through prudent cost management the University maintained its core services and ended the year with a modest surplus.

Deferred Maintenance

Deferred maintenance refers to the maintenance costs of physical infrastructure that have been deferred due to limited resources or resource prioritization. Adequate resourcing for deferred maintenance is a significant risk for many government organizations, including KPU. While we are at risk of an unanticipated infrastructure issue, particularly with some of our older assets, we continue to work closely with government to develop mitigation strategies.

5. Looking Ahead:

KPU will continue to manage cost pressures and effective strategic enrolment management will be essential elements as we move to the post-pandemic state.

We are cautiously optimistic that our student numbers will increase as we move out of the pandemic and bring back more on campus learning.

While the current pandemic environment is uncertain, we will continue to maintain our core services and work to mitigate risks associated with dependence on international student tuition revenue.



CONSOLIDATED FINANCIAL STATEMENTS



MANAGEMENT'S STATEMENT OF RESPONSIBILITY

To the Board of Governors of Kwantlen Polytechnic University


Management is responsible for the preparation and presentation of the accompanying financial statements for the year ended March 31, 2021, including responsibility for significant accounting judgments and estimates in compliance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

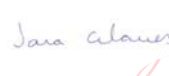
The Board of Governors (the "Board") and the Finance and Audit Committee (the "Committee") are composed primarily of those who are neither management nor employees of the University. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial statements. The Committee has the responsibility of meeting with management and external auditors to discuss the financial reporting process, auditing matters, financial reporting issues, and recommends approval of the financial statements to the Board. The Committee is also responsible for recommending the appointment of the University's external auditor.

KPMG LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board to audit the financial statements and report directly to them through the Committee. The external auditor has full and free access to, and meets periodically and separately with, both the Committee and management to discuss their audit findings.

On behalf of Kwantlen Polytechnic University

 Digitally signed by Dr. Alan Davis
DN: cn=Dr. Alan Davis, o=KPU,
ou=Office of the President,
email=alan.davis@kpu.ca, c=CA
Date: 2021.06.03 15:27:25 -07'00'

Dr. Alan Davis
President and Vice-Chancellor

 Digitally signed by Tara Clowes
DN: cn=Tara Clowes, o=Kwantlen
Polytechnic University, ou=Finance
& Administration,
email=tara.clowes@kpu.ca, c=CA
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Tara Clowes
Vice President, Finance and Administration

Financial Statements of

KWANTLEN POLYTECHNIC UNIVERSITY

And Independent Auditors' Report thereon

Year ended March 31, 2021



KPMG LLP
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Vancouver BC V7Y 1K3
Canada
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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Kwantlen Polytechnic University, and
To the Minister of the Ministry of Advanced Education, Skills & Training, Province of
British Columbia

Opinion

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

- the statement of financial position as at March 31, 2021
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- the statement of rereasurement gains and losses for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2021 of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

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

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

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

Emphasis of Matter – Financial Reporting Framework

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

Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
May 26, 2021

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Financial Position

(in thousands of dollars)

As at March 31, 2021 with comparative information for 2020

		2021	2020
Financial assets			
Cash and cash equivalents	(Note 3)	\$ 88,891	\$ 72,217
Accounts receivable	(Note 4)	1,928	2,668
Inventories for resale		447	532
Investments	(Note 5)	31,614	27,946
		122,880	103,363
Liabilities			
Accounts payable and accrued liabilities	(Note 6)	43,114	44,229
Deferred revenue		40,860	30,957
Deferred contributions	(Note 8)	5,497	3,952
Deferred capital contributions	(Note 9)	152,503	155,789
Obligations under capital lease	(Note 10)	33	92
		242,007	235,019
Net debt		(119,127)	(131,656)
Non-financial assets			
Tangible capital assets	(Note 11)	243,096	249,005
Endowment investments	(Note 5)	2,817	2,817
Prepaid expenses and deposits		2,088	2,424
		248,001	254,246
Accumulated surplus		\$ 128,874	\$ 122,590
Accumulated surplus is comprised of:	(Note 12)		
Accumulated surplus		\$ 126,706	\$ 122,536
Accumulated remeasurement gains		2,168	54
		\$ 128,874	\$ 122,590

