

Financial Statements of

**KWANTLEN POLYTECHNIC  
UNIVERSITY FOUNDATION**

Year ended March 31, 2017

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## STATEMENT OF MANAGEMENT RESPONSIBILITY

The Kwantlen Polytechnic University Foundation (the "Foundation") is responsible for the preparation of the financial statements and has prepared them based on Canadian accounting standards for not-for-profit organizations. The financial statements present fairly the financial position of the Foundation as at March 31, 2017, and the results of its operations and the changes in its cash flows for the year ended March 31, 2017.

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

The Foundation Board carries out its responsibility for review of the financial statements principally through the officers of the Foundation. The officers of the Foundation meet with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the officers of the Foundation, with and without the presence of management.

The financial statements for the year ended March 31, 2017 have been reported on by KPMG LLP, the auditor appointed by the Foundation Board Members. The Independent Auditors' Report outlines the scope of the audit and provides the audit opinion on the fairness of presentation, in all material respects, of the information in the financial statements.



Chair

September 19, 2017



Secretary

September 19, 2017



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## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Kwantlen Polytechnic University Foundation

We have audited the accompanying financial statements of Kwantlen Polytechnic University Foundation, which comprise the statement of financial position as at March 31, 2017, the statements of operations and fund balances and cash flows 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 and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 and fair presentation 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 is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kwantlen Polytechnic University Foundation as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Report on other Legal and Regulatory Requirements*

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

*KPMG LLP*

Chartered Professional Accountants

September 19, 2017

Langley, Canada

# KWANTLEN POLYTECHNIC UNIVERSITY FOUNDATION


## Statement of Financial Position

March 31, 2017, with comparative information for 2016

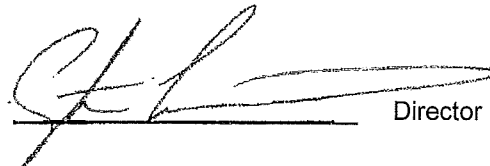
	2017	2016
<b>Assets</b>		
Current assets:		
Cash	\$ 1,552,250	\$ 984,321
Accounts receivable	16,867	26,013
Short-term investment (note 3)	2,105,110	2,069,011
Prepaid expenses	58	30
	<u>3,674,285</u>	<u>3,079,375</u>
Restricted cash	13,424	14,426
Investments (note 4)	21,374,686	19,476,799
	<u>\$ 25,062,395</u>	<u>\$ 22,570,600</u>
<b>Liabilities and Fund Balances</b>		
Current liabilities:		
Accounts payable	\$ 34,777	\$ 42,940
Deferred revenue	51,500	30,900
Due to Kwantlen Polytechnic University (note 5)	525,971	54,736
	<u>612,248</u>	<u>128,576</u>
Fund balances:		
Endowment (note 8):		
Contributed principal	13,330,751	12,829,846
Distributable income	1,868,086	1,677,712
Unallocated income	4,256,338	3,180,434
	<u>19,455,175</u>	<u>17,687,992</u>
Restricted and other	4,994,972	4,754,032
	<u>24,450,147</u>	<u>22,442,024</u>
	<u>\$ 25,062,395</u>	<u>\$ 22,570,600</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

# KWANTLEN POLYTECHNIC UNIVERSITY FOUNDATION

Statement of Operations and Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	Endowment Funds				Restricted and other funds				2017		2016	
	Contributed Principal	Distributable Income	Unallocated Income	Annual Awards	Direct Awards	Specified Purpose	Gaming	Others	Total	Total	Total	Total
<b>REVENUES:</b>												
Contributions:												
Individuals, businesses and organizations	\$ 316,208	\$ 260	\$ -	\$ 428,561	\$ 103,047	\$ 354,638	\$ 500	\$ 3,304,751	\$ 4,507,966	\$ 1,289,901	\$ 4,137	\$ (500)
Kwantlen Polytechnic University	30,000	-	-	-	-	500	-	-	30,000	-	-	-
Matching funds	-	-	-	-	-	-	-	-	500	-	-	-
Investment income:												
Distributable allocation	20,396	790,410	-	-	-	-	-	-	810,806	788,094	-	-
Unallocated	-	-	(84,204)	-	-	-	-	-	(84,204)	970,886	-	-
Fair value change in investments	-	-	1,279,528	-	-	-	-	-	1,279,528	(1,361,198)	-	-
Events fees and fundraising	-	-	-	-	-	72,930	23,142	-	96,072	111,541	-	-
Gifts-in-kind	-	-	-	-	-	34,203	-	157,817	192,020	170,762	-	-
Interest revenues:												
Vancouver Foundation (note 6)	-	-	41,976	-	-	-	-	-	41,976	40,004	-	-
Financial Institutions	-	-	-	-	-	12,455	-	26,679	39,134	42,130	-	-
	366,604	790,670	1,237,299	428,561	103,047	474,726	23,642	3,489,248	6,913,797	2,055,757	-	-
<b>EXPENSES:</b>												
Awards, bursaries and scholarships	-	522,118	-	489,800	97,555	430	13,415	3,010	1,126,328	1,019,873	-	-
Transfer to qualified donee	-	-	-	-	-	-	-	-	-	-	-	-
Programs	-	2,800	-	-	-	11,275	-	-	14,075	5,819	-	-
Gaming	-	-	-	-	-	-	11,305	-	11,305	10,985	-	-
Events:												
Expenses	-	-	-	-	-	38,070	-	-	38,070	33,746	-	-
Gifts-in-kind	-	-	-	-	-	34,203	-	-	34,203	36,650	-	-
Transfers to Kwantlen Polytechnic University	-	-	-	-	-	-	-	-	-	-	-	-
Specified Purpose	322	57,379	-	13,500	-	31,686	-	3,305,084	3,407,971	321,421	-	-
Gifts-in-kind	-	-	-	-	-	-	-	157,817	157,817	134,112	-	-
Investment management fees	-	-	108,470	-	-	-	-	-	108,470	102,452	-	-
Financial charges	-	-	-	-	-	7,435	-	-	7,435	7,384	-	-
	322	582,297	108,470	503,300	97,555	123,100	24,720	3,465,911	4,905,675	1,672,442	-	-
Excess (deficiency) of revenues over expenses	366,282	208,373	1,128,830	(74,738)	5,492	351,627	(1,078)	23,336	2,008,123	383,315	-	-
Fund balances, beginning of year	12,829,846	1,677,712	3,180,434	618,893	10,833	2,032,290	15,425	2,076,591	22,442,024	22,058,709	-	-
Interfund transfers (note 8)	134,623	(18,000)	(52,926)	121,450	-	(188,490)	-	3,343	-	-	-	-
Fund balances, end of year	\$ 13,330,751	\$ 1,868,086	\$ 4,256,338	\$ 665,604	\$ 16,325	\$ 2,195,426	\$ 14,347	\$ 2,103,270	\$ 24,450,147	\$ 22,442,024	-	-

