

Financial Statements of

**KWANTLEN POLYTECHNIC UNIVERSITY**

Year ended March 31, 2016

## 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, 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 financial statements.

The Board of Governors and Audit 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 information included in the annual report. The Audit 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.

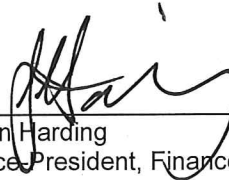
KPMG LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board to audit the financial statements and report directly to them through the Audit Committee. The external auditor has full and free access to, and meets periodically and separately with, both the Committee and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

On behalf of Kwantlen Polytechnic University



---

Dr. Alan Davis  
President and Vice-Chancellor



---

Jon Harding  
Vice President, Finance and Administration



KPMG LLP  
3<sup>rd</sup> Floor 8506 200<sup>th</sup> Street  
Langley BC V2Y 0M1  
Canada  
Telephone (604) 455-4000  
Fax (604) 881-4988

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Kwantlen Polytechnic University, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net debt, cash flows and remeasurement gains and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation of these 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.

### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

*Opinion*

In our opinion, the financial statements of Kwantlen Polytechnic University as at March 31, 2016 and for the year then ended 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.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 2(a) to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

May 25, 2016  
Langley, Canada

# KWANTLEN POLYTECHNIC UNIVERSITY

## Statement of Financial Position

(in '000s)

March 31, 2016, with comparative information for 2015

		2016	2015
<b>Financial assets</b>			
Cash and cash equivalents	(Note 3)	\$ 19,224	\$ 25,398
Accounts receivable	(Note 4)	5,670	4,574
Inventories for resale		1,282	1,398
Investments	(Note 6)	36,824	33,315
		<u>63,000</u>	<u>64,685</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	(Note 7)	25,096	24,723
Deferred revenue		11,438	10,249
Deferred contributions	(Note 9)	3,198	3,720
Deferred capital contributions	(Note 10)	129,862	130,899
Obligations under capital lease	(Note 11)	1,036	1,228
		<u>170,630</u>	<u>170,819</u>
Net debt		(107,630)	(106,134)
<b>Non-financial assets</b>			
Tangible capital assets	(Note 12)	180,378	179,797
Endowment investments	(Note 6)	2,817	2,817
Prepaid expenses and deposits		5,761	4,168
		<u>188,956</u>	<u>186,782</u>
Accumulated surplus		<u>\$ 81,326</u>	<u>\$ 80,648</u>
Accumulated surplus is comprised of:			
Accumulated operating surplus		\$ 80,705	\$ 79,298
Accumulated remeasurement gains		621	1,350
		<u>\$ 81,326</u>	<u>\$ 80,648</u>

Contractual obligations (Note 14)  
 Commitments and contingent liabilities (Note 15)  
 See accompanying notes to financial statements.

Approved on behalf of the Board:

Chair

Vice-President, Finance and Administration

# KWANTLEN POLYTECHNIC UNIVERSITY

## Statement of Operations

(in '000s)

Year ended March 31, 2016, with comparative information for 2015

		Budget	2016	2015
		(Note 2(k))		
<b>Revenue:</b>				
Province of British Columbia grants	(Note 9)	\$ 67,581	\$ 72,907	\$ 72,758
Other grants	(Note 9)	-	1,706	1,556
Tuition and student fees		66,012	64,868	61,239
Ancillary services		8,575	7,407	7,548
Other revenue		8,489	5,159	4,513
Amortization of deferred capital contributions	(Note 10)	5,288	5,216	5,021
		155,945	157,263	152,635
<b>Expenses:</b>				
	(Note 16)			
Instruction and instructional support		141,377	139,714	136,591
Ancillary operations		7,834	7,085	7,868
Externally sponsored activity		3,272	6,052	3,012
Research activity		3,338	3,005	3,282
		155,821	155,856	150,753
Annual surplus		124	1,407	1,882
Accumulated operating surplus, beginning of year		79,298	79,298	77,416
Accumulated operating surplus, end of year		\$ 79,422	\$ 80,705	\$ 79,298

See accompanying notes to financial statements.

# KWANTLEN POLYTECHNIC UNIVERSITY

## Statement of Changes in Net Debt

(in '000s)

Year ended March 31, 2016, with comparative information for 2015

	Budget (Note 2(k))	2016	2015
Annual surplus	\$ 1,407	\$ 1,407	\$ 1,882
Acquisition of tangible capital assets	-	(11,836)	(12,440)
Write-down of tangible capital assets	-	-	791
Amortization of tangible capital assets	11,500	11,255	10,895
	11,500	(581)	(754)
Acquisition net of use of prepaid expenses and deposits	-	(1,593)	(2,120)
Net remeasurement gains (losses)	-	(729)	1,117
Change in net debt	12,907	(1,496)	125
Net debt, beginning of year	(106,134)	(106,134)	(106,259)
Net debt, end of year	\$ (93,227)	\$ (107,630)	\$ (106,134)

See accompanying notes to financial statements.

