Kwantlen Polytechnic University

Annual Financial Report

March 31, 2026

KPU

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Territorial Acknowledgement

We at Kwantlen Polytechnic University respectfully acknowledge that we live, work and study in a region that overlaps with the unceded traditional and ancestral First Nations territories of the Musqueam, Katzie, Semiahmoo, Tsawwassen, Qayqayt, and Kwikwetlem; and with the lands of the Kwantlen First Nation, which graciously bestowed its name on this university.

MESSAGE FROM THE VICE PRESIDENT FINANCE AND ADMINISTRATION

I am pleased to present Kwantlen Polytechnic University's ("KPU" or the "University") annual financial report for the year ended March 31, 2026. This report includes the audited consolidated financial statements for the year, along with management's discussion and analysis, which provides a comprehensive review of the University's financial position and highlights key opportunities, risks, and areas for improvement.

The global economic and political environment continues to be marked by significant uncertainty. Tariffs and broader economic uncertainty are influencing day-to-day living costs, supply chains, market conditions, and housing affordability. Additional pressures—including rising inflation, changes to federal immigration policy, geopolitical conflicts, climate change, and heightened cybersecurity risks—further complicate the landscape in which KPU operates.

Federal immigration policy changes have had a substantial impact on international student enrolments and related revenues at KPU and at post-secondary institutions across Canada. Over the past three years, major federal policy shifts have sharply reduced the number of international students entering the country. KPU began planning early for the anticipated financial impacts, integrating long-term strategic planning and budgeting measures to mitigate risk. However, the number of approved study permits fell significantly below expectations, as outlined in the Auditor General of Canada's report. Nationally, fewer than 20% of the targeted study permits were approved in 2025 (50,370 approvals out of a target of 255,360), down from 456,690 approvals in 2023. New applications also declined dramatically, from 792,200 in 2023 to 134,195 in 2025. For KPU, this resulted in a 15.3% decline in international student enrolments in FY2025/26—greater than originally projected. These reductions will continue to affect future years as graduating students are not being replaced at historical rates.

Using the best available estimates of revenue declines, KPU's FY2025/26 budget strategy began with reduction targets, permitting only essential increases—many on a one-time basis. The budget prioritized diversifying revenue streams, enhancing financial supports for students, strengthening student and employee recruitment and retention, improving technology and infrastructure to support hybrid learning and working environments, bolstering cybersecurity, and advancing KPU's climate action plan. Achieving balance required strategic reductions in both salary and non-salary expenditures.

KPU remains firmly committed to academic excellence, research, innovation, and institutional accountability. The University continues to support students, employees, and the broader learning community through diverse, inclusive, and relevant educational pathways. As a polytechnic university, KPU offers both traditional and career-focused programs with multiple entry points leading to a university degree. Our mission is to equip students with the knowledge and skills needed to be engaged, responsible citizens, and to pursue meaningful careers by integrating theory, critical thinking, and applied learning. Through the collective efforts of our community, KPU continues to navigate challenges, embrace opportunities, and achieve significant milestones in education, professional development, and innovation—advancing opportunities for both the University and the communities we serve.

This year's financial results reflect disciplined decision-making and the dedication of employees, leaders, and partners across the institution. Achieving this outcome in such a constrained environment was no small feat. While significant financial challenges remain in the years ahead, the strength, resilience, and commitment of the KPU community give us confidence in our ability to navigate the road forward.

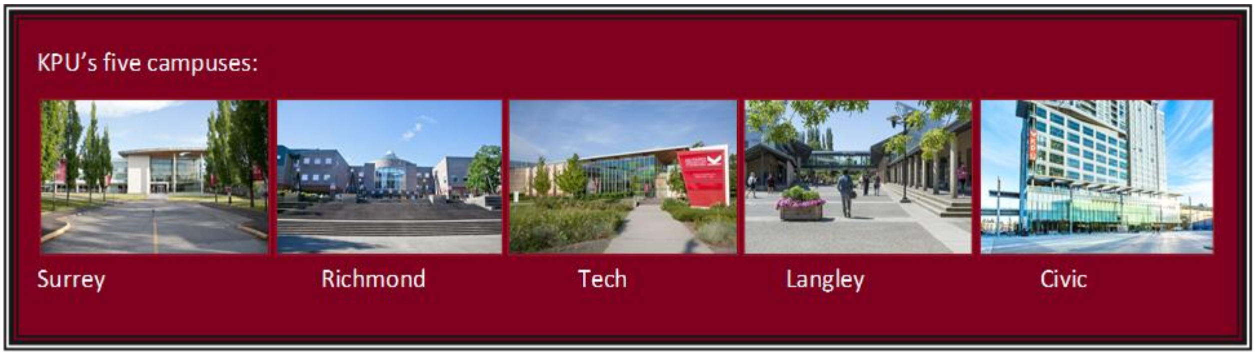
Management Discussion and Analysis

EXECUTIVE SUMMARY

The management discussion and analysis ("MD&A") provides an overview of KPU's operating environment, financial condition, performance, and key areas of financial risk and opportunity for the year ended March 31, 2026. This MD&A, together with the accompanying audited consolidated financial statements, serves as a key summary of the University's financial health and should be reviewed in tandem.

About KPU

As Canada's only polytechnic university, KPU uniquely blends the hands-on, industry-responsive approach of a polytechnic with the academic breadth and research integration of a university. It offers over 140 programs across a range of credentials, serving nearly 19,000 students annually across five campuses in the region south of British Columbia's Fraser River.



Operating Environment and Governance

KPU operates under British Columbia's *University Act* and is accountable to the Ministry of Post-Secondary Education and Future Skills (the "Ministry"), ensuring alignment between institutional priorities and provincial objectives. KPU follows a bicameral governance model: the Board of Governors provides oversight of management, administration, property, revenue, and overall operations, while the Senate is responsible for academic policy, curriculum, and program governance. The President and executive team oversee day-to-day operations and ensure the effective implementation of institutional strategies and policies.

KPU receives base operating funding from the Government of British Columbia and is required to comply with balanced budget legislation. As a public sector organization, KPU prepares its financial statements in accordance with the *Budget Transparency and Accountability Act*, and its results are consolidated into the province of British Columbia's (the "Province") financial statements.

Financial Results and Indicators

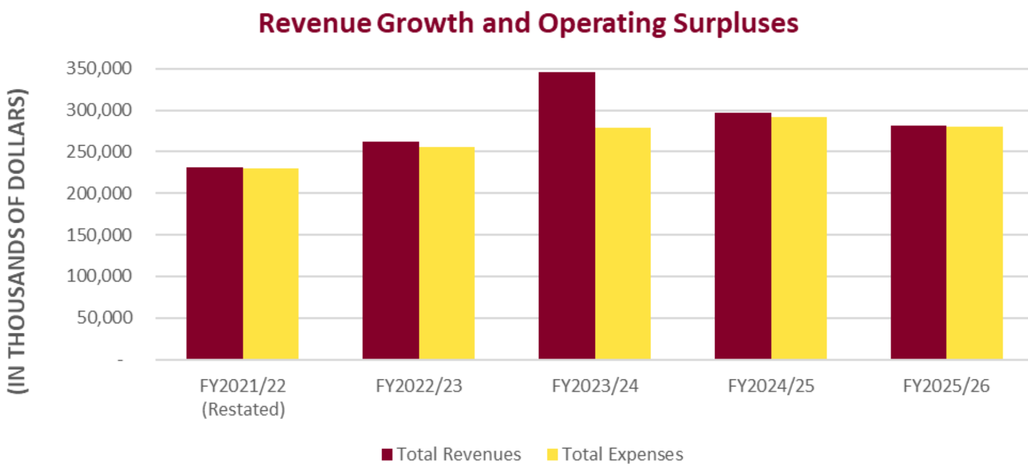
KPU's financial position is influenced by its revenue mix, expenditure patterns, and investment decisions, which together shape the University's financial stability, sustainability, vulnerability, and capacity to deliver on its mission.

In FY2025/26, KPU continued to experience a significant decline in total revenue, primarily due to reduced international student enrolments resulting from changes to federal government immigration policies. This resulted in a $42.7M decrease in international tuition and fee revenue compared to the prior year.

Revenue decline and operating surpluses

KPU experienced a 5.3% decline in total revenue in FY2025/26 compared to FY2024/25, driven primarily by a $42.7M decrease in international student tuition and fee revenue. Partially offsetting this decline was the recognition of $19.0M in deferred operating grant revenue during FY2025/26. These deferred operating grants originated from prior years' operating surpluses and were restricted by the Ministry for use on specific, time-limited, one-time initiatives intended to enhance KPU's offerings and institutional resilience. Approved uses included student services, planning initiatives, equity, diversity and inclusion ("EDI") initiatives, Indigenous programs, health and safety, and technology projects and services.

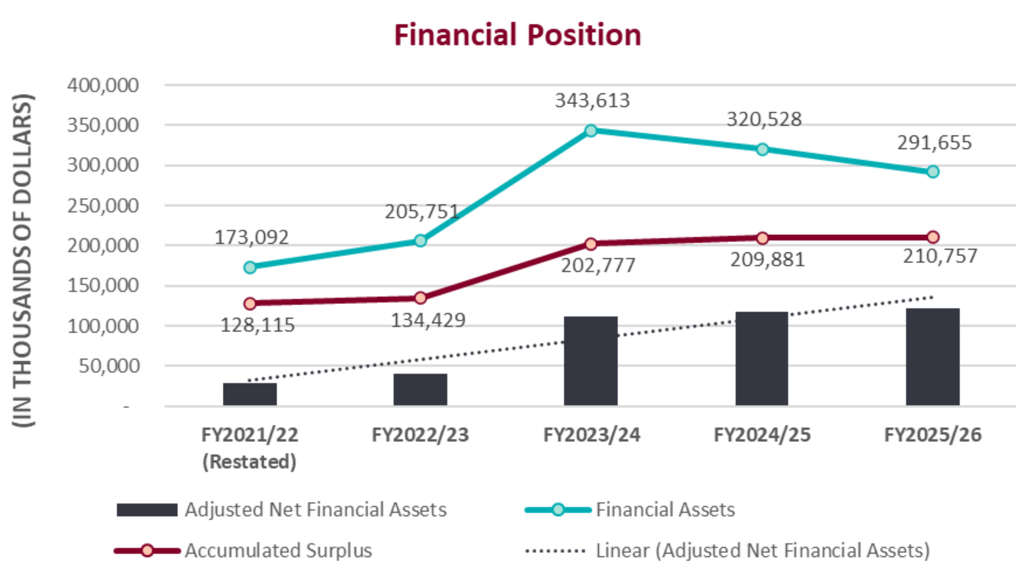
Correspondingly, expenditures decreased by 3.6% over the same period as part of KPU's strategy to mitigate the revenue shortfall. Through careful planning and disciplined financial management, KPU continued to maintain operating surpluses, where revenues exceed expenses, as illustrated in the graph below.



Financial position

KPU continues to demonstrate a strong and stable financial position, supported by steady growth in its adjusted net financial assets over the past five years. Adjusted net financial assets represents the extent to which the University's financial assets exceed its liabilities, after removing deferred capital contributions that have already been spent. This adjustment is made for reporting clarity, as spent deferred capital contributions no longer represent future obligations. In FY2025/26, KPU reported $175.7M in deferred capital contributions, of which $158.8M related to amounts already spent and therefore excluded from the adjusted calculation.

KPU's broader financial indicators also reflect continued strength. Financial assets remain robust at $291.7M as of March 31, 2026 (FY2024/25: $320.5M), and accumulated surplus has grown to $210.8M, demonstrating consistent operating discipline and long-term sustainability. Adjusted net financial assets increased to $121.7M (FY2024/25: $117.6M), resulting in a net financial asset-to-total assets ratio of 41.7%, up from 36.7% the previous year. This improvement shows that a growing share of the University's assets is available to support future operations and strategic priorities, reinforcing KPU's continued financial resilience and capacity to invest in its mission.

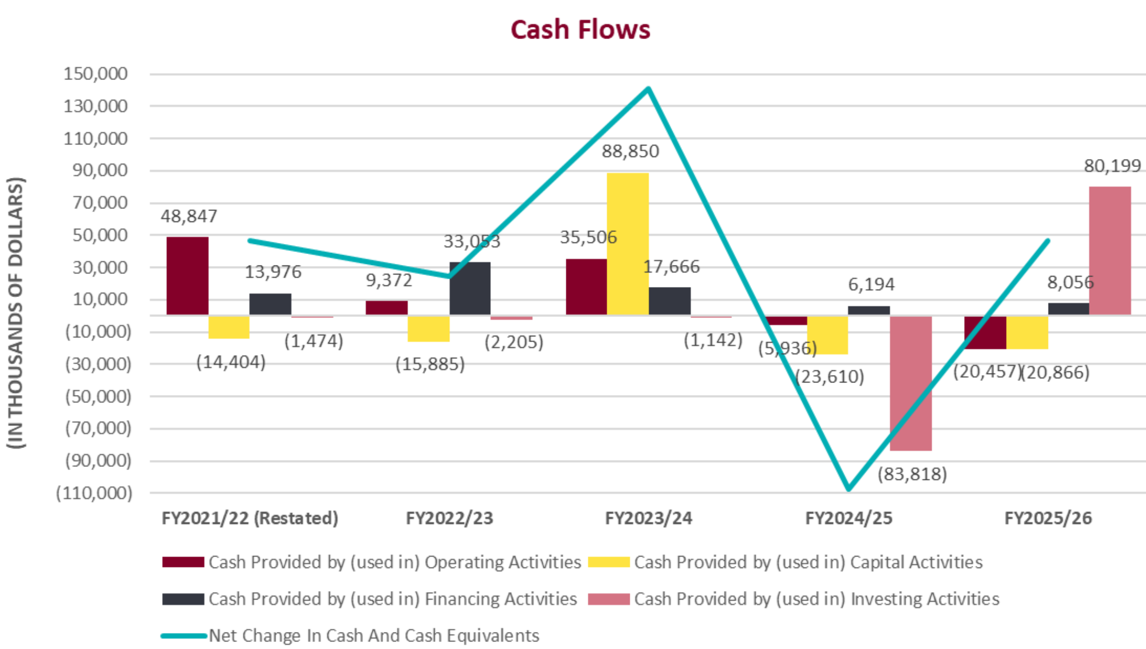


Cash flows

KPU has historically generated positive cash flows from normal operating activities, demonstrating its ability to fund operating expenses, support capital investments, and meet debt obligations through regular ongoing revenues. However, beginning in FY2024/25, KPU experienced a net decline in operating cash flows, marking the point where annual expenditures surpassed revenues and this trend continued into FY2025/26.