See accompanying notes to financial statements.

# KWANTLEN POLYTECHNIC UNIVERSITY FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 2,008,123	\$ 383,315
Item not involving cash:		
Fair value change in investments	(1,279,528)	1,361,198
Changes in non-cash working capital balances:		
Accounts receivable	9,146	(3,298)
Prepaid expenses	(28)	3,489
Accounts payable	(8,163)	14,108
Deferred revenue	20,600	(19,700)
Due to Kwantlen Polytechnic University	471,235	55,554
	1,221,385	1,794,666
Investing:		
Net purchase of investments	(654,458)	(1,678,797)
Increase in cash	566,927	115,869
Cash, beginning of year	998,747	882,878
Cash, end of year	\$ 1,565,674	\$ 998,747
Cash consists of:		
Cash	\$ 1,552,250	\$ 984,321
Restricted cash	13,424	14,426
	\$ 1,565,674	\$ 998,747

See accompanying notes to financial statements.



# KWANTLEN POLYTECHNIC UNIVERSITY FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

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## 1. Purpose of organization:

Kwantlen Polytechnic University Foundation (the "Foundation") was incorporated on July 14, 2000 under the Society Act (British Columbia). The Foundation has until November 28, 2018 to transition to the new *Societies Act (British Columbia)* which became effective November 28, 2016. The Foundation is registered as a charitable organization under the Income Tax Act and is therefore exempt from income taxes. The purpose of the Foundation is to raise monies for student financial aid, capital needs and program development at Kwantlen Polytechnic University.

## 2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Foundation's significant accounting policies are as follows:

### (a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions, thereby recognizing restrictions specified by donors on the use of resources, including contributions and restricted investment income. The fund classifications are:

#### (i) Endowment Funds:

- (A) Contributed principal includes funds where the donor has specified that the principal be invested in perpetuity.
- (B) Distributable income includes the allocated percentage of income earned from the investment of the endowment contributed principal for distribution in accordance with the provisions of each endowment agreement and Foundation Policy.
- (C) Unallocated income includes the investment income earned from the investment of the endowment contributed principal in excess of the distributable income and fair market value change in the investments of the contributed principal.

#### (ii) Restricted and other funds:

- (A) Annual awards includes externally restricted donations designated by the donor for annual scholarships, awards or bursaries in a specific education program.
- (B) Direct awards includes externally restricted donations for which the donor has established criteria for the purpose of selecting a specific recipient for the scholarship, award or bursary.
- (C) Specified purpose includes donations where the donor has specified criteria for scholarships, awards or bursaries, equipment purchase or supporting activities in the Foundation or Kwantlen Polytechnic University.

Specified purpose also includes funds that are unrestricted and account for the Foundation's operating activities, and includes receipt of funds not otherwise designated for specified purposes.

# KWANTLEN POLYTECHNIC UNIVERSITY FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 2. Significant accounting policies (continued):

### (a) Fund accounting (continued):

#### (ii) Restricted and other funds (continued):

##### (C) (continued):

Gaming includes net proceeds from fundraising activities through gaming licenses authorized by the Government of British Columbia. The use of these funds is restricted to scholarships, awards and bursaries and the specific criteria established for each gaming activity.

(D) Others includes funds held-in-trust for Kwantlen Polytechnic University which the donor has designated a specific use.