Contractual obligations (Note 14)

Commitments and contingent liabilities (Note 15)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Sandra Case
Chair, Board of Governors



Tara Clowes
Vice President, Finance and Administration

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Operations and Accumulated Surplus

(in thousands of dollars)

Year Ended March 31, 2021 with comparative information for 2020

	Budget	2021	2020
	(Note 2(k))		
Revenue:			
Province of British Columbia grants	\$ 76,179	\$ 79,344	\$ 73,511
Revenue recognized from deferred contributions (Note 8)	5,973	6,228	8,374
Tuition and student fees	124,000	111,666	107,463
Ancillary services	6,036	1,926	5,199
Other revenue	4,258	6,123	7,110
Revenue recognized from deferred capital contributions (Note 9)	9,009	8,735	8,616
	225,455	214,022	210,273
Expenses:			
	(Note 18)		
Instruction, research and support	219,847	207,143	200,782
Ancillary operations	5,608	2,709	4,819
	225,455	209,852	205,601
Annual surplus	-	4,170	4,672
Accumulated surplus, beginning of year	122,536	122,536	117,864
Accumulated surplus, end of year	\$ 122,536	\$ 126,706	\$ 122,536

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Changes in Net Debt

(in thousands of dollars)

Year Ended March 31, 2021 with comparative information for 2020

	Budget	2021	2020
	(Note 2(k))		
Annual surplus	\$ -	\$ 4,170	\$ 4,672
Acquisition of tangible capital assets, net of write-offs	(10,109)	(13,237)	(12,098)
Amortization of tangible capital assets	19,700	19,146	18,474
	9,591	5,909	6,376
Net of use (acquisition) of prepaid expenses and deposits	-	336	(435)
Net remeasurement gains (losses)	-	2,114	(197)
Change in net debt	9,591	12,529	10,416
Net debt, beginning of year	(131,656)	(131,656)	(142,072)
Net debt, end of year	\$ (122,065)	\$ (119,127)	\$ (131,656)

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Cash Flows

(in thousands of dollars)

Year Ended March 31, 2021 with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 4,170	\$ 4,672
Items not involving cash:		
Amortization of tangible capital assets	19,146	18,474
Write-off of tangible capital assets	413	-
Revenue recognized from deferred capital contributions	(8,735)	(8,616)
Change in non-cash operating working capital:		
Accounts receivable	740	3,849
Prepaid expenses and deposits	336	(435)
Inventories for resale	85	68
Accounts payable and accrued liabilities	(1,115)	16,831
Deferred revenue	9,903	17,462
Deferred contributions	1,545	93
Net change from operating activities	26,488	52,398
Capital activities:		
Cash used to acquire tangible capital assets	(13,650)	(12,098)
Net change from capital activities	(13,650)	(12,098)
Financing activities:		
Contributions received for tangible capital assets	5,449	5,077
Principal payments on capital lease obligations	(59)	(155)
Net change from financing activities	5,390	4,922
Investing activities:		
(Increase) decrease in investments	(3,668)	934
Net remeasurement gains (losses)	2,114	(197)
Net change from investing activities	(1,554)	737
Net change in cash and cash equivalents	16,674	45,959
Cash and cash equivalents, beginning of year	72,217	26,258
Cash and cash equivalents, end of year	\$ 88,891	\$ 72,217

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Remeasurement Gains and Losses

(in thousands of dollars)

Year Ended March 31, 2021 with comparative information for 2020

	2021	2020
Accumulated remeasurement gains, beginning of year	\$ 54	\$ 251
Unrealized gains (losses) generated during the year from:		
Fixed income investments	1,246	(21)
Pooled investments, mortgage-backed securities and mutual funds	2,517	1
Foreign currency translation	(114)	(37)
Remeasurement (gains) losses realized and reclassified to the Statement of Operations and Accumulated Surplus from:		
Fixed income investments	(1,278)	(186)
Pooled investments, mortgage-backed securities and mutual funds	(460)	(5)
Foreign currency translation	203	51
Net remeasurement gains (losses) for the year	2,114	(197)
Accumulated remeasurement gains, end of year	\$ 2,168	\$ 54

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2021

1. Authority and purpose

Kwantlen Polytechnic University (“the University”) operates under the authority of the *University Act* of British Columbia. The University is a not-for-profit entity governed by a Board of Governors, the majority of which are appointed by the Provincial Government of British Columbia. The University is exempt from income taxes under section 149 of the *Income Tax Act*.