# KWANTLEN POLYTECHNIC UNIVERSITY

## Statement of Cash Flows

(in '000s)

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,407	\$ 1,882
Items not involving cash:		
Amortization of tangible capital assets	11,255	10,895
Write-down of tangible capital assets	-	791
Amortization of deferred capital contributions	(5,216)	(5,021)
Change in non-cash operating working capital:		
Accounts receivable	(1,096)	(2,091)
Prepaid expenses and deposits	(1,593)	(2,120)
Inventories for resale	116	471
Accounts payable and accrued liabilities	373	30
Deferred revenue	1,189	255
Deferred contributions	(522)	(141)
Net change from operating activities	5,913	4,951
Capital activities:		
Cash used to acquire tangible capital assets	(11,650)	(10,891)
Net change from capital activities	(11,650)	(10,891)
Financing activities:		
Contributions received for tangible capital assets	4,179	5,676
Principal payments on capital lease obligations	(378)	(348)
Net change from financing activities	3,801	5,328
Investing activities:		
Increase in investments	(3,509)	(534)
Net remeasurement gains (losses)	(729)	1,117
Net change from investing activities	(4,238)	583
Net change in cash and cash equivalents	(6,174)	(29)
Cash and cash equivalents, beginning of year	25,398	25,427
Cash and cash equivalents, end of year	\$ 19,224	\$ 25,398
Non-cash transaction:		
Tangible capital assets acquired and financed by capital leases	\$ 186	\$ 1,549

See accompanying notes to financial statements.



# KWANTLEN POLYTECHNIC UNIVERSITY

## Statement of Remeasurement Gains and Losses

(in '000s)

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Accumulated remeasurement gains, beginning of year	\$ 1,350	\$ 233
Unrealized gains (losses) attributed to:		
Long term bonds	(670)	1,048
Securities	(25)	48
Foreign currency translation	35	(61)
Amounts reclassified to the Statement of Operations:		
Long term bonds	(34)	(5)
Securities	2	20
Foreign currency translation	(37)	67
Net remeasurement gains (losses) for the year	(729)	1,117
Accumulated remeasurement gains, end of year	\$ 621	\$ 1,350

See accompanying notes to financial statements.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements  
(in '000s)

Year ended March 31, 2016

---

## 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 two 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.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian Public Sector Accounting Standards without any PS4200 elections effective their first fiscal year commencing after January 1, 2012.

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.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian Public Sector Accounting Standards 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 Public Sector Accounting Standard PS3410. As a result, revenue recognized in the Statement of Operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)  
(in '000s)

Year ended March 31, 2016

---

## 2. Summary of significant accounting policies (continued)

### (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 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 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, stationary, art supplies, clothing, 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.

### (e) Contaminated sites

A liability for contaminated sites is recognized when a site is not in productive use and 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.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)  
(in '000s)

Year ended March 31, 2016

---

## 2. Summary of significant accounting policies (continued)

### (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 are 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 landfill sites, 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.

Asset	Term
Buildings	40 years
Site improvements	10 years
Major renovations	10 years
Major equipment	10 - 20 years
Library holdings	10 years
Technology infrastructure	8 years
Furniture and equipment	3 - 5 years
Leased capital assets	5 years

---

Work in progress is not amortized until the asset is available for productive use.

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.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)  
(in '000s)

Year ended March 31, 2016

---

## 2. Summary of significant accounting policies (continued)

### (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.

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 includes interest recorded on an accrual basis, dividends recorded as declared, and realized gains and losses on the sale of investments.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)  
(in '000s)

Year ended March 31, 2016

---

## 2. Summary of significant accounting policies (continued)

### (i) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key 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.

### (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 balance sheet date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet 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 gain or loss 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 2015-2016 University Budget approved by the Board of Governors of Kwantlen Polytechnic University on April 1, 2015. 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 '000s)

Year ended March 31, 2016

## 3. Cash and cash equivalents

	2016	2015
Cash	\$ 14,296	\$ 17,533
Cash equivalents	4,928	7,865
	\$ 19,224	\$ 25,398

