

Financial Statements of

KWANTLEN POLYTECHNIC UNIVERSITY

Years ended March 31, 2013 and 2012

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 Finance 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 Finance and 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 Accountants, is appointed by the Board to audit the financial statements and report directly to them through the Finance and 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



Mr. Harry Gray
Vice President, Financial & Administration



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Kwantlen Polytechnic University and
To the Ministry of Advanced Education, Innovation and Technology, Province of British Columbia

We have audited the accompanying financial statements of Kwantlen Polytechnic University which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of remeasurement gains and losses for the year ended March 31, 2013, the statements of operations, changes in net debt and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 audits 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, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012 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 to the financial statements, which describe 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'. Below the signature is a long, horizontal, slightly curved line.

Chartered Accountants

June 5, 2013

Burnaby, Canada

KWANTLEN POLYTECHNIC UNIVERSITY

Statements of Financial Position
(in '000s)

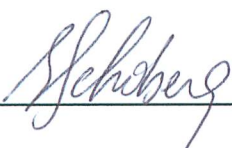
March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012 (note 3)	April 1, 2011 (note 3)
Financial assets			
Cash and cash equivalents (note 4)	\$ 20,535	\$ 22,594	\$ 16,323
Accounts receivable (notes 5 and 6)	3,676	2,961	4,042
Inventories for resale	1,841	1,441	1,471
Investments (note 7)	34,244	31,431	31,257
	60,296	58,427	53,093
Liabilities			
Accounts payable and accrued liabilities (notes 6 and 8)	22,736	21,251	18,714
Deferred revenue	9,439	8,188	8,286
Deferred contributions (note 10)	2,945	1,786	2,002
Deferred capital contributions (note 11)	130,768	134,794	140,046
Obligations under capital lease (note 12)	62	126	317
	165,950	166,145	169,365
Net debt	(105,654)	(107,718)	(116,272)
Non-financial assets			
Tangible capital assets (note 13)	178,893	177,653	180,322
Endowment investment assets (note 7)	2,817	2,500	2,500
Prepaid expenses	1,608	1,836	1,909
	183,318	181,989	184,731
Accumulated surplus (note 17)	\$ 77,664	\$ 74,271	\$ 68,459
Accumulated surplus is comprised of:			
Accumulated operating surplus	\$ 77,345	\$ 74,271	\$ 68,459
Accumulated remeasurement gains	319	-	-
	\$ 77,664	\$ 74,271	\$ 68,459

Contractual obligations (note 15)
Commitments and contingencies (note 16)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Chair 


Vice President, Finance and Administration

KWANTLEN POLYTECHNIC UNIVERSITY

Statements of Operations
(in '000s)

Years ended March 31, 2013 and 2012

	Budget (note 2(j))	2013 (note 3)	2012 (note 3)
Revenue:			
Province of British Columbia grants (note 10)	\$ 68,916	\$ 72,753	\$ 72,687
Other grants (note 10)	4,490	1,609	1,068
Tuition and student fees	51,220	53,589	51,706
Ancillary services	9,035	8,191	8,333
Other revenue	6,600	4,621	7,044
Amortization of deferred capital contributions (note 11)	5,105	4,860	5,230
	145,366	145,623	146,068
Expenses (note 18):			
Instruction and instructional support	130,968	129,001	127,159
Ancillary operations	8,600	8,630	8,373
Externally sponsored activity	2,268	1,918	1,788
Research activity	3,507	3,317	2,936
	145,343	142,866	140,256
Annual surplus before restricted funding	23	2,757	5,812
Restricted endowment contributions	-	317	-
Annual surplus	23	3,074	5,812
Accumulated operating surplus, beginning of year		74,271	68,459
Accumulated operating surplus, end of year		\$ 77,345	\$ 74,271

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statements of Changes in Net Debt
(in '000s)