As detailed in the chart below, cash flows increased significantly in FY2023/24 primarily due to proceeds received from the sale of land. In FY2024/25 and FY2025/26, investing activities reflected the reinvestment of these proceeds into interest-bearing investment vehicles, resulting in significant cash outflows from investing activities. These transactions contributed to the notable fluctuations in the University's net change in cash and cash equivalents over the past three fiscal years.

During FY2025/26, a significant portion of the cash used in operating activities related to the planned spending of KPU's deferred operating grant. KPU will continue to experience declining cash balances as the deferred operating grant is utilized. However, it is critical that normal ongoing operating expenditures are ultimately supported by revenues generated through regular operations. If operating cash outflows continue to exceed the cash inflows, after the deferred operating surplus is exhausted, the University will need to rely on investment holdings to support operations. This trend prompted the reassessment of budget planning approach for FY2025/26 and future years to support long-term financial sustainability.



Operating Environment and Governance

University Overview

As Canada's only polytechnic university, KPU combines the hands-on, industry-aligned approach of a polytechnic with the academic breadth of a university. KPU's programs emphasize applied learning, equipping students with practical skills and competencies relevant to today's labour market.

As a university, KPU is authorized to grant bachelor's, master's, and doctoral degrees, as well as citations, certificates, and diplomas in both traditional and emerging fields. KPU also integrates academic and professional education, applied research, community engagement, and critical thinking into a comprehensive educational experience.

KPU serves nearly 19,000 students annually across five campuses: Surrey, Richmond, Langley, Cloverdale, and Civic Plaza. These campuses serve communities south of the Fraser River and are located on the unceded traditional and ancestral territories of the Musqueam, Katzie, Semiahmoo, Tsawwassen, Qayqayt, and Kwikwetlem First Nations, as well as the lands of the Kwantlen First Nation, which generously gifted the use of its name to the University.

Government Oversight

The Government of British Columbia delivers public services and programs through its ministries and a range of public sector organizations, including post-secondary institutions. For financial reporting purposes, these entities collectively form the Government Reporting Entity ("GRE"). As part of the GRE, KPU is accountable to the public through the Ministry responsible for post-secondary education, which provides oversight of post-secondary education and skills training across the province.

The Ministry requires KPU to align with broad public sector principles as well as specific directives related to government priorities and expectations. Periodically, the Ministry issues mandate letters to B.C.'s public post-secondary institutions ("PSIs"), outlining strategic priorities for the sector. KPU's most recent mandate letter, issued in 2025, along with the Minister's letter of direction, sets out expectations relevant to the University. In response, KPU aligns its strategic goals and performance measures with provincial objectives and the Ministry's expectations for the post-secondary system.

As a publicly funded PSI, KPU must comply with financial and policy guidelines established by the B.C. post-secondary sector. The sector operates within a regulated fiscal environment, shaped by the provincial government mandates. Notably, the domestic tuition limit policy, that has been in place since 2005, limits domestic tuition and mandatory fee increases to 2% annually. This policy ensures affordability and predictability for students, but also limits KPU's ability to adjust tuition rates to offset reduced revenues and rising operating costs resulting from recent inflationary pressures. While international tuition rates are not currently regulated, institutions are expected to exercise discretion in setting these rates to remain competitive in the global market and to ensure affordability and predictability for international students.

Following the federal changes introduced by Immigration, Refugees and Citizen Canada (IRCC), the Government of British Columbia has introduced the Public Post-Secondary International Student Enrolment Guidelines. These guidelines limit the international student complement to 30%. The guidelines call for increased student supports and tuition transparency, where tuition fees and maximum expected increases should be known at the outset of a student's study program.

Balanced budget legislation

The B.C. post-secondary education sector is governed by balanced budget legislation, which prohibits institutions from incurring operating deficits in a fiscal year without prior provincial approval. This requirement contributes to a complex operating environment, particularly during periods of economic uncertainty. As a result, institutions must engage in long-term financial planning to ensure annual balanced budgets, regardless of historical surpluses or deficits.

While the Ministry may permit deficit budget under certain, rare conditions, maintaining a balanced budget remains essential to preserving the University's financial sustainability and accountability to government, partners, and the communities it serves. Based on its projected financial position and planned mitigation strategies, KPU's Board of Governors approved a balanced budget for FY2025/26.

Strategic Priorities and Planning

KPU's strategic and academic planning framework, *Vision 2026 and the Academic Plan*, is being updated to articulate the mission, vision, and goals that will guide the University's strategic direction and decision-making in the coming years. This framework builds on the foundation established through *Vision 2026*, which was developed through extensive consultation with key stakeholders and approved by KPU's Board of Governors in May 2023.

Vision 2026 and the *Academic Plan* serve as a bridge during a period of presidential transition, providing a stable framework for institutional planning. KPU's Board of Governors approved work to begin on the University's next strategic planning cycle beyond Vision 2026, including the development of planning priorities and institutional direction toward FY2027/28 and beyond. The document outlines the mission, vision, values, and goals that define KPU as a polytechnic university, emphasizing its capacity to adapt and respond to evolving opportunities and challenges.

By prioritizing key strategic areas, the plans support long-term institutional success and inform planning, budgeting, and management processes. This alignment helps ensure limited financial resources are allocated effectively and institutional outcomes are optimized.

Provincial Grants and Other Revenues

Each year, eligible public PSIs receive provincial grant funding, the majority of which consists of operating grant funding. For many institutions, including KPU, this operating grant is determined independently of government-established student full-time equivalent ("FTE") targets. As a result, fluctuations in actual student delivery FTEs do not necessarily affect the level of operating grant funding received.

The Ministry issues an annual budget letter outlining KPU's operating grant, student FTE targets, associated accountabilities, and expectations for the upcoming fiscal year. In most years, the operating grant largely reflects a continuation of prior-year funding levels, with incremental adjustments primarily related to targeted programming initiatives and collective agreement settlements.

KPU received $106.2M of grants from the Province during FY2025/26. By fiscal year-end, total grants from the Province received were approximately $112.4M, with the additional funding related primarily to support anticipated compensation increases through the Balanced Measures Mandate.

The total Provincial grants represented approximately 43% of KPU's total operating revenues, excluding deferred operating grant revenue recognized from prior years, and approximately 40% of total revenues recognized during the year. The amount of provincial grant revenue recognized in any given year may be adjusted through Ministry-approved deferrals where the full funding allocation is not required.

In addition to provincial funding, public post-secondary institutions generate revenue from a variety of sources, including tuition (36% of total revenue recognized), federal grants and endowment income received from deferred contributions and deferred capital contributions (17%), investment income (4%), and ancillary and other services (3%). Despite this diversification, the majority of institutional funding continues to come from a combination of tuition revenue and the provincial operating grant.

Collective Agreements

The Kwantlen Faculty Association (“KFA”), represents the faculty members at KPU, while the British Columbia Government and Service Employees' Union (“BCGEU”) represents support staff across various public sector institutions, including KPU. Both the KFA and BCGEU collective agreements expired during FY2025/26. The KFA agreement covered the period from April 1, 2022 to March 31, 2025, while the BCGEU agreement covered the period from July 1, 2022 to June 30, 2025. Both groups are currently engaged in negotiations for their next collective agreements.

Historically, the provincial government has provided funding support for negotiated compensation increases through adjustments to institutional operating grants. However, these funding adjustments are based on employee complements at a specific point in time and may not fully offset salary and benefit cost increases incurred by the University. In late March 2026, the Ministry advised that funding would be provided under the Balanced Measures Mandate, representing a 3% increase for FY2025/26 for all employee groups and that funding and the estimated associated costs have been included in the results.

Financial Results

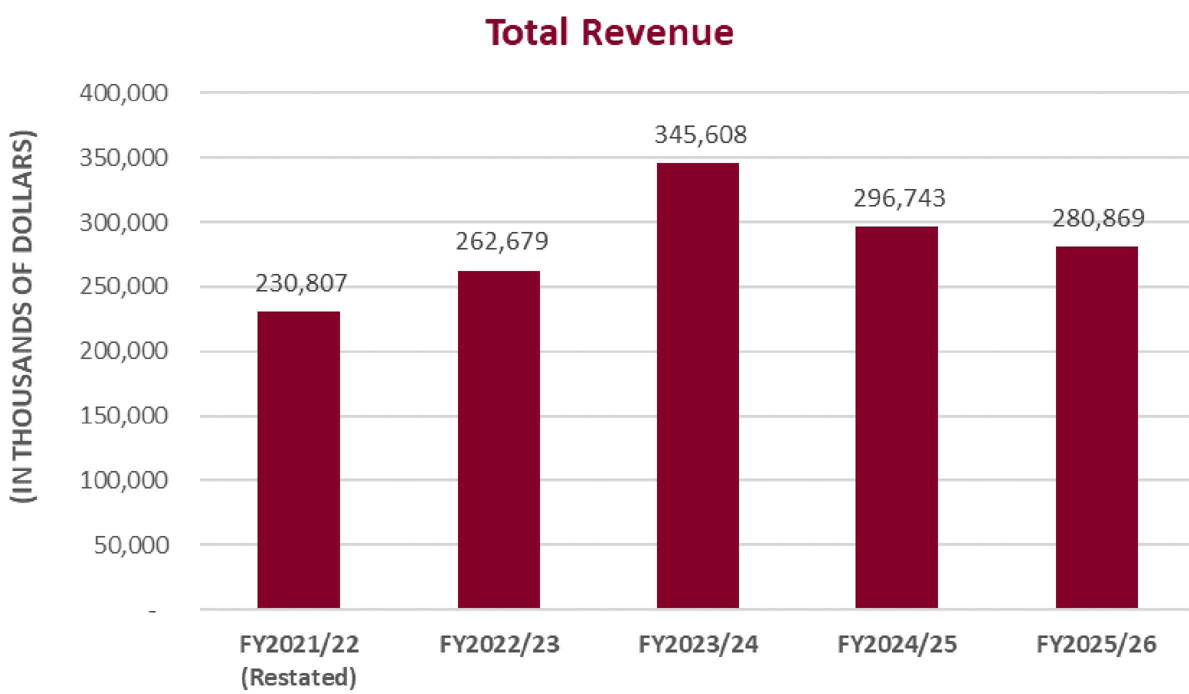
KPU prepares its audited consolidated financial statements in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province. This legislation requires the University to apply Public Sector Accounting Standards ("PSAS") along with Treasury Board Regulations 257/2010 and 198/2011. These regulations include specific accounting requirements related to the recognition of deferred contributions that differ from PSAS. The basis of accounting and significant accounting policies applied in the preparation of the audited consolidated financial statements for the year ended March 31, 2026, are outlined in Note 2 of the financial statements, including a description of the applicable regulations and key differences from PSAS.

Overview

This section provides an overview of KPU's financial results, including revenues, expenses, financial position, and cash flows. During FY2025/26, the University experienced a significant decline in international student enrolment, resulting in a $42.7M (42.1%) decrease in international tuition and student fee revenues. This decline contributed to an overall reduction in total revenues of approximately $15.9M (5.3%) compared to the prior year.