## 4. Accounts receivable

	2016	2015
Accounts receivable	\$ 7,095	\$ 5,809
Allowance for doubtful accounts	(1,425)	(1,235)
	\$ 5,670	\$ 4,574

## 5. Due from/ to government and other government organizations

Included in accounts receivable	2016	2015
Provincial government	\$ 1,628	\$ 641
Other government	467	183
	\$ 2,095	\$ 824

Included in accounts payable and accrued liabilities	2016	2015
Provincial government	\$ 62	\$ 166
	\$ 62	\$ 166

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)  
(in '000s)

Year ended March 31, 2016

## 6. Financial instruments

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

	2016	2015
Long term bonds	\$ 38,105	\$ 34,451
Securities	1,536	1,681
	39,641	36,132
Endowment investments	2,817	2,817
Investments	\$ 36,824	\$ 33,315

All fixed income securities held at March 31, 2016 mature at various dates to June 2108 (2015 – June 2108) and bear interest at rates varying from 0.950% - 9.976% (2015 – 0% - 9.976%).

Generally accepted accounting principles define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. 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 market 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 University's instruments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there were no significant transfers of securities between the different levels.



# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)  
(in '000s)

Year ended March 31, 2016

## 7. Accounts payable and accrued liabilities

	2016	2015
Accounts payable and accrued liabilities	\$ 10,505	\$ 10,318
Salaries and wages payable	5,202	5,214
Accrued vacation payable	9,389	9,191
	\$ 25,096	\$ 24,723

## 8. 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 board of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2015, the College Pension Plan has about 14,000 active members from administration and instructional staff and approximately 6,500 retired members. As at December 31, 2014, the Municipal Pension Plan has about 185,000 active members, with approximately 5,800 from colleges and special purpose, teaching universities.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012 indicated a \$105 million funding deficit for basic pension benefits. The next valuation will be August 31, 2015, with results available in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be December 31, 2015, with results available in 2016.

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 the plans in aggregate, with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plans.

The University paid \$8,430 for employer contributions to the Plans in the current year (2015 - \$8,219).

### (b) Maternity or parental leave:

The University provides supplemental employee benefits for faculty, staff, or 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 \$420 in the current year (2015 - \$616). As at March 31, 2016, the University has an obligation of \$294 (2015 - \$432), which has been included in salaries and wages payable.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)  
(in '000s)

Year ended March 31, 2016

## 9. Deferred contributions and grants

Deferred contributions represent externally restricted contributions that will be used in future periods for academic programming and student awards, as specified by the contributor. Grants represent unrestricted funding from various sources.

	2015	Amounts received	Amortized as revenue	2016
Provincial Grants	\$ -	\$ 66,954	\$ (66,954)	\$ -
Deferred contributions	2,774	5,562	(5,953)	2,383
Federal Deferred contributions	162	538	(467)	233
Other sources Grants	-	53	(53)	-
Deferred contributions	784	984	(1,186)	582
	\$ 3,720	\$ 74,091	\$ (74,613)	\$ 3,198

## 10. Deferred capital contributions

	2015	Amounts received	Amortized as revenue	2016
Provincial	\$ 121,034	\$ 3,895	\$ (4,923)	\$ 120,006
Federal	2,340	139	(132)	2,347
Other sources	7,525	145	(161)	7,509
	\$ 130,899	\$ 4,179	\$ (5,216)	\$ 129,862

## 11. Obligations under capital lease

The University has entered into capital leases to finance computers and equipment at an estimated cost of borrowing of 2.78% per annum. The principal and interest payments are as follows:

	2016	2015
2016	\$ -	\$ 379
2017	396	357
2018	332	292
2019	256	216
2020	94	54
2021	7	-
Total minimum lease payments	1,085	1,298
Less amounts representing interest	(49)	(70)
Present value of net minimum capital lease payments	\$ 1,036	\$ 1,228

Total interest on leases for the year was \$33 (2015 - \$20).

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

(in '000s)