Years ended March 31, 2013 and 2012

	Budget (note 2(j))	2013 Total	2012 Total
Annual surplus	\$ 23	\$ 3,074	\$ 5,812
Acquisition of tangible capital assets net of disposals		(11,098)	(7,436)
Amortization of tangible capital assets	10,600	9,858	10,105
	10,600	(1,240)	2,669
Restricted endowment contributions	-	(317)	-
Acquisition net of use of prepaid expense	-	228	73
Net remeasurement gains	-	319	-
Decrease in net debt	-	2,064	8,554
Net debt, beginning of year	-	(107,718)	(116,272)
Net debt, end of year	\$ -	\$ (105,654)	\$ (107,718)

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statements of Cash Flows
(in '000s)

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 3,074	\$ 5,812
Items not involving cash:		
Amortization of tangible capital assets	9,858	10,105
Amortization of deferred capital contributions	(4,860)	(5,230)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(715)	1,081
Increase in prepaid expenses	228	73
Decrease (increase) in inventories for resale	(400)	30
Increase in accounts payable and accrued liabilities	1,485	2,537
Increase (decrease) in deferred revenue	1,251	(98)
Increase (decrease) in deferred contributions	1,159	(216)
Net change in cash from operating activities	11,080	14,094
Capital activities:		
Cash used to acquire tangible capital assets net of disposals	(11,098)	(7,436)
Net change in cash from capital activities	(11,098)	(7,436)
Financing activities:		
Contributions received for capital assets	834	402
Adjustment in contributions	-	(424)
Payments on tangible capital lease obligations	(64)	(191)
Net change in cash from financing activities	770	(213)
Investing activities:		
Increase in investments	(2,813)	(174)
Increase in endowment investments	(317)	-
Net remeasurement gains	319	-
Net change in cash from financing activities	(2,811)	(174)
Net change in cash and cash equivalents	(2,059)	6,271
Cash and cash equivalents, beginning of year	22,594	16,323
Cash and cash equivalents, end of year	\$ 20,535	\$ 22,594

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Remeasurement Gains and Losses (in '000s)

Year ended March 31, 2013

Accumulated remeasurement gains, beginning of year	\$	-
Balance of unrealized gains attributed to:		
Long term bonds		324
Securities		(3)
Foreign currency translation		(2)
Accumulated remeasurement gains, end of year	\$	319

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements
(in '000s)

Years ended March 31, 2013 and 2012

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 comprise 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 comprise 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 Accumulated Surplus 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)

Years ended March 31, 2013 and 2012

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 is 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 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. Accounts payable and accrued liabilities are measured at cost.

(d) Inventories for resale

Inventories held 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 selling costs less any costs to sell.

(e) 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.

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

2. Summary of significant accounting policies (continued)

(e) Non-financial assets (continued)

- (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	Basis	Rate
Buildings	Straight Line	40 years
Major renovations	Straight Line	10 years
Site improvements	Straight Line	10 years
Library holdings	Straight Line	10 years
Furniture and equipment	Straight Line	5 years
Vehicles	Straight Line	5 years

Assets under construction are 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 leased tangible capital assets 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.

(f) 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.

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

2. Summary of significant accounting policies (continued)

(g) 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 when receivable 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 restricted contributions received below annual surplus (deficit) on the Statement of Operations and Accumulated Surplus and as deferred contributions for any unspent restricted investment income earned thereon.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

(h) Use of estimates

The preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards 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.

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

2. Summary of significant accounting policies (continued)

(i) 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.

(j) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2012-2013 University Budget approved by the Board of Governors of Kwantlen Polytechnic University on March 28, 2012. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

3. Adoption of new financial reporting framework and prior period adjustments

Effective April 1, 2012, the University adopted the financial reporting framework described in note 2(a). These financial statements are the first financial statements for which the University has applied this financial reporting framework.

There was no impact from the adoption to this financial reporting framework on accumulated surplus (deficit) at the date of transition and the comparative annual surplus.

The University has elected not to use any exemptions allowed upon first-time adoption.

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

3. Adoption of new financial reporting framework and prior period adjustments (continued)

Under the new framework, endowment contributions are recorded as revenue when received. The endowment investment assets are presented as non-financial assets, separate from other investments presented as financial assets. Other adjustments include prior year adjustments related to the recognition of certain deferred contributions, the reclassification of certain employee benefits as well as the presentation of deferred contributions separate from deferred revenue.