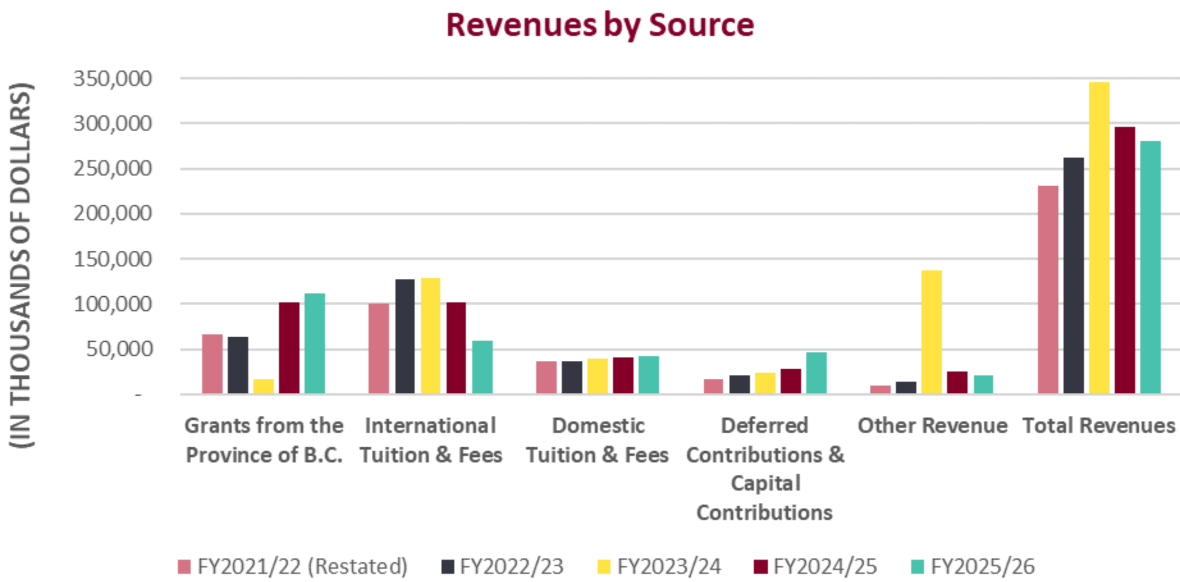
Revenues

Historically, revenues at the University have grown, reflecting KPU's continued expansion. As illustrated in the graph below, total revenues increased by 50% from $230.8M in FY2021/22 to $345.6M in FY2023/24. However, KPU's revenue is declining. Revenue decreased from the high in FY2023/24 by 14% in FY2024/25 ($296.7M) and another 5% in FY2025/26 ($280.9M). This trend was primarily due to two main factors: In FY2023/24, KPU realized a $116M gain on sale of land, leading to a deferral of $83M of its base operating grant and a surplus of $66M. Additionally, as a result of federal changes made to immigration and issuance of student study permits, international student enrolment continues to decline as new student enrolment rates are not high enough to fully replace graduates leaving the university. It is expected that overall revenues will continue to decline until the number of new international students matches those graduating in a given year.



Revenues by source

The following graph illustrates the five-year trend in revenues by source, highlighting changes in the composition and growth of the University's funding streams.



The sections below provide an overview of each revenue source and explain the changes observed between FY2024/25 to FY2025/26.

Grants from the province of B.C.

Grants from the Province primarily consist of the provincial operating grant, which serves as KPU's core funding. This category also includes targeted provincial funding for specific initiatives and projects. Overall, reported grants from the Province increased by 11.0% in FY2025/26 as compared to the prior year, primarily due to funding received from the Province supporting the Balanced Measures Mandate for anticipated collective agreement and merit increases. The Balanced Measured Mandate provides funding for increases to salaries and benefits for unionized public sector employees, including BCGEU and KFA members, as part of the Province's commitment to fair compensation and inflation protection while maintaining fiscal sustainability. In late March 2026, the Ministry advised that a funding allocation would also include an increase to cover cost-of-living adjustments for excluded employees.

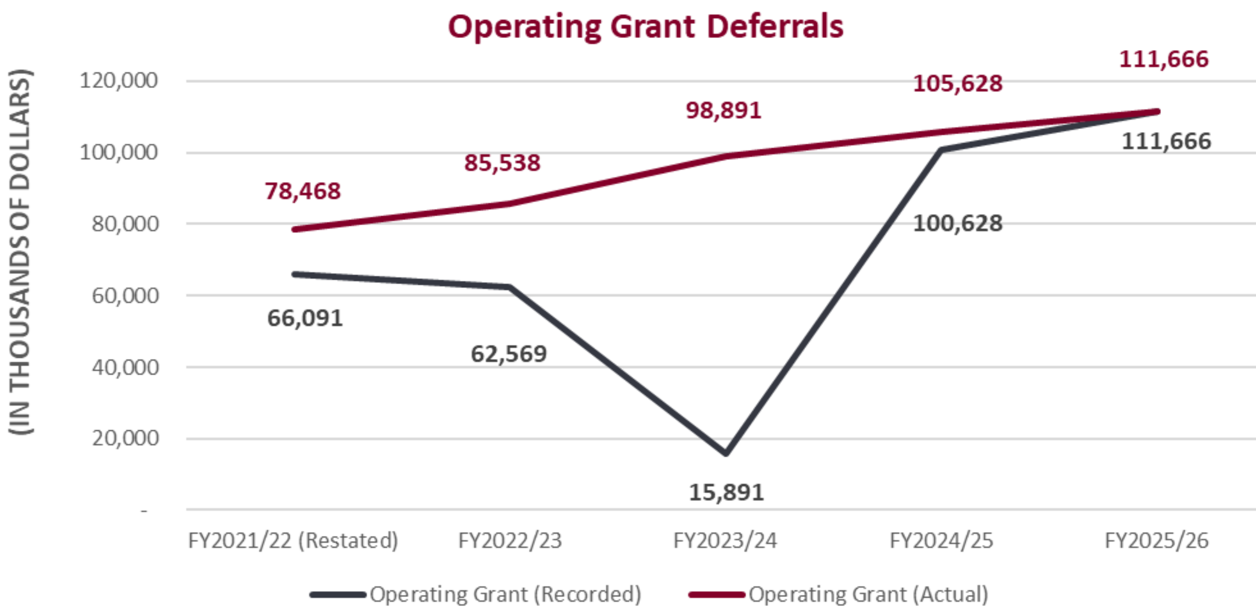
As well, the impact of operating grants deferrals affected the reported increase year over year. KPU did not defer any of its operating grant during the current year, whereas in FY2024/25 operating grant deferral was $5.0M. When adjusting for operating grant deferrals, the effective funding for FY2025/26 was $112.4M compared to $105.6M in FY2024/25 resulting in a net increase of $6.8M or 6.4% overall.

Operating grant deferrals

Beginning in FY2021/22, the Ministry allowed PSIs to request a deferral of their operating grants as long as it did not put the University into deficit. The following summarizes KPU's deferrals by fiscal year:

- FY2021/22 Deferral $12.4M, operating grant recorded $66.1M
- FY2022/23 Deferral $22.9M, operating grant recorded $63.9M
- FY2023/24 Deferral $83.0M, operating grant recorded $16.2M
- FY2024/25 Deferral $5.0M, operating grant recorded $101.2M
- FY2025/26 No Deferral, operating grant recorded $106.2M

KPU was approved to defer these operating grants for operating and capital purposes. By the end of FY2025/26, KPU has $6.9M in deferred capital funding and $64.1M in deferred operating funding remaining, with plans to utilize $5.1M in capital and $19.0M in operating in FY2026/27. The operating deferral focuses on long-term planning goals, support for equity, diversity and inclusion, student supports, indigeneity, and technology projects and services. Due to these deferrals, the operating grants recorded in KPU's audited consolidated financial statements differ from actual grants received. The graph below shows that operating grants have been increasing over the past five years.

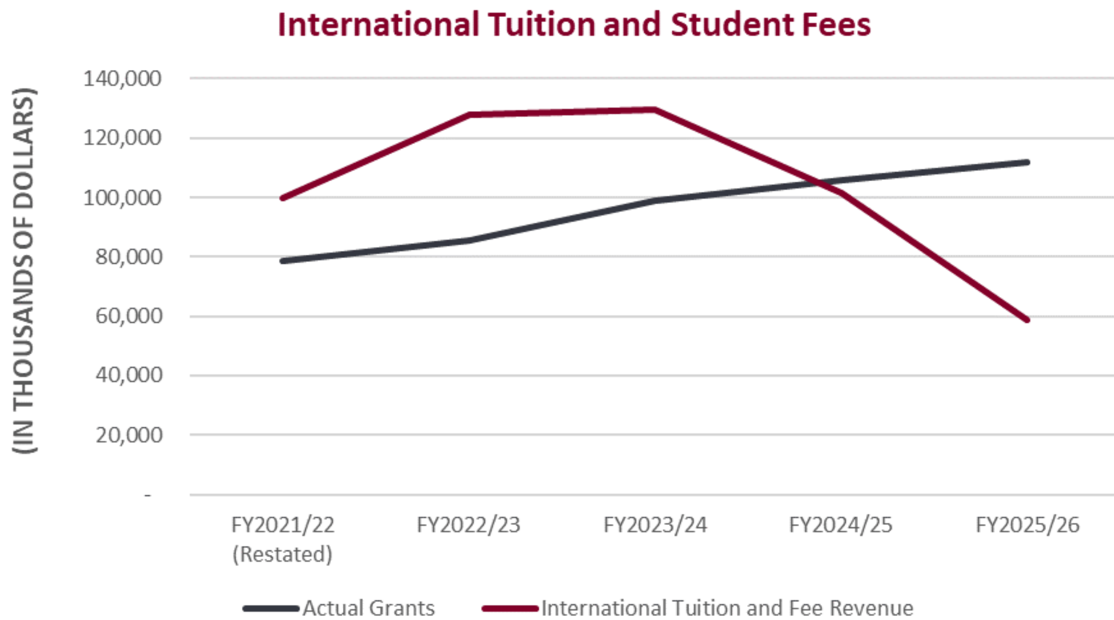


International and domestic tuition and fees

Tuition and fees represent all fees incurred by students to attend KPU for credential programs. International tuition and student fees, which were KPU's largest revenue source, have fallen to the University's second largest revenue source, decreasing by $42.7M (42.1%) to $58.8M in FY2025/26 from $101.5M in FY2024/25. Domestic tuition and student fees rose by $1.2M to $42.1M (FY2024/25: $41.0M), a 2.9% increase from FY2024/25. This increase aligns with the 1% increase in domestic student FTEs along with a 2% increase in tuition and fees.

The tuition and fees decrease in proportionate share of overall revenue aligns to the drop in international student enrolments. The 45% year-over-year decrease in international student FTEs is minimally offset by a 2% rise in those fees. Since the tuition rate for international students is approximately four times that of domestic students, the decreases in international FTE have a greater financial impact than if domestic student FTEs declined. As a result, this revenue source cannot solely be offset by focusing on domestic recruitment and retention. International tuition rates are set to recover the full costs of the programming whereas domestic rates are subsidized by the base operating grant.

Historically, revenue recognized from the Provincial operating grants have been comparable to revenue from international student tuition and fees. However, beginning in FY2021/22, a notable shift occurred with international student tuition and fee revenue surpassing the grants recognized from the Province, becoming KPU's primary revenue source. The trend continued until FY2024/25**,** when revenues from these two sources realigned, reflecting a return to a more balanced distribution of funding. Due to limits implemented in the federal government's international student policies, the revenue balance between operating grants and international tuition and fees have significantly shifted. International revenues are down to just over half of the Provincial operating grant in FY2025/26.



Revenue from deferred contributions

Revenue from deferred contributions, which represents spending of externally restricted grants as specified by the contributor, has increased by 124.2% to $33.2M in FY2025/26 (FY2024/25: $14.8M). A significant factor in this change was the $19.0M in revenue recognized in FY2025/26 from KPU's operating surplus deferral. The remainder of deferred contribution revenues is predominantly used for research grant activities, which continue to recover after being suppressed throughout the pandemic.

Revenue from deferred capital contributions

Revenues from deferred capital contributions reflect funding received from the federal and provincial governments and other sources to support capital purchases. These contributions are recognized into revenue over the useful life of the associated underlying asset, offsetting a portion, or all of the related amortization expense incurred over the same period. In FY2025/26, there was a 3.9% increase to $13.8M (FY2024/25: $13.3M), primarily driven by capital assets placed into service during FY2025/26, most notably the Lighting and Security Project funded by the Provincial government.

Other revenue

Other revenue is composed of ancillary services revenue, investment income, and miscellaneous income.

Ancillary services revenue, which includes revenue from the bookstore, parking and food services decreased by $0.2M to $3.3M in FY2025/26 (FY2024/25: $3.5M). The University's ancillary revenue, despite increased student and employee activity on campus post-pandemic, has not returned to pre-pandemic levels due to a continued overall reduction in on-campus activities as compared to FY2017/18 where ancillary revenues were as high as $7M.

Investment income includes interest revenue, dividends, and realized gains and losses on the sale of investments. Investment income has decreased by $4.1M (27.1%) to $11.1M in FY2025/26 (FY2024/25: $15.3M). This decrease is largely attributed to reduced interest rates as inflation dropped back to historical norms, compounded with reduced cash and investment balances as the University begins to spend down its deferred operating grant balance.