### (b) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions. Accordingly, contributions, including pledges, are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recorded in the appropriate fund on the accrual basis.

Kwantlen Polytechnic University donates administrative and accounting services, office space, use of equipment, supplies and other requirements for the daily operations of the Foundation. These contributions are not reported in the financial statements as their value cannot be reasonably estimated.

### (c) Awards, bursaries and scholarships:

Awards, bursaries and scholarships are recognized as an expense in the year they are granted or awarded.

### (d) Gifts-in-kind:

The Foundation receives donations of capital items and other supplies for use by Kwantlen Polytechnic University or the Foundation. Such gifts-in-kind are recorded at the fair value of the property being gifted when fair value can be reasonably established.

### (e) Restricted cash:

Restricted cash includes amounts restricted from the gaming fund and is presented separately in the statement of financial position.

# KWANTLEN POLYTECHNIC UNIVERSITY FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 2. Significant accounting policies (continued):

### (f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets recorded at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (g) Use of estimates:

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the year. Actual results could differ from these estimates.

## 3. Short-term investment and pledge commitment:

This investment is a term deposit with a guaranteed interest rate of 1.3% (2015 - 1.5%) per annum and matures on August 24, 2017.

The funds invested are from Chip and Shannon Wilson on account of their pledge agreement of \$8,000,000 for the construction of the Chip and Shannon Wilson School of Design at Kwantlen Polytechnic University's Richmond Campus. The funds are held by the Foundation and will be released on demand to Kwantlen Polytechnic University, which is responsible for this capital project.

# KWANTLEN POLYTECHNIC UNIVERSITY FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

### 3. Short-term investment and pledge commitment (continued):

During fiscal 2014, the Foundation received \$3,000,000 of these funds and disbursed \$1,000,000 of the funds to Kwantlen Polytechnic University. During fiscal 2017, the Foundation received an additional \$3,000,000, and transferred these funds to Kwantlen Polytechnic University. Chip and Shannon Wilson are committed to fulfill the remaining \$2,000,000 on the pledge agreement when Kwantlen Polytechnic University achieves the milestones set in the agreement.

### 4. Investments:

Investments held at fair value are managed by a third-party investment manager and include the following:

	2017	2016
Bonds fund series	\$ 7,149,282	\$ 7,557,701
Canadian equities	5,961,951	5,112,381
Global equities	5,422,700	4,164,483
Portfolio investment in Canadian and USA equities and global bonds	980,806	981,466
Real estate portfolio investment	1,859,947	1,660,768
	<u>\$ 21,374,686</u>	<u>\$ 19,476,799</u>

### 5. Due to Kwantlen Polytechnic University:

Amounts due to Kwantlen Polytechnic University are non-interest bearing, unsecured, and without specific terms of repayment.

### 6. Endowment investments – Vancouver Foundation

The Foundation established an endowment fund with the Vancouver Foundation on March 31, 1985. The total fund established was \$790,000 which included a matching grant from Vancouver Foundation of \$300,000. In accordance with the Vancouver Foundation Act, the fund is held permanently by the Vancouver Foundation, which has exclusive management of the funds. The Foundation cannot sell or redeem the investment and therefore does not report the balance in these financial statements. The Foundation, however, is entitled to receive distributions of investment income related to this endowment. In 2017 the Foundation received distributions of \$41,558 (2016 - \$39,486). The market value of the funds at March 31, 2017 is \$1,204,117 (2016 - \$1,116,124).

# KWANTLEN POLYTECHNIC UNIVERSITY FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 7. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to an investment policy approved by the Board of Directors. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Foundation manages interest rate, market, credit and foreign exchange risks from its financial instruments by investing in a diversified portfolio.

The Foundation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments.

The Foundation is exposed to interest rate risk on its fixed interest rate investments. Fixed interest instruments subject the Foundation to fair value risk. There has been no change to the risk exposure from 2016.

## 8. Endowment fund balances:

	2017	2016
Contributed principal, beginning balance	\$ 12,829,846	\$ 12,298,746
Transfer between funds	134,623	196,297
Contributions	346,208	315,671
Transfer to qualified donee	-	-
Transfer to Kwantlen Polytechnic University	(322)	-
Realized investment earnings	20,396	19,132
Contributed principal, ending balance	\$ 13,330,751	\$ 12,829,846
Distributable income, beginning balance	\$ 1,677,712	\$ 1,647,428
Distributable income allocation	790,670	769,062
Distributions	(582,297)	(511,138)
Transfer between funds	(18,000)	(227,640)
Distributable income, ending balance	\$ 1,868,086	\$ 1,677,712
Unallocated income, beginning balance	\$ 3,180,434	\$ 3,552,741
Transfer between funds	(52,926)	80,453
Undistributed realized income	(42,228)	1,010,890
Fair market value change in investments	1,279,528	(1,361,198)
Investment management fees	(108,470)	(102,452)
Unallocated income, ending balance	\$ 4,256,338	\$ 3,180,434

## 9. Director, employee and contractor remuneration:

For the fiscal year ending March 31, 2017 the Foundation paid \$nil remuneration to directors, employees and contractors for services.