The University offers career, vocational, developmental and academic programs from its Richmond, Langley and three Surrey campuses located in southwestern British Columbia. The academic governance of the University is vested in the Senate.

2. Summary of significant accounting policies

(a) Basis of accounting

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

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

Government Organization Accounting Standards Regulation 257/2010 requires all taxpayer supported organizations in the schools, universities, colleges and hospitals sectors to adopt the Canadian Public Sector Accounting Standards (“PSAS”) without any public sector (“PS”) 4200 elections, effective their first fiscal year commencing after January 1, 2012.

Government Organization Accounting Standards Regulation 198/2011 requires that restricted contributions received or receivable for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be deferred and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded.

Regulation 198/2011 also requires that the contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the period when the stipulation or restriction on the contributions have been met.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

2. Summary of significant accounting policies (continued)

(a) Basis of accounting (continued)

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which requires government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410. Externally restricted contributions are recognized in revenue in the period when the resources are used for the purpose specified in accordance with PS 3100.

As a result, revenue recognized in the Statement of Operations and Accumulated Surplus and certain related deferred capital contributions would be recorded differently under PSAS.

(b) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) Financial instruments

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

(i) Fair value category: The University manages and reports performance for groups of financial assets on a fair-value basis. Cash and cash equivalents and investments are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets except for those related to restricted endowments are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses. Unrealized gains and losses on endowment investment assets, where earnings are restricted as to use, are recorded as deferred contributions and recognized in revenue when disposed and when the related expenses are incurred.

(ii) Cost category: Amounts receivable are measured at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt.

(d) Inventories for resale

Inventories for resale, including new and used textbooks, course manuals, stationery, art supplies, clothing, and crested and non-crested giftware, are recorded at the lower of cost or net realizable value.

Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated proceeds on sale less any costs to sell. Inventories are written down to net realizable value when the cost of inventories is estimated not to be recoverable.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

2. Summary of significant accounting policies (continued)

(d) Inventories for resale (continued)

When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of write-down previously recorded is reversed.

(e) Contaminated sites

A liability for contaminated sites is recognized when the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The University is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(f) Non-financial assets

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

(i) Tangible capital assets

Tangible capital asset acquisitions are initially recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and air space parcels, are amortized on a straight-line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value. Work in progress is not amortized until the asset is available for productive use.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

2. Summary of significant accounting policies (continued)

(f) Non-financial assets (continued)

(i) Tangible capital assets (continued)

	Term
Buildings	40 years
Major site improvements	10 years
Major equipment	10 - 20 years
Library holdings	10 years
Technology infrastructure	8 years
Furniture and equipment	5 years
Computing equipment	3 years
Leased capital assets	shorter of 5 years or lease term

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

(ii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as obligations under capital lease and are reflected as part of tangible capital assets in the financial statements. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(g) Employee future benefits

The University and its employees make contributions to the College and Municipal pension plans which are multi-employer joint trustee pension plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as defined contribution plans and any contributions of the University to the plans are expensed as incurred.

The University's sick leave benefits do not vest or accumulate and related costs are expensed as incurred.

(h) Revenue recognition

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

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

2. Summary of significant accounting policies (continued)

(h) Revenue recognition (continued)

Unrestricted donations and grants are recorded as revenue if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the University or the transfer of property is completed.

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

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.
- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as endowment donations and as deferred contributions for any unspent restricted investment income earned thereon.

Investment income is reported as part of Other Revenue on the Statement of Operations and Accumulated Surplus and includes interest recorded on an accrual basis, dividends recorded as declared, and realized gains and losses on the sale of investments.