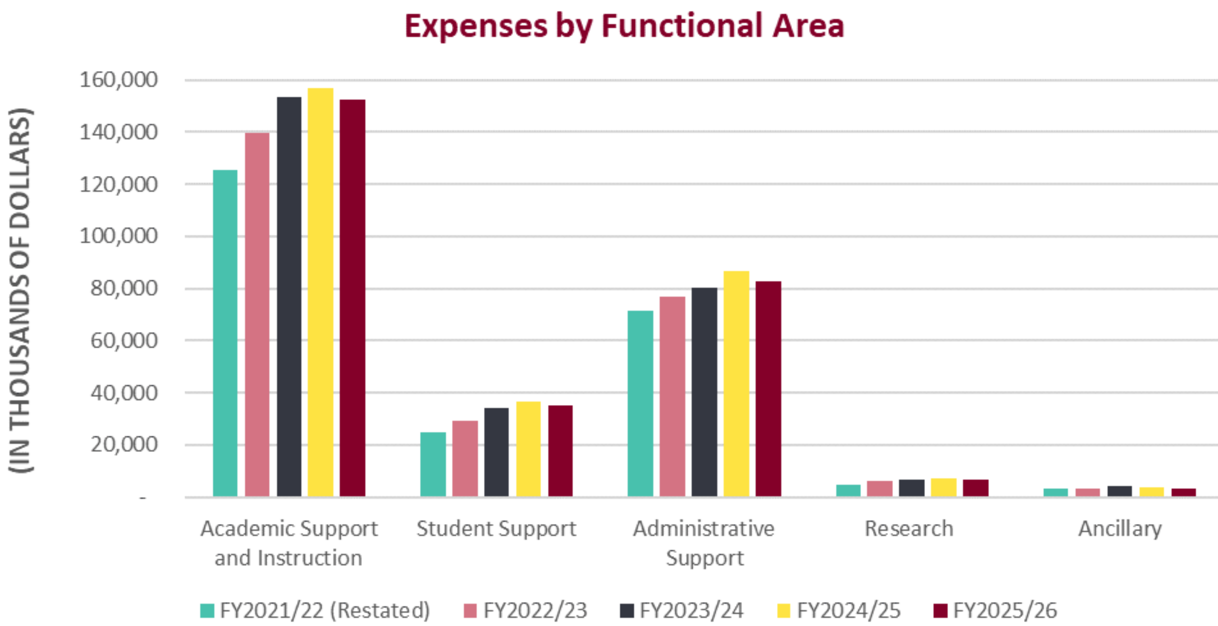
The remainder of other revenue consists of miscellaneous income, including space rentals, donations, trades shop income, product sales, and contract revenue. This increased by 2% to $6.1M in FY2025/26 (FY2024/25: $6.0M).

Expenses

Overall, expenses have decreased by 3.6% from $291.1M to $280.7M, partially offsetting the 5.3% reduction in revenues over the same period. It is important to note that the reported expenses include some one-time, non-recurring costs associated with KPU's rebalancing of operations, such as severances and early retirement incentives and therefore decreases in spending may not occur at the same rate as decreases in revenues.

Expenses by functional area

Functional areas represent the broad categories of services and activities provided by the University. KPU allocates the majority of its resources toward the delivery of quality education, including academic support, instruction, administrative support for core academic operations and student support services. Remaining expenditures support research activities, institutional operations, and ancillary services that contribute to the overall student experience and the effective functioning of the University. The graph below illustrates expenses by functional area over the past five fiscal years and highlights the decreasing spend in all of the functional areas of the University.



Academic support and instruction

This functional area encompasses all academic programs, courses, and activities related to teaching and learning including undergraduate and graduate programs, curriculum development, academic advising, faculty development, and instructional technology. These components are essential to delivering high-quality education and academic excellence.

Over the past couple of years, KPU has expanded its focus from maintaining core academic activities to increasingly furthering academic innovation and teaching excellence and aligning spending with the higher student numbers. However, in FY2025/26 academic support and instruction decreased by 3.1% to $152.6M in FY2025/26 (FY2024/25: $157.5M). The majority of this decrease is attributed to direct instructional costs decreasing as international enrolment declines resulted in a drop in the number of sections offered. These decreases were primarily observed in the Melville School of Business and Faculty of Arts. Partially offsetting these declines were estimated faculty collective agreement increases for salaries and benefits.

Student support

This functional area includes the Office of the Registrar, Student Affairs, Alumni Affairs and KPU International:

- The Office of the Registrar supports students with admission, registration, academic records, graduation, or transcripts.

- Student Affairs provides services and programs related to accessibility, academic advising, assessment and testing, campus recreation, career services, counseling, student-focused equity, diversity and inclusion initiatives, orientation and transition, student awards, and financial assistance, student health and wellness, and student rights and responsibilities. The aim is to enhance the overall student experience and support student success and well-being.
- Alumni Affairs works directly with the Alumni Association to bring together KPU Alumni and foster lifelong relationships with the University and community, increasing the institution's reputation and impact that KPU graduates have on the university and world.
- KPU International offers services to international students, including admissions, support services, and study abroad opportunities.

Student support decreased by 5% to $35.3M in FY2025/26 (FY2024/25: $37.1M). International education student awards were the main driver for this decrease as these awards are tied to decreased enrolment resulting in a corresponding drop in expense. Initiatives such as the Student Award Fund have provided funding to keep spending on student awards and bursaries higher than historical averages seen in FY2022/23 and FY2021/22.

Administrative support

This functional area encompasses the operational and administrative facets that support KPU's day-to-day functioning:

- Campus and Community Planning
- Campus Security and Risk
- Communications
- Equity and Inclusive Communities
- Office of Advancement
- Facilities
- Financial Services
- General Counsel
- Governance & Policy
- Human Resources
- Indigenous Leadership, Innovation and Partnerships
- Information Technology
- Marketing
- Office of the President
- Planning & Accountability

Administrative support expenses decreased by 3.6% to $82.6M in FY2025/26 (FY2024/25: $85.7M). The decrease is primarily driven by reduced international agent commission fees paid as international enrolment declines, overall decrease in professional fees as divisions reduced activities to conserve budget, and a net decrease in transfers to KPU Foundation. The actual decrease in normal spending in administrative support is muted by increased expenses recorded for one-time accruals for severance, and incentive programs that were not allocated to the other functional areas.

Research

This functional area focuses on advancing knowledge and innovation through research activities conducted by faculty, students, and staff. Research funding, laboratories and facilities, collaboration with industry partners, publication and dissemination of research findings, and support for research ethics and compliance are key components of the Research function. The aim is to promote a vibrant research environment and facilitate interdisciplinary collaboration and discovery.

Research expenses decreased by 3.3% to $6.8M in FY2025/26 (FY2024/25: $6.9M). The modest decrease reflects research activity levels remaining generally consistent with the elevated spending experienced in the prior year. Since FY2020/21, research spending has increased by 76% from $3.9M, driven by internal and external grant activity and reflecting the University's continued commitment to supporting research and experiential learning opportunities.

Ancillary services

This functional area includes non-academic services that enhance the student experience, such as bookstores, food services, and parking. Ancillary expenses decreased by 14% to $3.4M in FY2025/26 (FY2024/25: $3.9M) primarily related to a reduction of cost of goods sold on books held for resale. Ancillary revenues also decreased modestly year-over-year; however, the reduction in expenses exceeded the decline in revenues, resulting in an improved net contribution deficit of $0.1M in FY2025/26 compared to $0.5M in FY2024/25.

Expenses by object

Expenses are categorized by object, referring to the nature of the expenditure. The table below shows the expenses by object for FY2024/25 and FY2025/26. Overall, expenses decreased by 3.6% from the prior year.

Expenses by object (in $'000s)	FY2025/26	FY2024/25	Change
Salaries and benefits	206,030	207,935	(1,905)
Fees and services	16,338	21,444	(5,106)
General other non-salary	9,938	10,119	(181)
Software and subscriptions	9,493	8,941	(552)
Student awards	5,284	7,175	(1,891)
Facilities repairs and maintenance	3,338	3,651	(313)
Utilities	2,102	2,349	(247)
Travel and professional development	3,461	4,809	(1,348)
KPU Foundation disbursements	2,504	3,135	631
Amortization of tangible capital assets	22,179	21,518	661
Total expenses by object	**280,667**	**291,076**	**(10,409)**

Salaries and benefits

There are three main employee groups at KPU:

1. Faculty - members of the KFA
2. Staff - members of the BCGEU
3. Administration - non-union employees

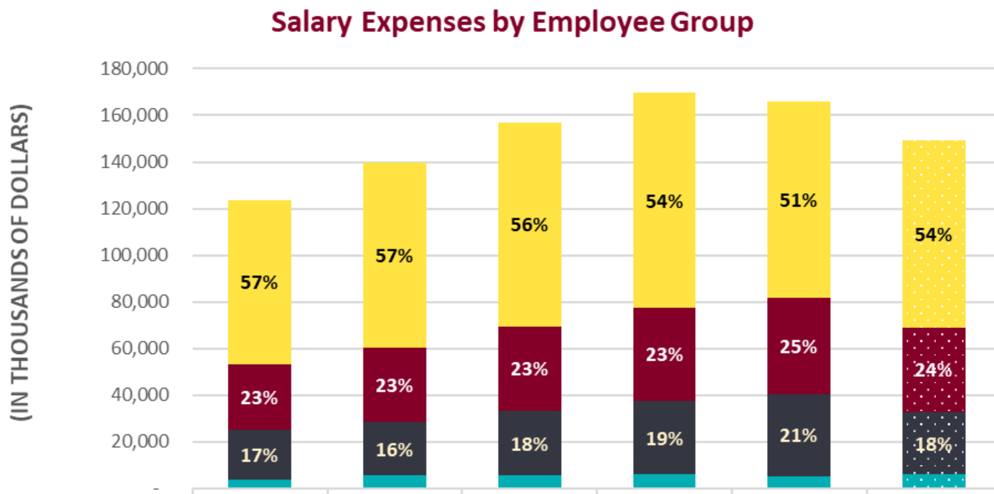
Salaries and benefits are KPU's largest expenditures, representing 73.4% of total expenses in FY2025/26 (FY2024/25 – 71.4%). There was an overall decrease in salaries and benefits of $1.9M (-0.9% decrease) year-over-year. Both the BCGEU and the KFA collective agreements are expired and in negotiation. The increase in staff salaries reflect the anticipated payments for expected wage increases as part of the Balanced Measures Mandate in all employee groups.

The graph below provides additional details of salaries by employee group.

The relative proportion of salary expense by employee group has remained relatively stable over time, however as international enrolment declines, Faculty salaries are now reflecting the first signs of contraction. As the University continues to right size its employee complement, it is expected that the spending in the other employee groups will also decrease.

In response to the significant decreases in international enrolment, the number of sections offered declined during FY2025/26 resulting in a more immediate decrease in Faculty salaries. Melville School of Business and Faculty of Arts were most significantly impacted, offset by small growth in Ministry targeted programming such as Health expansion and Front-End Development for Interactive Applications. The decrease in Faculty salaries is partially offset by anticipated payments for expected wage increases as part of the Balanced Measures Mandate.

After adjusting for severance and anticipated merit increases, both BCGEU and excluded administrative salaries grew over prior year. The planned budget reductions applied to BCGEU and administrative positions were more significant as they also included amounts related to vacant positions– funds not being spent. As a result, the budget reductions experienced were far greater than actual spending reductions year-over-year. In FY2026/27 the University will experience larger declines in these employee groups as spending reduction plans are implemented.



	FY2021/22 (Restated)	FY2022/23	FY2023/24	FY2024/25	FY2025/26	FY026/27 (Budget)
Faculty	70,303	79,526	87,504	92,393	84,624	80,138
Staff	28,329	31,714	36,297	39,831	41,090	36,201
Administrative	21,225	23,012	27,776	31,623	35,310	27,035
Other	3,844	5,443	5,468	5,980	5,132	5,861

Non-salary expenses

Non-salary expenses, including amortization, decreased by $8.5M (10.2% decrease) to $74.6M in FY2025/26 from $83.1M in FY2024/25). This decrease primarily reflects KPU's cost reduction measures implemented in response to declining international student enrolment and related revenue pressures.

The most significant reduction was a $5.1M decrease in fees and services, driven mainly by lower international education agent commissions new international student enrolment declined, along with deliberate reductions in professional services spending to help address budget shortfalls.

Student Awards supported by the operating funds were reduced to more sustainable levels in FY2025/26. In the prior fiscal year, FY2024/25, Student Awards included additional International Awards funded through mid-year allocations and one-time budgets, including the Nursing Tuition Grant awards that were issued in FY2024/25 for both FY2023/24 and FY2024/25, resulting in disbursements that were nearly double the amount incurred in FY2025/26.

Travel and professional development spending were also reduced as there was a significant effort put in across the University to reduce controllable spending where possible.

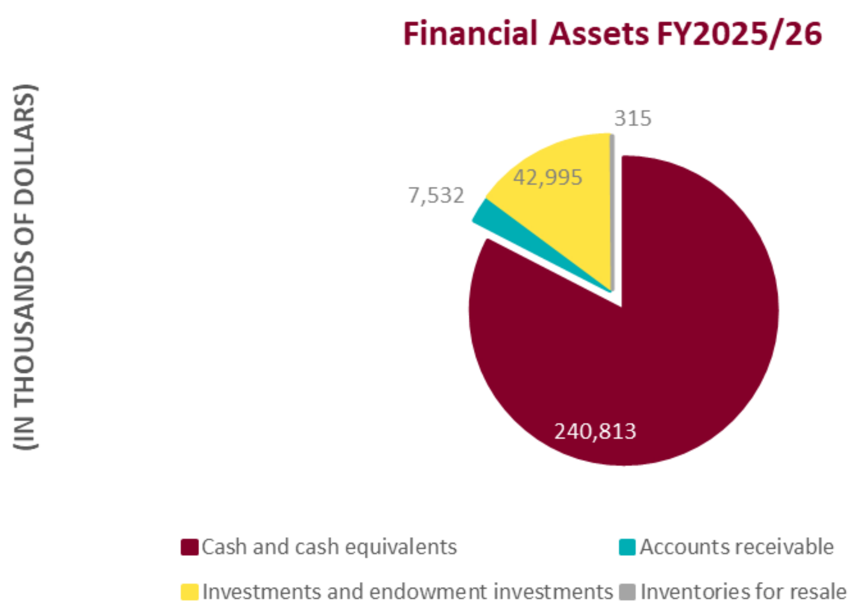
These reductions were partially offset by higher amortization expense related to recent capital additions, increased software and subscription costs, and ongoing inflationary pressures.