Summary of adjustments

	2012 Previously stated	Transitional changes	Other adjustments	2012 adjusted
<u>Statement of Financial Position:</u>				
Cash and cash equivalents	\$ 22,594	\$ -	\$ -	\$ 22,594
Accounts receivable	3,451	-	(490)	2,961
Inventories for resale	1,441	-	-	1,441
Investments	33,931	(2,500)	-	31,431
	61,417	(2,500)	(490)	58,427
Accounts payable and accrued liabilities	22,218	-	(967)	21,251
Deferred revenue	9,813	-	(1,625)	8,188
Deferred contributions	-	-	1,786	1,786
Deferred capital contributions	134,794	-	-	134,794
Obligations under capital lease	126	-	-	126
	166,951	-	(806)	166,145
Tangible capital assets	177,653	-	-	177,653
Endowment investment assets	-	2,500	-	2,500
Prepaid expenses	1,836	-	-	1,836
	179,489	2,500	-	181,989
Accumulated surplus	\$ 73,955	\$ -	\$ 316	\$ 74,271

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

3. Adoption of new financial reporting framework and prior period adjustments (continued)

	2011 Previously stated	Transitional changes	Other adjustments	2011 adjusted
<u>Statement of Financial Position</u>				
Cash and cash equivalents	\$ 16,323	\$ -	\$ -	\$ 16,323
Accounts receivable	4,514	-	(472)	4,042
Inventories for resale	1,471	-	-	1,471
Investments	33,757	(2,500)	-	31,257
	56,065	(2,500)	(472)	53,093
Accounts payable and accrued liabilities	19,413	-	(699)	18,714
Deferred revenue	10,216	-	(1,930)	8,286
Deferred contributions	-	-	2,002	2,002
Deferred capital contributions	140,046	-	-	140,046
Obligations under capital lease	317	-	-	317
	169,992	-	(627)	169,365
Tangible capital assets	180,322	-	-	180,322
Endowment investment assets	-	2,500	-	2,500
Prepaid expenses	1,909	-	-	1,909
	182,231	2,500	-	184,731
Accumulated surplus	\$ 68,304	\$ -	\$ 155	\$ 68,459

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

3. Adoption of new financial reporting framework and prior period adjustments (continued)

	2012 Previously stated	Transitional changes	Other adjustments	2012 adjusted
<u>Statement of Operations</u>				
Revenues:				
Province of British Columbia grants	\$ 73,969	\$ -	\$ (1,282)	\$ 72,687
Other grants	-	-	1,068	1,068
Tuition and student fees	51,183	523	-	51,706
Ancillary services	8,275	58	-	8,333
Other revenue	6,630	273	141	7,044
Amortization of deferred capital contributions	5,230	-	-	5,230
	145,287	854	(73)	146,068
Expenses:				
Salaries and benefits	101,648	-	(265)	101,383
Travel and professional development	3,003	-	(21)	2,982
Supplies	3,387	147	-	3,534
Student awards and bursaries	786	-	-	786
Fees and services	6,116	707	59	6,882
Facilities	7,502	-	-	7,502
Cost of sales	5,160	-	-	5,160
Leases, property taxes and insurance	735	-	(7)	728
Amortization of capital assets	10,105	-	-	10,105
Contributions to Kwantlen Polytechnic University Foundation	1,194	-	-	1,194
	139,636	854	(234)	140,256
Annual surplus	\$ 5,651	\$ -	\$ 161	\$ 5,812

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

4. Cash and cash equivalents

	March 31, 2013	March 31, 2012	April 1, 2011
Cash	\$ 14,988	\$ 15,650	\$ 16,069
Cash equivalents	5,547	6,944	254
	<u>\$ 20,535</u>	<u>\$ 22,594</u>	<u>\$ 16,323</u>