(i) Use of estimates

In accordance with PSAS, the preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures, and the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas where management has made estimates and assumptions include those related to the determination of useful lives of tangible capital assets for amortization and the amortization of related deferred capital contributions, accrued liabilities, valuation of accounts receivable, and provisions for contingencies. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

2. Summary of significant accounting policies (continued)

(j) Foreign currency translation

The University's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which are designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the Statement of Financial Position date.

Any gains or losses resulting from a change in rates between the transaction date and the settlement date or Statement of Financial Position date is recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the Statement of Remeasurement Gains and Losses and the exchange gains or losses in relation to the exchange rate at the date of the item's initial recognition is recognized in the Statement of Operations and Accumulated Surplus.

(k) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2020-2021 University Budget approved by the Board of Governors on February 5, 2020. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

3. Cash and cash equivalents

	2021	2020
Cash	\$ 85,861	\$ 70,085
Cash equivalents	3,030	2,132
	\$ 88,891	\$ 72,217

4. Accounts receivable

	2021	2020
Accounts receivable	\$ 3,669	\$ 5,467
Allowance for doubtful accounts	(1,741)	(2,799)
	\$ 1,928	\$ 2,668

5. Investments and endowment investments

Investments and endowment investments recorded at fair value are comprised of the following:

	2021	2020
Designated to the fair value category (Level 1)		
Fixed income investments	\$ 19,164	\$ 25,491
Canadian equities pooled investments	6,971	3,730
International equities pooled investments	7,914	-
Mortgage-backed securities	-	1,542
Total Level 1 Category Investments	34,049	30,763
Designated to the fair value category (Level 3)		
Infrastructure pooled investments	198	-
Real estate pooled investments	184	-
Total Level 3 Category Investments	382	-
Total Investments	34,431	30,763
Endowment investments	2,817	2,817
Investments	\$ 31,614	\$ 27,946

All fixed income investments held at March 31, 2021 mature at various dates to October 2083 (2020 – September 2077) and bear interest at rates varying from 0.18% to 11.75% (2020 – 1.30% to 6.63%).

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

5. Investments and endowment investments (continued)

PSAS defines the fair value of a financial instrument as the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The University uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Statement of Financial Position under the following captions:

- Cash and cash equivalents, accounts receivable, and accounts payables and accrued liabilities – the carrying amounts approximate fair value because of the short maturity of these instruments.
- Investments – the carrying amounts are shown at fair value based on quoted prices (unadjusted) in active markets.

The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table reconciles the changes in the fair value of investments classified as Level 3 during the year.

	2021	2020
Balance, beginning of year	\$ -	\$ -
Purchases	687	-
Dispositions	(305)	-
Balance, end of year	\$ 382	\$ -

6. Accounts payable and accrued liabilities

	2021	2020
Accounts payable and accrued liabilities	\$ 21,544	\$ 26,291
Salaries and wages payable	9,496	7,043
Accrued vacation payable	12,074	10,895
	\$ 43,114	\$ 44,229

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

7. Employee future benefits

(a) Pension benefits

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2019, the College Pension Plan has about 15,000 active members, and approximately 9,000 retired members. As at December 31, 2019, the Municipal Pension Plan has about 213,000 active members, including approximately 6,000 from colleges.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2018, indicated a \$303,000 surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866,000 funding surplus for basic pension benefits on a going concern basis. The University paid \$10,562 for employer contributions to the plans in the fiscal year 2021 (2020 - \$10,416).

The next valuation for the College Pension Plan will be as at August 31, 2021, with results available in 2022. The next valuation for the Municipal Pension Plan will be December 31, 2021, with results available in 2022.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

(b) Maternity or parental leave

The University provides supplemental employee benefits for faculty, staff and administration on maternity or parental leave. For the duration of the leave, employees on maternity or parental leave receive a supplemental payment added to employment insurance benefits. Employer-paid benefits also continue to be paid on the employees' behalf. The University has expensed \$1,005 in the current year (2020 – \$691). As at March 31, 2021, the University has an obligation of \$393 (2020 – \$783) which has been included in salaries and wages payable.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

8. Deferred contributions

Deferred contributions represent the unspent externally restricted grants and contributions that will be used in future periods for academic programming and student awards, as specified by the contributor.