Financial Position

The University continues to maintain a stable financial position supported by strong liquidity and significant balance of financial assets. This position provides flexibility to support strategic priorities, manage financial risks, and invest in the ongoing renewal and sustainability of the University's operations and infrastructure.

Financial assets

Financial assets represent resources that can be converted into cash to meet financial obligations and support future operations and strategic initiatives. During FY2025/26, financial assets decreased by $28.9M, or 9.0% to $291.7M from $320.5M in FY2024/25. This decline was expected, as KPU spends down the deferred operating grant funds that had been intended to be spent. The graph below provides a breakdown of financial assets as of the year ended March 31, 2026:



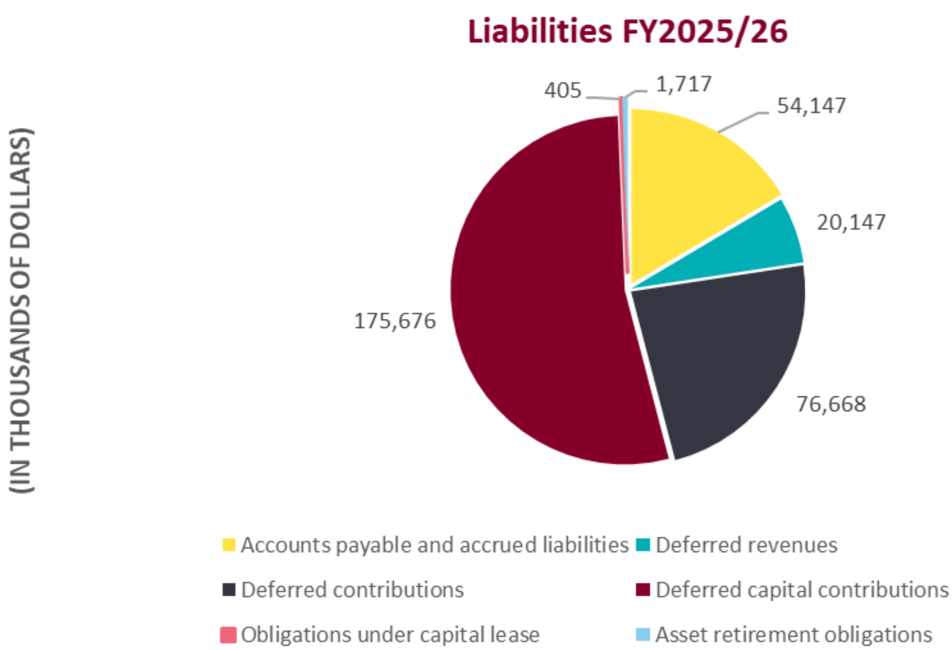
Cash and cash equivalents are the most significant component of financial assets amounting to $240.8M, or 82.6% of all financial assets (FY2024/25: $193.9M). This represents a $46.9M year-over-year increase (compared to $107.2M decrease in FY2024/25), driven primarily by the reinvestment of longer-term investments into more liquid, interest-bearing investment vehicles during the year. In contrast, investments and endowments, the next largest component of financial assets, declined significantly to $43.0M (14.7% of financial assets) down from $122.5M in FY2024/25. The reduction reflects the KPU's strategic shift away from longer-term investment holdings toward higher-liquidity instruments to support operational cash flow needs and enhance financial flexibility.

Accounts receivable represents $7.5M, or2.6% of the financial asset balance (FY2024/25: $3.8M), reflecting a year-over-year increase of $3.7M (97.6% increase). This increase was primarily driven by higher receivables from the Province related to Balanced Budget Mandate funding announced late in the fiscal year and received after year end.

Inventories for resale, which include various products held for resale in KPU's bookstores, remained stable from FY2024/25 to FY2025/26.

Liabilities

Liabilities represent the University's obligations to external parties resulting from past transactions or events. Liabilities reduced by $31.4M, or8.7% to $328.8M in FY2025/26 down from $360.2M in FY2024/25. The graph below provides a breakdown of liabilities at the year ended March 31, 2026:



Accounts payable and accrued liabilities represent amounts owed to vendors and other parties for goods and services received by year-end, including estimates where invoices have not yet been received. These balances accounted for 16.5% of total liabilities. The total increased by $2.5M (4.8% increase) to $54.1M in FY2025/26 from $51.6M in FY2024/25. This increase is primarily attributed to accruals for anticipated retroactive collective agreement and merit increase payments, as well as anticipated severance and early retirement incentives. This increase was partially offset by a reduction in the transfer due to the KPU Foundation (KPUF) of $3.1M committed at FY2024/25 yearend that was paid following year end, in contrast the FY2025/26 transfer of $2.5M to KPUF was completed before year-end. In addition, there was a reduction in accrued vacation pay owing to employees of $1.2M, where accrued vacation pay dropped from $14.8M in FY2024/25 to $13.6M in FY2025/26.

Deferred revenues represent tuition payments received in advance for future courses and are recognized as revenue when the courses are delivered. Deferred revenues, representing 6.1% of total liabilities, decreased by $8.5M (29.6% decrease) to $20.1M in FY2025/26 from $28.6M in FY2024/25. This decline is primarily driven by reduced advance payments from international students for both the summer term and future terms, reflecting a decline in international enrolment.

Deferred contributions represent unspent externally restricted grants and contributions that must be used in accordance with the stipulations of the contributor in future periods. Deferred contributions, representing 23.3% of total liabilities, decreased by $19.7M to a total $76.7M in FY2025/26 from $96.4M in FY2024/25, the majority of this decrease relates to the use of a portion of the deferred operating grant for various activities during FY2025/26.

Deferred capital contributions, which are externally restricted contributions for acquiring capital assets, are the largest component of liabilities at 53.4% of total liabilities. The University requested deferrals to fund future initiatives that could not be addressed within the current fiscal year. These capital initiatives will focus on the environmental sustainability of the University's campuses, deferred maintenance of aging infrastructure, modernization of information technology and furniture, and delivery of planned capital projects. This approach aligns with KPU's long-term financial planning strategy. This category decreased by $4.9M (2.7% decrease) to $175.7M in FY2025/26 from $180.5M in FY2024/25, mainly due to routine capital investments in general infrastructure ($0.8M), exterior accent lighting ($1.1M), and continued progress on the Surrey Childcare Centre ($3.1M).

Obligations under capital lease reduced to $0.4M from $1.3M in FY2024/25 representing a lease agreement entered into by the University on September 1, 2023, to finance IT infrastructure for the Entertainment Arts program. The lease carries an estimated borrowing cost of 7.36% per annum which did not change from FY2024/25.

Also included in liabilities, is an estimate of KPU's asset retirement obligation related to the future removal of hazardous materials from certain University buildings. The balance of asset retirement obligations on March 31, 2026 was $1.7M and remains unchanged from FY2024/25.

Net debt

Net debt, defined as the excess of liabilities over financial assets, was $37.1M FY2025/26, representing a decrease of $2.5M from the prior year. This improvement was driven by several factors, including an annual surplus of $0.2M, net remeasurement gains on investments of $0.7M, and an increase in prepaid expenses and deposits of $0.3M, which contributed to higher financial assets. Net debt also declined because amortization exceeded new capital spending by $1.3M, and amortization does not require cash.

However, as described earlier, KPU uses adjusted net financial assets as a key indicator because it provides a clearer and more accurate picture of the University's available financial resources. While net debt compares financial assets to total liabilities, it includes deferred capital contributions—funding received for capital projects that has already been spent and no longer represents a future obligation. By removing these spent amounts, adjusted net financial assets focus on the resources that are truly available to support operations, manage risks, and invest in strategic priorities. This approach offers a more meaningful measure of KPU's financial flexibility and long-term sustainability than net debt alone.

Non-financial assets

Non-financial assets are resources not available to settle existing liabilities and are held for the ongoing delivery of services. These assets have useful lives extending beyond the current fiscal year and are not intended for sale in the ordinary course of operations. Included in non-financial assets are: tangible capital assets, investments and endowment investments, and prepaid expenses and deposits.

The following table provides a breakdown of non-financial assets held by KPU for the past two fiscal years. Total non-financial assets decreased by 0.6% in FY2025/26 and have remained steady year over year.

Non-financial assets (in $000's)	FY2024/25	FY2025/26	Change
Tangible capital assets	242,503	241,190	1,313
Investments and endowment investments	2,817	2,817	-
Prepaid expenses and deposits	4,192	3,855	337
Total non-financial assets	**249,512**	**247,862**	**1,650**

Tangible capital assets include land, buildings, equipment, technology infrastructure, and other long-term assets that support KPU's operations.

Over the past five years, KPU's tangible capital acquisitions averaged approximately 7% of total revenues and primarily consisted of routine purchases of furniture, equipment, and computing equipment. In FY2023/24 and FY2024/25, acquisitions increased to approximately 8% due to significant additions related to renovations at the Richmond campus to support programs targeting technology relevant skills, continued information technology and furniture and equipment refreshes, and a new capital lease supporting information technology infrastructure for the Entertainment Arts program. In FY2025/26, the investments returned to normal levels.

The investments and endowment investments included in non-financial assets reflect the Leading Edge Endowment Fund (LEEF) that is intended to be maintained in perpetuity and designated to establish the BC Regional Innovation Chair as a fulltime appointment at KPU. The net income earned from the endowment shall be used to support the Chair of the Institution. The establishment and management of the endowment fund, including the distribution of endowment earnings, are governed by policies set by KPU's Board of Governors. The balance of investments and endowment investments remained at $2.8M.

Prepaid expenses and deposits represent payments made for goods or services that will be received or consumed in subsequent fiscal years. These prepaid expenses, decreased by $0.3M to $3.9M from $4.2M in FY2024/25.

Accumulated surplus

The University is in an accumulated surplus position reflecting net positive resources of $210.8M which has increased by $0.9M from $209.9M in FY2024/25. A significant portion of the accumulated surplus is either invested in capital assets $105.3M ($107.3M in FY2024/25), or is reserved for specific purposes, as determined by the Board of Governors or by external funders totaling $48.3M ($45.9M in FY2024/25). The University's FY2025/26 accumulated surplus also includes $52.0M in unrestricted reserves (FY2024/25: $52.3M) available to fund capital assets or other strategic initiatives. The balance of the accumulated surplus $5.1M ($4.4M in FY2024/25) which is an amount recorded to recognize unrealized profits that come from changes in the value of KPU's investments. These gains happen when the market value of the investments increase but they have not yet been sold.

Cash Flows

The Consolidated Statement of Cash Flows outlines the University's sources and uses of cash during the fiscal year, categorized by operating, capital, investing and financing activities. The University's overall cash position increased by $46.9M from $193.9M in FY2024/25 to $240.8M in FY2025/26.

During FY2025/26, KPU transferred $80.2M into interest-bearing accounts as part of its cash and investment management strategy which was the main reason for the increases in cash. This was offset by the investment of $20.9M in capital asset additions. In FY2025/26 KPU used $20.4M ($6.5M in FY2024/25) in cash to support operations. KPU's primary sources and use of cash are for operating activities, specifically cash received from student tuition and fees, as well as grants from the Province net of the costs associated with operational expenses

Financial Indicators

Overall, the financial indicators below illustrate that KPU has maintained a strong financial position and consistently met its financial obligations over the past three years. Due to the significant impact of the land sale in FY2023/24 and the resulting impact on deferred operating grants, the following ratios have been also provided using normalized revenues which exclude these factors.

Key Financial Indicators (in $'000s)		FY2023/24 Actual	FY2024/25 Actual	FY2025/26 Actual
Own source revenue per student headcount		$ 14.2	$ 8.3	$ 6.9
Own source revenue per student headcount (normalized)**		$ 8.8	$ 8.3	$ 6.9
Adjusted net financial assets to total revenue ratio		32%	40%	43%
Adjusted net financial assets to total revenue ratio (normalized)*		39%	39%	46%
Provincial operating grant revenue to total revenue ratio		5%	34%	40%
Provincial operating grant revenue to total revenue ratio (normalized)*		34%	35%	43%
	Target	**FY2023/24 Actual**	**FY2024/25 Actual**	**FY2025/26 Actual**
Net operating revenues ratio	≥ 7%	10%	-2%	-7%
Tuition revenue to academic expenses ratio	≥ 75%	111%	92%	68%

* normalized for operating grant deferrals

**normalized for the land sale in FY2023/24

Own Source Revenue per Student Headcount

Own source revenue per student headcount represents revenue generated from non-governmental sources, excluding provincial operating grants and external contributions. The year-over-year decline in this metric reflects reduced revenue generated per student, primarily driven by significant decreases in international student enrolment relative to prior years. The normalized own source revenue per student headcount is almost 21% lower in FY2025/26 than it was in FY2023/24.

Adjusted Net Financial Assets to Total Revenue Ratio

Adjusted net financial assets represents the amount by which the University's financial assets exceed its liabilities, excluding deferred capital contributions spent. This measure reflects the University's ability to meet its financial obligations and support future operations. The adjusted net financial assets-to-total revenue ratio shows the available financial resources relative to the scale of its annual operations. Negative ratios indicate that liabilities exceed available financial assets, signaling reduced financial flexibility. Higher or increasing ratios indicate stronger long-term financial sustainability, greater capacity to manage financial risks, and more resources available to support strategic priorities.