5. Accounts receivable

	March 31, 2013	March 31, 2012	April 1, 2011
Accounts receivable	\$ 4,551	\$ 3,786	\$ 4,953
Allowance for doubtful accounts	(875)	(825)	(911)
	<u>\$ 3,676</u>	<u>\$ 2,961</u>	<u>\$ 4,042</u>

6. Due from / to government and other government organizations

	March 31, 2013	March 31, 2012	April 1, 2011
Included in accounts receivable			
Provincial government	\$ 1,557	\$ 393	\$ 1,272
Other government	340	416	1,248
	<u>\$ 1,897</u>	<u>\$ 809</u>	<u>\$ 2,520</u>

	March 31, 2013	March 31, 2012	April 1, 2011
Included in accounts payable and accrued liabilities			
Provincial government	\$ 141	\$ 116	\$ 96
Other government	1,105	1,042	880
	<u>\$ 1,246</u>	<u>\$ 1,158</u>	<u>\$ 976</u>

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

7. Financial instruments

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

	March 31, 2013	March 31, 2012	April 1, 2011
Long term bonds	\$ 33,764	\$ 31,839	\$ 30,342
Securities	3,297	2,092	3,415
	\$ 37,061	\$ 33,931	\$ 33,757

All fixed income securities held at March 31, 2013 mature at various dates to December 2105 (2012 - December 2105) and bear interest rates varying from 1.90% - 7.22% (2012 - 2.19% - 7.90%).

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)

Years ended March 31, 2013 and 2012

8. Accounts payable and accrued liabilities

	March 31, 2013	March 31, 2012	April 1, 2011
Accounts payable and accrued liabilities	\$ 9,924	\$ 9,026	\$ 6,992
Salaries and wages payable	4,166	3,764	3,507
Accrued vacation payable	8,646	8,461	8,215
	\$ 22,736	\$ 21,251	\$ 18,714

9. 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 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. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has about 176,000 active members, with approximately 5,700 from colleges and special purpose, teaching universities.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2009 indicated a \$1 million funding surplus for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan.

The University expensed \$7,259 for employer contributions to the Plans in the current year (2012 - \$7,066).

(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 \$688 in the current year (2012 - \$423). As at March 31, 2013, the University has an obligation of \$445 (2012 - \$223), which has been included in salaries and wages payable.

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

10. Deferred contributions

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

	March 31, 2012	Amounts received	Amortized as revenue	March 31, 2013
Provincial Grants Deferred contributions	\$ - 1,039	\$ 69,731 4,038	\$ (69,731) (3,022)	\$ - 2,055
Federal Grants Deferred contributions	- 304	623 408	(623) (293)	- 419
Other sources Deferred contributions	443	721	(693)	471
Total	\$ 1,786	\$ 75,521	\$ (74,362)	\$ 2,945

	March 31, 2011	Amounts received	Amortized as revenue	March 31, 2012
Provincial Grants Deferred contributions	\$ - 1,153	\$ 70,858 1,715	\$ (70,858) (1,829)	\$ - 1,039
Federal Grants Deferred contributions	- 480	16 419	(16) (595)	- 304
Other sources Deferred contributions	369	531	(457)	443
Total	\$ 2,002	\$ 73,539	\$ (73,755)	\$ 1,786

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

11. Deferred capital contributions

	March 31, 2012	Amounts received	Adjustments	Amortized as revenue	March 31, 2013
Provincial	\$ 129,807	\$ 734	\$ -	\$ (4,598)	\$ 125,943
Federal	2,675	-	-	(122)	2,553
Other sources	2,312	100	-	(140)	2,272
Total	\$ 134,794	\$ 834	\$ -	\$ (4,860)	\$ 130,768

	March 31, 2011	Amounts received	Adjustments	Amortized as revenue	March 31, 2012
Provincial	\$ 134,925	\$ 402	\$ (424)	\$ (5,096)	\$ 129,807
Federal	2,681	-	-	(6)	2,675
Other sources	2,440	-	-	(128)	2,312
Total	\$ 140,046	\$ 402	\$ (424)	\$ (5,230)	\$ 134,794

12. Obligations under capital lease

The University has entered into capital leases to finance computer equipment at an estimated cost of borrowing of 1.26% per annum. The principal and interest payments are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
2012	\$ -	\$ -	\$ 203
2013	-	113	113
2014	36	18	18
2015	19	-	-
2016	8	-	-
Total minimum lease payments	63	131	334
Less amounts representing interest	(1)	(5)	(17)
Present value of net minimum capital lease payments	\$ 62	\$ 126	\$ 317

Total interest on leases for the year was \$4 (2012 - \$13).