	2020	Amounts received	Recognized as revenue	2021
Provincial	\$ 2,650	\$ 5,098	\$ (4,454)	\$ 3,294
Federal	548	1,158	(771)	935
Other sources	754	1,517	(1,003)	1,268
	\$ 3,952	\$ 7,773	\$ (6,228)	\$ 5,497

9. Deferred capital contributions

Changes in deferred capital contributions balance are as follows:

	2020	Amounts received	Recognized as revenue	2021
Provincial	\$ 131,929	\$ 5,271	\$ (7,310)	\$ 129,890
Federal	9,592	42	(742)	8,892
Other sources	14,268	136	(683)	13,721
	\$ 155,789	\$ 5,449	\$ (8,735)	\$ 152,503

10. Obligations under capital lease

The University has entered into capital leases to finance computers and equipment at an estimated cost of borrowing of 3.95% (2020 – 3.38%) per annum. The principal and interest payments are as follows:

	2021	2020
2021	\$ -	\$ 61
2022	24	24
2023	10	10
Total minimum capital lease payments	34	95
Less amounts representing interest	(1)	(3)
Present value of net minimum capital lease payments	\$ 33	\$ 92

Total interest payment on capital leases for the year was \$2 (2020 – \$5).

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)

(in thousands of dollars)

Year ended March 31, 2021

11. Tangible capital assets

	Land	Buildings	Major site improvements	Major equipment	Library holdings	Technology infrastructure	Furniture & equipment	Computing equipment	Leased capital assets	Work in progress (WIP)	Total
2021 Cost											
Opening balance	\$ 21,485	\$ 266,610	\$ 44,664	\$ 7,637	\$ 9,196	\$ 3,866	\$ 72,597	\$ 9,448	\$ 370	\$ 4,539	\$ 440,412
Additions	-	102	444	624	204	-	4,267	1,994	-	6,015	13,650
Dispositions/write-offs	-	-	-	-	-	-	-	-	(279)	(413)	(692)
Transfer to/(from) WIP	-	-	1,514	3,801	-	-	761	-	-	(6,076)	-
Closing balance	<u>21,485</u>	<u>266,712</u>	<u>46,622</u>	<u>12,062</u>	<u>9,400</u>	<u>3,866</u>	<u>77,625</u>	<u>11,442</u>	<u>91</u>	<u>4,065</u>	<u>453,370</u>
2021 Accumulated amortization											
Opening balance	-	(95,823)	(17,291)	(1,379)	(7,133)	(1,649)	(60,426)	(7,427)	(279)	-	(191,407)
Amortization	-	(6,667)	(4,414)	(725)	(442)	(483)	(4,946)	(1,411)	(58)	-	(19,146)
Dispositions	-	-	-	-	-	-	-	-	279	-	279
Closing balance	<u>-</u>	<u>(102,490)</u>	<u>(21,705)</u>	<u>(2,104)</u>	<u>(7,575)</u>	<u>(2,132)</u>	<u>(65,372)</u>	<u>(8,838)</u>	<u>(58)</u>	<u>-</u>	<u>(210,274)</u>
2021 Net book value	<u>\$ 21,485</u>	<u>\$ 164,222</u>	<u>\$ 24,917</u>	<u>\$ 9,958</u>	<u>\$ 1,825</u>	<u>\$ 1,734</u>	<u>\$ 12,253</u>	<u>\$ 2,604</u>	<u>\$ 33</u>	<u>\$ 4,065</u>	<u>\$ 243,096</u>
2020 Net book value	<u>\$ 21,485</u>	<u>\$ 170,787</u>	<u>\$ 27,373</u>	<u>\$ 6,258</u>	<u>\$ 2,063</u>	<u>\$ 2,217</u>	<u>\$ 12,171</u>	<u>\$ 2,021</u>	<u>\$ 91</u>	<u>\$ 4,539</u>	<u>\$ 249,005</u>