Provincial Operating Grant Revenue to Total Revenue Ratio

The provincial operating grant revenue-to-total revenue ratio measures the University's reliance on provincial operating grant funding as a proportion of total revenues. The increasing ratio highlights the University's growing dependence on provincial operating grant funding. Although the grant itself has not significantly increased, declining international student tuition and fee revenues have reduced KPU's overall revenue base, making the provincial grant a more prominent component of total revenues.

Net Operating Revenues Ratio

The net operating revenues ratio is a financial performance metric that measures the extent to which the University is generating sustainable positive operating cash flow. It is calculated as cash flow from operating activities divided by total revenues. Cash flow from operating activities represents the actual cash generated or consumed through the University's operating activities during the year.

The ratio was below target at negative 7% in FY2025/26. However, approximately $18.9M of the $20.5M net operating cash outflow relates to the planned utilization of the Operating Surplus Deferral balance. Management anticipates this ratio will remain below target while the deferral balance is being drawn down. It is critical that these one-time funded activities conclude once the deferral is exhausted unless the University is able to increase ongoing revenues in future fiscal periods.

Tuition Revenue to Academic Expenses Ratio

This ratio compares tuition and fee revenues, including both credit and non-credit activity, and domestic and international tuition, against academic expenses. While provincial operating grants are intended to support a portion of academic expenditures, the current ratio indicates that tuition and fee revenues are no longer covering academic costs at sustainable levels.

The University's ability to increase domestic tuition revenues remains constrained by provincial tuition limit policies, and international enrolment declines continue to reduce tuition revenues. As a result, managing and reducing direct academic and operating costs remains one of the University's primary financial levers to support long-term sustainability.

RISKS, UNCERTAINTIES, AND OPPORTUNITIES

KPU operates in an increasingly complex environment facing challenges from competitive, financial, regulatory, research, scholarship, and innovation perspectives. KPU faces a range of challenges in its operational environment, including:

- **Financial risks** such as declining revenues, inflationary pressures, rising construction costs, and market volatility influenced by global trade dynamics.
- **Regulatory risks** stemming from federal immigration policy changes that imposed caps on international study permits, leading to a significant drop in international student enrolment and associated revenues.
- **Geopolitical risks** stemming from external tensions and instances of foreign interference in research activities.
- **Cybersecurity threats** with heightened concerns around data protection, system integrity, and the safeguarding of institutional information.

In response to these challenges, especially global trade tensions and declining international student enrolment, KPU is closely monitoring enrolment trends and financial forecasts to support timely, evidence-based decision-making. Through disciplined decision-making, including targeted reductions and resource realignment, the University is taking deliberate steps to strengthen its financial sustainability. While the model is continuously refined with new data, early indications suggest that the University is well-positioned in the short-term to manage these external pressures. This work will also support a broader review of KPU's optimal size and scope. Moving forward, KPU will continue to:

- Mitigate financial and regulatory risks through advocacy with provincial and federal governments in relation to immigration, enrolment and tuition limits.
- Set an international student target at sustainable levels, drawn from all corners of the world, with no heavy dependence on one market.
- Provide guidance and support to prospective international students throughout the student visa application process.
- Actively promote programming that is Post-Graduation Work Permit eligible to gain international students.
- Focus on both international and domestic recruitment and retention by enhancing student support services.
- Seek out partnerships with other post secondaries, industry and community partners.
- Employ flexible budgeting practices.
- Diversify revenue streams, including developing revenue-generating opportunities through the KPU Communities Trust.
- Complete program assessments to make informed decisions regarding the health of KPU programs.
- Determine the right size and scope of the University's offering to ensure stability and sustainability.
- Align faculty levels with enrolment trends and student demand.
- Improve efficiency in operational and administrative areas of the University.
- Carefully consider hiring decisions and spending discretionary spending in areas such as travel, hospitality, professional development and non-critical supplies.
- Invest in KPU's long-term success by strategically utilizing one-time deferred revenues to fund initiatives that will enhance future operations. These investments aim to strengthen the University's financial position, improve efficiency, and support innovative projects that align with its mission and vision for sustainable growth.
- Strengthen cybersecurity measures.

Despite the financial headwinds, KPU remains strongly committed to academic excellence, applied learning, research, and community impact. The resilience and dedication of our employees, leaders, and partners have positioned the University to navigate ongoing challenges while continuing to support student success and the communities we serve. We are well-positioned to move forward, but doing so will require the continued focus and attention of the Board and the leadership team as we advance this important work to fulfill our mission.

Revenue Stability and Diversity

KPU has three primary revenue sources:

- Government grants
- Domestic tuition and fees
- International tuition and fees

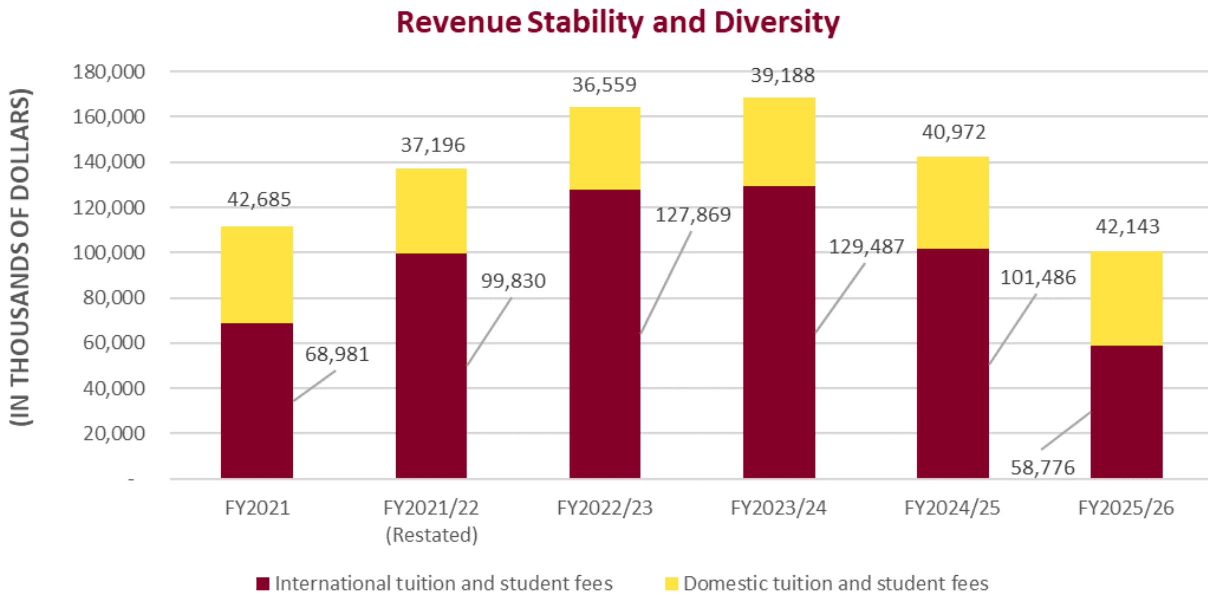
Beginning in FY2021/22, international tuition and fees began surpassing government operating grants becoming KPU's largest single revenue source. The revenue from international tuition and fees peaked as a % of KPU's total revenue in FY2022/23 at 49% whereas operating grants from the government were 29% in that year. The reliance on this revenue stream exposes KPU and its revenue as the government, geo-political and immigration policies change. This was evident in early 2024 and 2025 following the federal government's announcement regarding immigration policies and tariff introductions for trades between Canada and the U.S which placed limits on the number of international students in Canada.

These immigration policy changes exacerbated the decline in international student enrollment as noted in the Auditor General of Canada on International Student Program reforms. The auditor general reported that nationally, fewer than 20% of targeted study permits were approved in 2025 (50K) approvals out of a target of 255K, down from 457K approvals in 2023 and the sector continued to observe this decline throughout FY2025/26 and expect into the future. KPU has established initiatives in response to the University's new allocation of study permits and has incorporated them into its long-term strategic planning and budgeting processes.

Domestic tuition and student fees have been traditionally a more stable revenue source for KPU. However, they are now facing increasing competition from other post-secondary institutions seeking to compensate for declines in international enrolments by attracting more domestic students. The provincial government caps the annual domestic tuition increases to two percent. The only viable way to increase this revenue stream further is to expand the domestic student base. However, since domestic tuition covers only a portion of the cost of program delivery, KPU would require an increase in operating grants from the provincial government to support additional students. As a result, KPU remains focused on maximizing existing course capacity rather than expanding beyond its current funding allocations.

The graph below highlights KPU's significant recent decline in international student tuition and fee revenues. Between FY2024/25 and FY2025/26, international revenues decreased by $42.7M (42.1%). The decline is even more pronounced when compared to FY2023/24, when international tuition and fees peaked at $129.5M. By FY2025/26, revenues had fallen to $58.8M, representing a two-year decrease of $70.7M (54.6%).

In contrast, domestic student tuition and fees increased modestly, rising by $1.2M (2.9%) from FY2024/25 to FY2025/26, and by $2.9M over the two-year period from FY2023/24 to FY2025/26.



To mitigate the decline in international student enrollments, KPU has implemented strategic enrolment management practices focused on stabilizing and diversifying its international student body. This approach aims to reduce the risks associated with overreliance on any single country, where policy or geopolitical changes could impact student intake. In addition, KPU continues to adjust faculty staffing levels to better align with current enrolment trends.

Inflation

Inflationary pressures continued to impact the University affecting both operating costs and the broader economic environment in which students and employees operate. Rising costs related to utilities, construction, maintenance, supplies, and contracted services have increased financial pressures across the University's multi-campus, asset-intensive operations. At the same time, higher living costs, including food, housing, and transportation, continue to affect the financial well-being of students and employees.

To help mitigate these risks, the University maintains a prudent financial approach, including ongoing monitoring of expenditures, alignment of recurring and non-recurring revenues with corresponding expenditures, and the maintenance of financial reserves to support operational stability and respond to any unforeseen financial pressures.

Employee Recruitment and Retention

KPU relies on its faculty, administrators, support, and operational staff to deliver high-quality education and maintain effective academic and administrative operations. Recruiting and retaining qualified employees remains critical to sustaining the University's strategic and operational objectives in an increasingly competitive labour market.

In response to declining student enrolment and related financial pressures, the University has undertaken workforce reduction measures, including employee downsizing, hiring reviews, and voluntary separation and retirement initiatives. These measures are intended to align staffing levels with operational requirements while supporting the University's long-term financial sustainability.

KPU continues to take a strategic and data-informed approach to workforce planning, balancing cost containment with its commitment to academic excellence and student success. The University supports employee recruitment and retention through professional development opportunities, flexible hybrid work arrangements where operationally appropriate, competitive compensation and benefits, and a continued focus on fostering a respectful, inclusive, and equitable workplace environment.

Cybersecurity

Cybersecurity risks, including data breaches, ransomware attacks, and phishing scams, continue to pose significant risks to the confidentiality, integrity, and availability of institutional data and systems. Such incidents may result in operational disruptions, unauthorized access to sensitive information, financial loss, and impacts to academic, administrative, and research activities. The increasing frequency and sophistication of cyber threats across the post-secondary sector highlight the importance of maintaining robust and proactive cybersecurity practices. KPU continues to strengthen its cybersecurity position through regular security assessments, employee awareness and training initiatives, enhanced monitoring and threat detection capabilities, and ongoing investments in technology and controls designed to safeguard the University's digital infrastructure.

KPU LOOKING FORWARD

As KPU focuses on its long-term viability and continues to evolve, strategic enrolment management and revenue diversification remain essential for maintaining financial sustainability and operational efficiency. Through disciplined planning and targeted resource decisions, the University is positioning itself to navigate ongoing pressures while supporting its academic mission.

KPU's financial reporting, budgeting, and planning processes remain aligned with its *Vision 2026* mandate, which articulates the University's mission, values, and long-term objectives., This framework supports sustainable growth, institutional accountability, and responsiveness to change. As work begins over the next year to update this foundational document, KPU is poised to pivot and adapt its strategies to reflect emerging priorities and future opportunities. The current presidential search provides a timely opportunity for reflection and consultation as KPU prepares for future leadership and strategic direction.