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

13. Tangible capital assets

	Land	Site improvements	Buildings	Major renovations	Furniture & equipment	Library holdings	Vehicles	Construction in progress	2013 Total
Cost									
Opening balance	\$ 20,040	\$ 941	\$ 195,205	\$ 1,588	\$ 41,601	\$ 5,906	\$ 45	\$ 2,881	\$ 268,207
Additions	-	-	21	6,206	4,573	258	-	41	11,099
Transfers to/(from) CIP	-	-	-	2,881	-	-	-	(2,881)	-
Disposals	-	-	-	-	(23)	-	-	-	(23)
Write-downs	-	-	-	-	-	-	-	-	-
Closing balance	20,040	941	195,226	10,675	46,151	6,164	45	41	279,283
Accumulated amortization									
Opening balance	-	(764)	(52,998)	(159)	(33,442)	(3,160)	(31)	-	(90,554)
Amortization	-	(39)	(4,881)	(613)	(3,873)	(443)	(9)	-	(9,858)
Disposals	-	-	-	-	22	-	-	-	22
Closing balance	-	(803)	(57,879)	(772)	(37,293)	(3,603)	(40)	-	(100,390)
Net book value	\$ 20,040	\$ 138	\$ 137,347	\$ 9,903	\$ 8,858	\$ 2,561	\$ 5	\$ 41	\$ 178,893

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

13. Tangible capital assets (continued)

	Land	Site improvements	Buildings	Major renovations	Furniture & equipment	Library holdings	Vehicles	Construction in progress	2012 Total
Cost									
Opening balance	\$ 20,040	\$ 941	\$ 194,818	\$ 1,132	\$ 38,861	\$ 5,152	\$ 45	\$ -	\$ 260,989
Additions	-	-	387	456	2,961	754	-	2,881	7,439
Transfers to/(from) CIP									
Disposals	-	-	-	-	(221)	-	-	-	(221)
Write-downs	-	-	-	-	-	-	-	-	-
Closing balance	20,040	941	195,205	1,588	41,601	5,906	45	2,881	268,207
Accumulated amortization									
Opening balance	-	(723)	(48,118)	-	(29,045)	(2,758)	(23)	-	(80,667)
Amortization	-	(41)	(4,880)	(159)	(4,615)	(402)	(8)	-	(10,105)
Disposals	-	-	-	-	218	-	-	-	218
Closing balance	-	(764)	(52,998)	(159)	(33,442)	(3,160)	(31)	-	(90,554)
Net book value	\$ 20,040	\$ 177	\$ 142,207	\$ 1,429	\$ 8,159	\$ 2,746	\$ 14	\$ 2,881	\$ 177,653

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

13. Tangible capital assets (continued)

	Land	Site improvements	Buildings	Major renovations	Furniture & equipment	Library holdings	Vehicles	Construction in progress	2011 Total
Cost									
Opening balance	\$ 20,040	\$ 941	\$ 187,620	\$ -	\$ 35,419	\$ 4,614	\$ 45	\$ 2,407	\$ 251,086
Additions	-	-	4,791	1,132	3,783	538	-	-	10,244
Transfers to/(from) CIP			2,407					(2,407)	-
Disposals	-	-	-	-	(341)	-	-	-	(341)
Write-downs	-	-	-	-	-	-	-	-	-
Closing balance	20,040	941	194,818	1,132	38,861	5,152	45	-	260,989
Accumulated amortization									
Opening balance	-	(684)	(43,327)	-	(24,679)	(2,411)	(13)	-	(71,114)
Amortization	-	(39)	(4,791)	-	(4,704)	(347)	(10)	-	(9,891)
Disposals	-	-	-	-	338	-	-	-	338
Closing balance	-	(723)	(48,118)	-	(29,045)	(2,758)	(23)	-	(80,667)
Net book value	\$ 20,040	\$ 218	\$ 146,700	\$ 1,132	\$ 9,816	\$ 2,394	\$ 22	\$ -	\$ 180,322