As at March 31, 2021, work in progress with a value of \$4,065 (2020 - \$4,539) has not been amortized. Amortization of these assets will commence when the assets are put into productive use.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

12. Accumulated Surplus

The accumulated surplus is comprised of the following:

	2021	2020
Investment in tangible capital assets	\$ 90,593	\$ 93,216
Endowments (note 5)	2,817	2,817
Internally restricted	6,170	2,000
Unrestricted	27,126	24,503
Accumulated remeasurement gains	2,168	54
	<u>\$ 128,874</u>	<u>\$ 122,590</u>

13. Financial risk management

The University has exposure to certain risks from its financial instruments.

The Board of Governors ensures that the University has identified its major risks and ensures that management monitors and controls them.

(a) Credit risk

Credit risk is the risk of financial loss to the University if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the University consisting of cash and cash equivalents, investments and accounts receivable.

The University manages credit risk with established investment guidelines for its investment management companies to follow in managing its investment portfolios. The guidelines limit investments to those with BBB- or greater credit rating. The University does not invest in any derivatives.

(b) Market risk

Market risk is the risk that changes in the market prices, such as interest rates, will affect the University's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

It is management's opinion that the University is not exposed to significant market or interest rate risk arising from its financial instruments.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

13. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they become due.

The University manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation.

(d) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. The University is exposed to foreign exchange risk on investments that are dominated in foreign currencies.

The functional currency of the University is the Canadian dollar. The University conducts some transactions in foreign currencies, particularly the U.S. dollar. The University maintains a U.S. dollar denominated bank account to minimize foreign exchange risk on these transactions.

(e) COVID-19 Pandemic

The COVID-19 outbreak has caused disruption in operations for institutions of higher education. The University temporarily closed campuses to employees and students with a transition to remote working and virtual courses, and has not reopened its campuses as of the date these financial statements were approved. The continued imposition of travel restrictions, for example, is anticipated to impact future international student enrolment trends. The ongoing effects of the pandemic, both in terms of impact and duration, are still uncertain at this time and these factors present uncertainty over future cash flows, may cause significant changes to the carrying values of assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

In accordance with the Ministry of Advanced Education's announcement on March 8, 2021 regarding in person classes, the University is striving to have increased students and employees on the campuses in Fall 2021, barring the imposition of any further lockdown measures.

14. Contractual obligations

The nature of the University's activities can result in multi-year contracts and obligations whereby the University will be committed to make future payments. Significant contractual obligations related to operations that can be reasonably estimated are as follows:

	2022	2023	2024	2025	2026
Contractual obligations	\$17,987	\$ 6,494	\$ 3,000	\$ 555	\$ -

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

15. Commitments and contingent liabilities

- (a) The University may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of operations.

There are several lawsuits pending in which the University is involved. It is considered that the potential claims against the University resulting from such litigation would not materially affect the financial statements of the University.

- (b) The University committed to the building of the Chip and Shannon Wilson School of Design at the Richmond campus for the Faculty of Design. The project which has a total budget of \$36,000 was substantially complete by December 2017. As at March 31, 2021, the University has incurred costs of \$35,634 (2020 – \$35,285) for this project, with the anticipated remaining costs of \$366 to be incurred in fiscal 2022.

- (c) The University has the ability to draw on a line of credit with a commercial bank for \$7,500 (2020–\$7,500). As at March 31, 2021, the University has not utilized the available line of credit.

- (d) As at March 31, 2021, the University has issued letters of credits to the City of Surrey totalling \$294 (2020 – \$294) which expire on January 25, 2022. There is an automatic renewal that occurs each year thereafter and will terminate once the City of Surrey advises the University that the guarantee is no longer required.