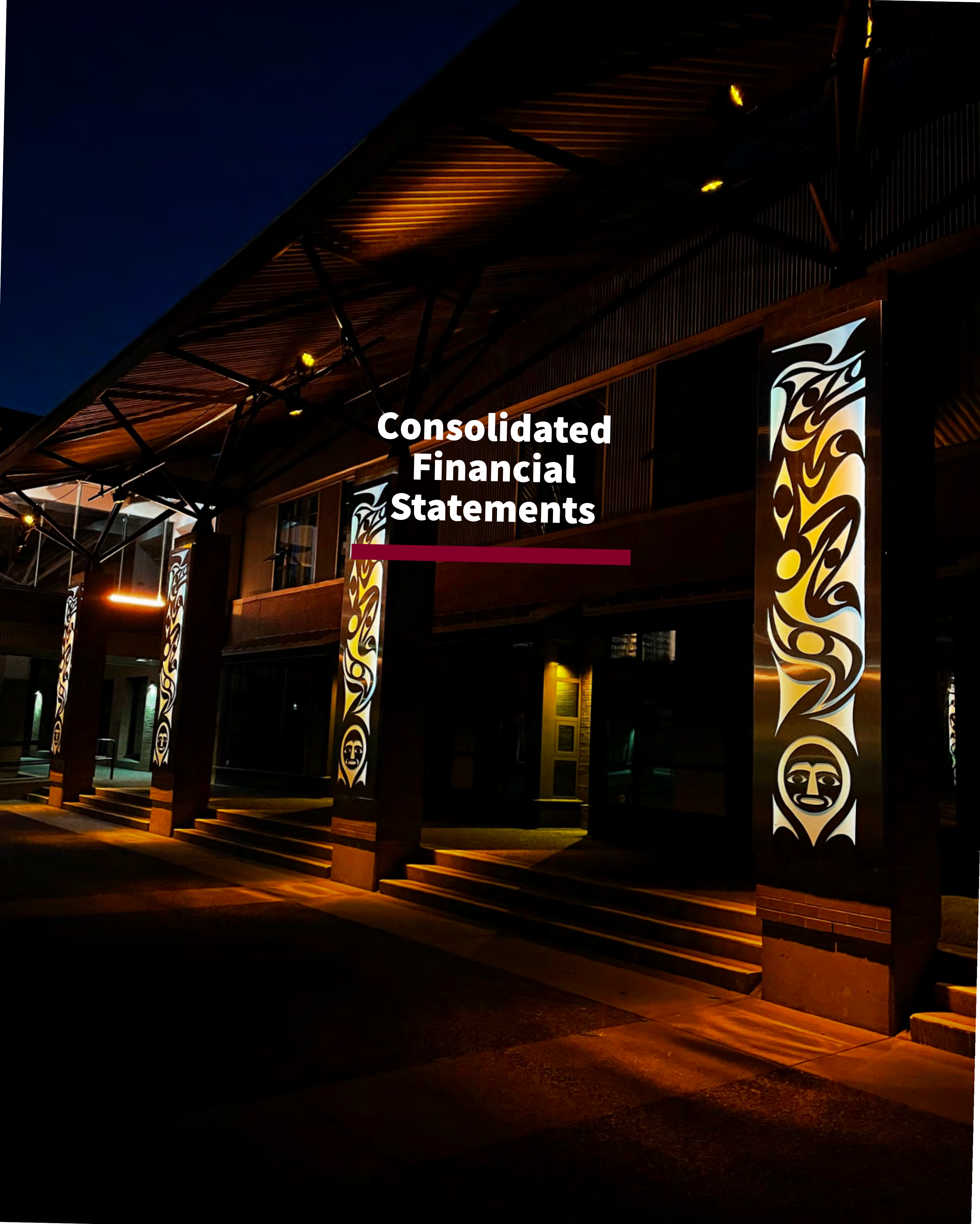
In FY2023/24, the Ministry allowed KPU to restrict and defer $78.0M of its annual operating grant and in FY2024/25, an additional $5.0M, resulting in a total of $83.0M being restricted to support future projects and initiatives. This funding deferral provides KPU with a unique opportunity to engage in transformational initiatives and projects that may have otherwise gone unfunded in this constrained financial environment.

As well, during FY2025/26 the Provincial government approved KPU's plans to begin work on the University's first on-campus housing project, which includes a separate dining hall. Construction is expected to begin in 2027, with a capital cost of nearly $144M, $111M will be funded by the Province and the remainder will be funded by KPU. This project represents a significant step forward in enhancing the student experience and supporting long-term enrolment stability.

While global economic uncertainty, inflationary trends, and sector-wide enrolment challenges continue to pose financial risks, KPU remains steadfast in its commitment to educational innovation, student success, and institutional excellence. Looking ahead to FY2026/27, the University will continue to focus on integrated planning, prudent financial management, and innovative approaches to ensure long-term sustainability and continued success in an evolving post-secondary environment.

KPU enters the coming years with a clear focus, a disciplined approach, and a strong sense of purpose—well-positioned to continue its journey with the support and leadership of the Board and the entire KPU community.

Consolidated Financial Statements



Management's Statement of Responsibility

To the Board of Governors of Kwantlen Polytechnic University

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements for the year ended March 31, 2026, 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 consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Governors (the "Board") and the Finance and Audit Committee (the "Committee") are composed primarily of those who are neither management nor employees of the University. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the consolidated financial statements. The Committee has the responsibility of meeting with management and external auditors to discuss the financial reporting process, auditing matters, financial reporting issues, and recommends approval of the consolidated 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 consolidated financial statements and report directly to them through the Committee. The external auditor has full and free access to, and meets periodically and separately with, both the Committee and management to discuss their audit findings.

On behalf of Kwantlen Polytechnic University

Dr. Diane Purvey
President and Vice-Chancellor *pro tem*

Peter Smailes
Vice President, Finance and Administration

KPMG LLP
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Vancouver, BC V7Y 1K3
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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of Kwantlen Polytechnic University, and to the Minister of the Ministry of Post-Secondary Education and Future Skills, Province of British Columbia

Opinion

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

- the consolidated statement of financial position as at March 31, 2026
- the consolidated statement of operations and accumulated operating surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2026 of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

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

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

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

Emphasis of Matter - Financial Reporting Framework

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

Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

May 27, 2026

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Financial Position

As at March 31, 2026 (In thousands of dollars)

	2026	2025
Financial assets		
Cash and cash equivalents *(Note 3)*	$ 240,813	$ 193,881
Accounts receivable *(Notes 4, 19)*	7,532	3,812
Inventories for resale	315	315
Investments and endowment investments *(Note 5)*	42,995	122,520
	291,655	**320,528**
Liabilities		
Accounts payable and accrued liabilities *(Note 6)*	54,147	51,648
Deferred revenue	20,147	28,617
Deferred contributions *(Note 8)*	76,668	96,371
Deferred capital contributions *(Note 9)*	175,676	180,531
Obligations under capital lease *(Note 10)*	405	1,329
Asset retirement obligations *(Note 11)*	1,717	1,663
	328,760	**360,159**
Net debt	**(37,105)**	**(39,631)**
Non-financial assets		
Tangible capital assets *(Note 13)*	241,190	242,503
Investments and endowment investments *(Note 5)*	2,817	2,817
Prepaid expenses and deposits	3,855	4,192
	247,862	**249,512**
Accumulated surplus *(Note 14)*	**$ 210,757**	**$ 209,881**
Accumulated surplus consists of:		
Accumulated operating surplus	$ 205,648	$ 205,446
Accumulated remeasurement gains	5,109	4,435
	$ 210,757	$ 209,881

Contractual obligations *(Note 16)*

Contingent liabilities *(Note 17)*

Contractual rights *(Note 18)*

Erin Barnes
Chair, Board of Governors

Peter Smailes
Vice President, Finance and Administration

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Operations and Accumulated Operating Surplus

For the Year Ended March 31, 2026 (In thousands of dollars)

	Budget (Note 2(n))	2026	2025
Revenues:			
Grants from the Province of British Columbia *(Note 19)*	$ 108,861	$ 112,371	$ 101,219
Revenue from deferred contributions *(Notes 8, 19)*	38,708	33,198	14,807
Revenue from deferred capital contributions *(Notes 9, 19)*	15,046	13,835	13,311
International tuition and student fees	76,468	58,776	101,486
Domestic tuition and student fees	40,421	42,143	40,972
Ancillary services	3,273	3,312	3,461
Investment income	12,860	11,146	15,286
Other revenue	5,226	6,088	5,965
	300,863	**280,869**	**296,507**
Expenses: *(Notes 19, 20, 21)*			
Academic support and instruction	171,498	152,606	157,521
Student support	35,069	35,250	37,080
Administrative support	83,569	82,588	85,702
Research	7,204	6,837	6,857
Ancillary services	3,523	3,386	3,916
	300,863	**280,667**	**291,076**
Annual surplus	-	202	5,431
Accumulated operating surplus, beginning of year	205,446	205,446	200,015
Accumulated operating surplus, end of year	**$ 205,446**	**$ 205,648**	**$ 205,446**

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Changes in Net Debt

For the Year Ended March 31, 2026 (In thousands of dollars)

	Budget (Note 2(n))	2026	2025
Annual surplus	$ -	$ 202	$ 5,431
Acquisition of tangible capital assets	(34,646)	(20,866)	(23,610)
Amortization of tangible capital assets	24,350	22,179	21,518
	(10,296)	1,313	(2,092)
Net use (acquisition) of prepaid expenses and deposits	-	337	(340)
Net remeasurement gains	-	674	1,673
	(10,296)	2,324	(759)
Change in net debt	(10,296)	2,526	4,672
Net debt, beginning of year	(39,631)	(39,631)	(44,303)
Net debt, end of year	**$ (49,927)**	**$ (37,105)**	**$ (39,631)**

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Cash Flows

For the Year Ended March 31, 2026 (In thousands of dollars)

	2026	2025
Operating activities:		
Annual surplus	$ 202	$ 5,431
Items not affecting cash:		
Amortization of tangible capital assets	22,179	21,518
Asset retirement obligation accretion expense	54	48
Revenue recognized from deferred capital contributions	(13,835)	(13,311)
	8,600	13,686
Changes in non-cash working capital:		
Accounts receivable	(3,720)	1,325
Inventories for resale	-	81
Prepaid expenses and deposits	337	(340)
Accounts payable and accrued liabilities	2,499	(11,111)
Deferred revenue	(8,470)	(19,098)
Deferred contributions	(19,703)	8,933
	(29,057)	(20,210)
Cash used in operating activities	**(20,457)**	**(6,524)**
Capital activities:		
Cash used to acquire tangible capital assets	(20,866)	(23,610)
Cash used in capital activities	**(20,866)**	**(23,610)**
Financing activities:		
Contributions received for tangible capital assets	8,980	7,640
Principal payments on capital lease obligations	(924)	(858)
Cash provided by financing activities	**8,056**	**6,782**
Investing activities:		
Decrease (increase) in investments	80,199	(83,818)
Cash provided by (used in) investing activities	**80,199**	**(83,818)**
Net change in cash and cash equivalents	46,932	(107,170)
Cash and cash equivalents, beginning of year	**193,881**	**301,051**
Cash and cash equivalents, end of year *(Note 3)*	**$ 240,813**	**$ 193,881**

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Remeasurement Gains and Losses

For the Year Ended March 31, 2026 (In thousands of dollars)

		2026		2025
Accumulated remeasurement gains, beginning of year	**$**	**4,435**	**$**	**2,762**
Unrealized gains (losses) generated during the year from:				
Fixed income pooled investments		1,583		2,081
Pooled equity and real estate investments		190		107
Foreign currency translation		(19)		38
Remeasurement (gains) losses realized and reclassified to the Statement of Operations and Accumulated Operating Surplus from:				
Pooled investments		(1,075)		(556)
Foreign currency translation		(5)		3
Net remeasurement for the year		674		1,673
Accumulated remeasurement gains, end of year	**$**	**5,109**	**$**	**4,435**

See accompanying notes to consolidated financial statements.

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 Province of British Columbia. The University is a registered charity and is exempt from income taxes under section 149 of the *Income Tax Act.*

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

2. Summary of significant accounting policies

(a) Basis of accounting

These consolidated financial statements are prepared in accordance with the *Budget Transparency and Accountability Act* ("BTAA"), which requires application of generally accepted accounting principles for senior governments in Canada, supplemented by the following Province of British Columbia Treasury Board regulations ("Regulations"):

- Regulation 257/2010 requires that all taxpayer supported organizations adhere to the Public Sector Accounting Standards ("PSAS") without any PSAS 4200 elections.
- 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.
  - contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the period when the stipulation or restriction on the contributions have been met.

The Regulations result in revenue being recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus and certain related deferred capital contributions being recorded in the Consolidated Statement of Financial Position differently than with application of the PSAS alone:

- PSAS requires unrestricted government transfers to be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410. The BTAA / Regulations allow government transfers to be recognized as revenue when received or receivable.
- In contrast to Regulation 198/2011, PSAS requires externally restricted contributions to be recognized in revenue in the period when the resources are used for the purpose specified in accordance with PS 3100.

(continues)

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

- PSAS requires government transfers with stipulations that give rise to an obligation to be recognized as revenue as the liability is settled. The BTAA / Regulations allow for restricted contributions received for depreciable tangible capital assets to be recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded.

(b) Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by the University. On May 22, 2022, KPU Communities Corporation (the "Corporation"), a wholly-owned subsidiary of the University, was incorporated under the *Business Corporations Act* of British Columbia and on June 1, 2022, a trust deed was executed and appointed the Corporation as sole trustee of KPU Communities Trust (the "Trust"). The purpose of the Trust is to create revenue generating opportunities to support academic endeavors and enhance student experience and well-being for the University. The Corporation and the Trust are fully consolidated into these statements and all inter-entity balances and transactions are eliminated on consolidation.

(c) 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. They are subject to insignificant risk of change in value.

(d) 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. Investments, including endowment investments, are reflected at fair value as at the reporting date. The carrying amounts are shown at fair value based on quoted prices (unadjusted) in active markets. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets except for those related to restricted endowments are recognized in the Consolidated 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 Consolidated Statement of Operations and Accumulated Operating Surplus and related balances reversed from the Consolidated 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 of or when the related expenses are incurred.

(ii) Cost category: For accounts receivable, and accounts payable and accrued liabilities, the carrying amount generally approximates fair value because of the short maturity of these instruments. Valuation allowances are made when collection is in doubt.

(continues)

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

(e) Inventories for resale

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

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

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

(f) Contaminated sites

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

(i) an environmental standard exists;

(ii) contamination exceeds the environmental standard;

(iii) the University is directly responsible or accepts responsibility;

(iv) it is expected that future economic benefits will be given up; and,

(v) a reasonable estimate of the amount can be made.

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

(g) 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.