Year ended March 31, 2016

## 12. Tangible capital assets

	Land	Buildings	Site improvements	Major renovations	Major equipment	Library holdings	Technology infrastructure	Furniture & equipment	Leased capital assets	Work in progress	Total
<b>2016 Cost</b>											
Opening balance	\$ 20,040	\$ 197,670	\$ 1,036	\$ 16,157	\$ 307	\$ 7,275	\$ -	\$ 53,029	\$ 1,549	\$ 4,451	\$ 301,514
Additions	-	590	44	532	69	380	614	4,176	186	5,245	11,836
Transfers to/(from) WIP	-	31	-	-	-	-	1	-	-	(32)	-
Closing balance	20,040	198,291	1,080	16,689	376	7,655	615	57,205	1,735	9,664	313,350
<b>2016 Accumulated amortization</b>											
Opening balance	-	(67,682)	(862)	(3,517)	(8)	(4,598)	-	(44,839)	(211)	-	(121,717)
Amortization	-	(4,949)	(41)	(1,643)	(18)	(562)	(39)	(3,675)	(328)	-	(11,255)
Closing balance	-	(72,631)	(903)	(5,160)	(26)	(5,160)	(39)	(48,514)	(539)	-	(132,972)
2016 Net book value	\$ 20,040	\$ 125,660	\$ 177	\$ 11,529	\$ 350	\$ 2,495	\$ 576	\$ 8,691	\$ 1,196	\$ 9,664	\$180,378
2015 Net book value	\$ 20,040	\$ 129,988	\$ 174	\$ 12,640	\$ 299	\$ 2,677	\$ -	\$ 8,190	\$ 1,338	\$ 4,451	\$179,797

(a) Work in progress:

Work in progress with a value of \$9,664 (2015 - \$4,451) has not been amortized. Amortization of these assets will commence when the assets are put into service.

(b) Write-down of tangible capital assets:

There was a write-down of building costs within work in progress of \$ nil in the current year (2015 – \$791).

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)  
(in '000s)

Year ended March 31, 2016

---

## 13. Financial risk management

The University has exposure to certain risks from its use of 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 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.

### (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.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)  
(in '000s)

Year ended March 31, 2016

## 14. Contractual obligations

The nature of the University's activities can result in multiyear 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:

	2017	2018	2019	2020	2021
	\$ 5,163	\$ 3,718	\$ 1,962	\$ 1,140	\$ 362

## 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 has committed to the building of the Chip and Shannon Wilson School of Design at the Richmond campus for the Faculty of Design. The University is to receive \$12,000 from Chip and Shannon Wilson and lululemon athletica Canada Inc. and provincial funding of up to \$12,000 in support of the project. The University has Board approval for a budget of \$12,000 as the University's contribution toward the project. The project, which has a total budget of \$36,000, is expected to be completed by December 2017.
- (c) The University has entered into an agreement to purchase real estate to provide additional classroom space to meet future student demand with space being available in 2017. The University will be funding the project at a budget of \$19,555.
- (d) The University Board has approved a network infrastructure upgrade of up to \$4,780 across all four campuses with expected completion in fiscal 2017. As at March 31, 2016, \$4,565 has been spent on this project.
- (e) The University has the ability to draw on a line of credit of \$7,000 (2015 - \$7,000). As at March 31, 2016, the University has not utilized the available line of credit.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)  
(in '000s)

Year ended March 31, 2016

## 16. Expenses by object

The following is a summary of expenses by object:

	Instruction and instructional support	Ancillary operations	Externally sponsored activity	Research activity	2016
Salaries and benefits	\$ 109,041	\$ 1,688	\$ 1,329	\$ 1,841	\$ 113,899
Travel and professional development	1,993	8	156	304	2,461
Supplies	4,132	90	336	128	4,686
Student awards and bursaries	12	-	1,599	-	1,611
Fees and services	7,078	627	2,279	257	10,241
Facilities	6,119	382	297	121	6,919
Cost of sales	-	3,998	-	-	3,998
Leases, property taxes, insurance	523	21	56	186	786
Amortization of tangible capital assets	10,816	271	-	168	11,255
Contributions to Kwantlen Polytechnic University Foundation	-	-	-	-	-
	<b>\$ 139,714</b>	<b>\$ 7,085</b>	<b>\$ 6,052</b>	<b>\$ 3,005</b>	<b>\$ 155,856</b>

	Instruction and instructional support	Ancillary operations	Externally sponsored activity	Research activity	2015
Salaries and benefits	\$ 107,601	\$ 1,929	\$ 599	\$ 2,138	\$ 112,267
Travel and professional development	2,133	20	141	415	2,709
Supplies	3,007	72	160	121	3,360
Student awards and bursaries	7	-	148	-	155
Fees and services	6,503	579	1,819	237	9,138
Facilities	5,066	437	109	143	5,755
Cost of sales	-	4,496	-	-	4,496
Leases, property taxes, insurance	843	40	31	24	938
Amortization of tangible capital assets	10,396	295	-	204	10,895
Contributions to Kwantlen Polytechnic University Foundation	1,035	-	5	-	1,040
	<b>\$ 136,591</b>	<b>\$ 7,868</b>	<b>\$ 3,012</b>	<b>\$ 3,282</b>	<b>\$ 150,753</b>