16. Related party transactions

The University has entered into certain transactions and agreements in the normal course of business with certain of its related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Significant related party transactions with the provincial government entities are as follows:

Revenue and expenses:

Included in revenue	2021	2020
Ministry of Advanced Education, Skills and Training grants	\$ 79,344	\$ 73,511
Other provincial government entity – grants and revenue recognized from deferred contributions	4,554	6,319
Other provincial government entity – grants and revenue recognized from deferred capital contributions	7,310	7,206
	\$ 91,208	\$ 87,036

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

16. Related party transactions (continued)

Included in expenses	2021	2020
Ministry of Advanced Education, Skills and Training	\$ 249	\$ 239
Other provincial government entities	1,395	1,238
Other provincial universities	376	351
	\$ 2,020	\$ 1,828

Receivables and payables:

Included in accounts receivable	2021	2020
Ministry of Advanced Education, Skills and Training	\$ 565	\$ 1,070

There are \$nil (2020 - \$nil) included in accounts payable for related party transactions with the provincial government entities.

Related party transactions with key management personnel:

During the year ended March 31, 2021, the key management personnel, comprised of the Senate, the Board and the University's Executives, have \$nil (2020 - \$nil) related party transactions with the University with respect to the delivery of goods and services, and payment of fees that were transacted at non-arms' length. As at March 31, 2021, the University had a net receivable of \$nil (2020 - \$nil) and a net payable of \$nil (2020 - \$nil) with respect to these transactions.

17. Contractual rights

The University may, from time to time, enter into contracts or agreements in its normal course of operations that will result in the realization of assets and revenues in future fiscal years. The University is a recipient of research grants from various federal, provincial and municipal funding agencies.

The University enters into various multi-year research funding agreements whereby the University has the opportunity to earn revenue in future years by incurring qualified expenditures. These research funding agreements do not abnormally impact the University's financial position and do not guarantee the University the right to future funding.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

18. Expense by object

The following is a summary of expenses by object:

	Instruction, research, and support	Ancillary operations	2021
Salaries and benefits	\$ 146,302	\$ 924	\$ 147,226
Travel and professional development	1,458	2	1,460
Supplies	3,160	6	3,166
Student awards, bursaries and donations	11,393	-	11,393
Fees and services	14,594	246	14,840
Facilities	10,365	99	10,464
Cost of sales	-	1,408	1,408
Leases, property taxes, insurance	725	24	749
Amortization of tangible capital assets	19,146	-	19,146
	\$ 207,143	\$ 2,709	\$ 209,852

	Instruction, research, and support	Ancillary operations	2020
Salaries and benefits	\$ 143,700	\$ 1,168	\$ 144,868
Travel and professional development	3,426	6	3,432
Supplies	4,299	16	4,315
Student awards, bursaries and donations	4,459	-	4,459
Fees and services	15,888	440	16,328
Facilities	9,428	373	9,801
Cost of sales	-	2,784	2,784
Leases, property taxes, insurance	1,108	32	1,140
Amortization of tangible capital assets	18,474	-	18,474
	\$ 200,782	\$ 4,819	\$ 205,601

19. Kwantlen Polytechnic University Foundation

The Kwantlen Polytechnic University Foundation (the "Foundation") was established on July 14, 2000 and is registered under the *Societies Act* of British Columbia. The Foundation is a registered charity under the *Income Tax Act* of Canada. The purpose of the Foundation, is the solicitation and management of donations and endowments for the purpose of providing awards and grants to students of the University and to advance the University's engagement with and within communities it serves. The Foundation is governed by an independent board of directors, the voting members of which can include employees and officers of the University. The University does not exercise control over the Foundation.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2021

19. Kwantlen Polytechnic University Foundation (continued)

During the year, as part of its ordinary course of business, the University transferred certain funds to the Foundation.

	2021	2020
KPU Equity, Diversity, Inclusion and Indigenous Affairs Endowment	\$ 4,000	\$ 3,000
The Covid-19 Emergency Funds for Student Endowment	-	100
KPU Financial Aid Endowment	2,000	-
KPU Research Initiatives Endowment	4,000	-
	<hr/>	<hr/>
	\$ 10,000	\$ 3,100

The University also provides administrative, management and staff resources to the Foundation at no charge.

20. Comparative figures

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.