(a) Assets under construction:

Assets under construction having a value of \$41 (2012 - \$2,881) have not been amortized. Amortization of these assets will commence when the assets are put into service.

(b) Write-down of tangible capital assets:

There is no write-down or reversal of any prior year write-down in the current year (2012 - nil).

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

14. Financial risk management

The University has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

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, 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)

Years ended March 31, 2013 and 2012

15. 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:

	2014	2015	2016	2017	2018
	\$ 2,287	\$ 1,142	\$ 334	\$ 7	\$ 2

16. Commitments and contingent liabilities

The University may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of operations, in the event that any such claims or litigation are resolved against the University, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of the University.

- (a) 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 will 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 31, 2015.

Subsequent to year end, the University has entered into a contract for construction related services with an external party for \$2,290.

- (c) The University has the ability to draw on a line of credit of \$7,000 (2012- \$7,000). As at March 31, 2013, the University has not utilized the available line of credit.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

(in '000s)

Years ended March 31, 2013 and 2012

17. Accumulated surplus

Accumulated surplus consists of individual fund surplus/ (deficit) and reserve fund balances:

	March 31, 2013	March 31, 2012	April 1, 2011
Operating fund	\$ 579	\$ 2,664	\$ 1,642
Board contingency fund	7,500	6,000	4,500
Vacation accrual fund	(8,646)	(8,461)	(8,215)
Ancillary funds	7,970	7,583	7,089
Special purpose funds	10,593	10,291	8,602
Endowment funds	2,817	2,500	2,500
Capital fund	56,851	53,694	52,341
Accumulated surplus	\$ 77,664	\$ 74,271	\$ 68,459

18. Expenses by object

The following is a summary of expenses by object:

	Instruction and instructional support	Ancillary	Externally sponsored activity	Research	2013
Salaries and benefits	\$ 99,515	\$ 1,939	\$ 728	\$ 2,168	\$ 104,350
Travel and professional development	2,291	29	164	334	2,818
Supplies	3,438	91	277	143	3,949
Student awards and bursaries	23	-	277	-	300
Fees and services	6,030	620	379	289	7,318
Facilities	6,379	398	69	123	6,969
Cost of sales	-	5,243	-	-	5,243
Leases, property taxes, insurance	806	32	17	15	870
Amortization of tangible capital assets	9,338	278	-	242	9,858
Contributions to Kwantlen Polytechnic University Foundation	1,181	-	7	3	1,191
Total	\$ 129,001	\$ 8,630	\$ 1,918	\$ 3,317	\$ 142,866

KWANTLEN POLYTECHNIC UNIVERSITY

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

Years ended March 31, 2013 and 2012

18. Expenses by object (continued)

	Instruction and instructional support	Ancillary	Externally sponsored activity	Research	2012
Salaries and benefits	\$ 96,944	\$ 1,962	\$ 452	\$ 2,025	\$ 101,383
Travel and professional development	2,569	33	109	271	2,982
Supplies	3,216	87	109	122	3,534
Student awards and bursaries	10	-	776	-	786
Fees and services	6,091	395	246	150	6,882
Facilities	6,861	452	73	116	7,502
Cost of sales	-	5,160	-	-	5,160
Leases, property taxes, insurance	675	24	19	10	728
Amortization of tangible capital assets	9,618	245	-	242	10,105
Contributions to Kwantlen Polytechnic University Foundation	1,175	15	4	-	1,194
Total	\$ 127,159	\$ 8,373	\$ 1,788	\$ 2,936	\$ 140,256