(continues)

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

(i) Tangible capital assets

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

Buildings	40 years
Major site improvements	10 years
Major equipment	10 - 20 years
Library holdings	10 years
Technology infrastructure	8 years
Furniture and equipment	5 years
Computing equipment	4 years
Leased capital assets	lesser of 5 years or lease term

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

(ii) Leased tangible capital assets

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

(h) Employee future benefits

The University and its employees make contributions to the College Pension Plan and Municipal Pension Plan, 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.

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. The University accrues vacation for employees as earned. The University accrues a supplemental employment benefit for maternity and parental leave upon commencement of the related leave. Retirement allowances, where applicable, are accrued upon approval.

(continues)

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

(i) Asset retirement obligations

The University recognizes an asset retirement obligation, as at the financial reporting date, when there is a legal obligation to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities and is recorded as a liability and increase to the related tangible capital asset. The amount capitalized in tangible capital assets is amortized using the amortization accounting policy outlined in note 2(g)(i).

The carrying value of the liability is re-evaluated at each financial reporting date with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the asset retirement obligation liability and tangible capital assets.

The changes in the liability for the passage of time are recorded as accretion expense in the Statement of Operations and Accumulated Operating Surplus.

(j) Revenue recognition

Tuition and student fees, ancillary revenues, and sales of other goods and services are reported as revenue when (or as) the University satisfies a performance obligation by providing the promised goods or services to a payor. A performance obligation is an enforceable promise made by a public sector entity.

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.

(continues)

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

(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.

(k) Functional classification of expenses

The University has identified the following functions and associated groups of activities based upon the functional areas of service provided by various departments:

i) Academic support and instruction

Academic support and instruction includes the activities related to the support and delivery of education including cost of instructors, academic management, support staff and related support costs.

ii) Student support

Student support includes direct supports for students including Student Affairs, Alumni Relations, International Education, The Learning Centre, Library Resources and the Office of the Registrar.

iii) Administrative support

Administrative support includes expenses that relate to the activities that support the University, consisting of Advancement, Business Performance and Advisory Services, Campus and Community Planning, Campus Safety and Security, Equity and Inclusive Communities, Facilities, Financial Services, General Counsel, Human Resources, Indigenous Leadership, Innovation and Partnerships, Information Technology, Marketing and Communications, Office of Planning and Accountability, and Office of the President.

iv) Research

Research consists of the Office of Research Services which assists researchers with proposal preparation, administration of sponsored projects and active research activities.

v) Ancillary services

Ancillary services represent the business activities that support the University's campus life. It consists of the bookstore, food services and parking and transit services.

(continues)

For the Year Ended March 31, 2026 (In thousands of dollars)

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

(l) Use of estimates

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

(m) 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 Consolidated Statement of Financial Position date.

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

(n) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2025-2026 University Budget approved by the Board of Governors on March 26, 2025. The budget is reflected in the Consolidated Statement of Operations and Accumulated Operating Surplus and the Consolidated Statement of Changes in Net Debt.

3. Cash and cash equivalents

	2026	**2025**
Cash	$ 165,185	$ 119,828
Cash equivalents	75,628	74,053
	$ 240,813	**$ 193,881**

For the Year Ended March 31, 2026 (In thousands of dollars)

4. Accounts receivable

	2026	2025
Student	$ 2,555	$ 3,453
Province of British Columbia	4,647	151
Trade and other	1,830	1,843
Allowance for doubtful accounts	(1,500)	(1,635)
	$ 7,532	**$ 3,812**

5. Investments and endowment assets

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

	2026	2025
Designated to the fair value category (Level 2)		
Fixed income pooled investments	$ 25,339	$ 23,755
Canadian equities pooled investments	10,442	8,098
International equities pooled investments	8,279	8,678
Guaranteed investment certificates	-	83,181
Total Level 2 category investments	44,060	123,712
Designated to the fair value category (Level 3)		
Real estate pooled investments	1,752	1,625
Total investments	45,812	125,337
Less endowment investments	(2,817)	(2,817)
	$ 42,995	**$ 122,520**

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 (the University has no Level 1 investments).
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	2026	2025
Balance, beginning of year	$ 1,625	$ 1,539
Purchases	62	45
Unrealized gain	65	41
	$ 1,752	**$ 1,625**

For the Year Ended March 31, 2026 (In thousands of dollars)

6. Accounts payable and accrued liabilities

		2026		2025
Accounts payable and accrued liabilities	$	19,437	$	22,839
Salaries, benefits and wages payable		21,151		14,035
Accrued vacation payable		13,559		14,774
	$	**54,147**	**$**	**51,648**

7. Employee future benefits

a) Pension benefits

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trusteed pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the plans, including investment of assets and administration of benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2025, the College Pension Plan has about 17,500 active members, and approximately 11,800 retired members. As at December 31, 2024, the Municipal Pension Plan has about 273,000 active members, including approximately 7,000 from colleges.

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

The most recent actuarial valuation for the College Pension Plan as at August 31, 2024, indicated a $3,800 unfunded liability for basic pension benefits. This was covered by a transfer from the rate stabilization account leaving the basic pension account balanced at the valuation date on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2024, indicated a $2,675,000 funding surplus for basic pension benefits on a going concern basis

The next valuation for the College Pension Plan will be as at August 31, 2027. The next valuation for the Municipal Pension Plan will be as at December 31, 2027.

The University paid $14,189 for employer contributions to the plans in fiscal year 2026 (2025 - $11,218).

(continues)

For the Year Ended March 31, 2026 (In thousands of dollars)

7. Employee future benefits *(continued)*

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

b) Maternity or parental leave

The University provides supplemental employee benefits for faculty, staff and administration on maternity or parental leave. For the duration of the leave, employees on maternity or parental leave receive a supplemental payment added to employment insurance benefits. Employer-paid benefits also continue to be paid on the employees' behalf. The University has expensed $1,082 in the current year (2025 – $1,144). As at March 31, 2026, the University has an obligation of $605 (2025 – $820) which has been included in salaries, benefits and wages payable.

8. Deferred contributions

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

	2025	Amounts received/ receivable	Recognized as revenue	2026
Provincial	$ 92,256	$ 7,271	$ (27,345)	$ 72,182
Federal	1,624	2,167	(2,323)	1,468
Other sources	2,491	4,057	(3,530)	3,018
	$ 96,371	**$ 13,495**	**$ (33,198)**	**$ 76,668**

9. Deferred capital contributions

Contributions that are restricted for the purpose of acquiring capital are recorded as deferred capital contributions. Amounts are recognized into revenue at the same rate that amortization of the tangible capital asset is recorded.

Changes in deferred capital contributions balance are as follows:

	2025	Amounts received/ receivable	Recognized as revenue	2026
Provincial	$ 159,973	$ 8,888	$ (12,716)	$ 156,145
Federal	6,982	-	(668)	6,314
Other sources	13,576	92	(451)	13,217
	$ 180,531	**$ 8,980**	**$ (13,835)**	**$ 175,676**

For the Year Ended March 31, 2026 (In thousands of dollars)

10. Obligations under capital lease

The University entered into a capital lease on September 1, 2023 to finance technology infrastructure at an estimated cost of borrowing of 7.36% per annum (2025 - 7.36%). The principal and interest payments are as follows:

		2026		2025
2026	$	-	$	984
2027		411		411
Total minimum capital lease payments		411		1,395
Less amounts representing interest		(6)		(66)
Present value of net minimum capital lease payments	**$**	**405**	**$**	**1,329**

Total interest payment on capital leases for the year was $61 (2025 - $126).

11. Asset retirement obligations

The University has recorded asset retirement obligations for the removal of hazardous material from some of the University's buildings.

The following is a reconciliation of the changes in the asset retirement obligations during the year:

		2026		2025
Balance, beginning of year	$	1,663	$	1,615
Accretion expense		54		48
Balance, end of year	**$**	**1,717**	**$**	**1,663**

The undiscounted estimated cash flows required to settle the obligations are approximately $2,169 (2025 - $2,169) to be paid during the fiscal years 2032 to 2034. The estimated cash flows were discounted using the credit-adjusted risk-free rate of 3.2% (2025 - 3.0%) per annum.

12. Line of credit

The University has the ability to draw on a line of credit with a commercial bank for $7,500 (2025 - $7,500). As at March 31, 2026, the University has not utilized the available line of credit.

Year ended March 31, 2026 (In thousands of dollars)

13. Tangible capital assets

	Land	Buildings	Major site improve -ments	Major equipment	Library holdings	Technology infrastruc-ture	Furniture and equipment	Computing equipment	Leased capital assets	Work in progress (WIP)	2026	2025
Cost												
Opening balance	$ 20,428	$ 267,414	$ 64,210	$ 21,322	$ 10,405	$ 5,266	$ 98,166	$ 19,731	$ 2,660	$ 25,864	$ 535,466	$ 511,856
Additions	-	-	2,294	1,259	233	267	2,451	2,207	-	12,155	20,866	23,610
Transfer to/(from) WIP	-	-	3,538	12,064	-	503	-	499	-	(16,604)	-	-
Closing balance	20,428	267,414	70,042	34,645	10,638	6,036	100,617	22,437	2,660	21,415	556,332	535,466
Accumulated amortization												
Opening balance	-	(129,641)	(39,301)	(7,144)	(9,009)	(4,021)	(86,220)	(16,223)	(1,404)	-	(292,963)	(271,445)
Amortization	-	(6,686)	(4,963)	(2,202)	(305)	(285)	(4,855)	(1,996)	(887)	-	(22,179)	(21,518)
Closing balance	-	(136,327)	(44,264)	(9,346)	(9,314)	(4,306)	(91,075)	(18,219)	(2,291)	-	(315,142)	(292,963)
Net book value	**$ 20,428**	**$ 131,087**	**$ 25,778**	**$ 25,299**	**$ 1,324**	**$ 1,730**	**$ 9,542**	**$ 4,218**	**$ 369**	**$ 21,415**	**$ 241,190**	**$ 242,503**

For the Year Ended March 31, 2026 (In thousands of dollars)

14. Accumulated surplus

The accumulated surplus is comprised of the following:

	2026	2025
Investment in tangible capital assets	$ 105,292	$ 107,299
Endowments *(Note 5)*	2,817	2,817
Internally restricted reserves	45,449	43,071
Unrestricted reserves	52,090	52,259
Accumulated remeasurement gains	5,109	4,435
	$ 210,757	**$ 209,881**

Internally restricted reserves are comprised of:

	Student Award Fund	xéʔelɬ Reconciliation Fund (Indigenous Fund)	Other Internally Restricted Funds	Total
Balance, beginning of year	$ 20,000	$ 16,901	$ 6,170	$ 43,071
Additions	1,801	1,577	-	3,378
Expenditures	(1,000)	-	-	(1,000)
Balance, end of year	**$ 20,801**	**$ 18,478**	**$ 6,170**	**$ 45,449**

15. Financial risk management

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

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

(a) Credit risk

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

Credit risk associated with cash and cash equivalents is minimized by ensuring that these assets are held at financial institutions with a high credit quality. The University holds the majority of its cash and cash equivalents in a Canadian Chartered bank.

Management believes the credit risk associated with accounts receivable is limited as the balance largely consists of receivables from the Province of British Columbia and student accounts receivable that are closely monitored and managed to limit further enrollment until payment is made.

(continues)

15. Financial risk management *(continued)*

(b) Market risk and interest rate risk

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

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

The University manages its market risk and interest rate risk on investments 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.

(c) Liquidity risk

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

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

(d) Foreign exchange risk

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

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

There has been no change to any of the risk exposure from the prior period.

For the Year Ended March 31, 2026 (In thousands of dollars)

16. Contractual obligations

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

	Operational commitments	Capital commitments	**Total commitments**
2027	$ 20,462	$ 27,931	**$ 48,393**
2028	10,320	61	**10,381**
2029	8,373	-	**8,373**
2030	6,680	-	**6,680**
2031	3,051	-	**3,051**
Thereafter	3,047	-	**3,047**

17. 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.

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.

18. Contractual rights

The University may, from time to time, enter into contracts or agreements in its normal course of operations that will result in the realization of assets and revenues in future fiscal years.

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

For the Year Ended March 31, 2026 (In thousands of dollars)

19. Related party transactions

The University has entered into certain transactions and agreements in the normal course of business with certain of its related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant related party transactions not disclosed elsewhere in the consolidated financial statements, are as follows:

	2026	2025
Included in revenue		
Ministry of Post-Secondary Education and Future Skills grants	$ 112,371	$ 101,219
Provincial government entities - grants and revenue recognized from deferred contributions *(Note 8)*	27,345	8,857
Provincial government entities - grants and revenue recognized from deferred capital contributions *(Note 9)*	12,716	12,127
	$ 152,432	**$ 122,203**

	2026	2025
Included in expenses		
Ministry of Post-Secondary Education and Future Skills	$ -	$ 353
Other provincial government entities	2,333	2,098
Other provincial universities	421	458
	$ 2,754	**$ 2,909**

	2026	2025
Included in accounts receivable		
Ministry of Post-Secondary Education and Future Skills	**$ 4,647**	**$ 151**

Related party transactions with key management personnel:

During the year, key management personnel, comprised of the Board and the University's Executives, have nil (2025 – nil) related party transactions with the University.

For the Year Ended March 31, 2026 (In thousands of dollars)

20. Expense by object

The following is a summary of expenses by object:

	2026	2025
Salaries and benefits	$ 206,030	$ 207,935
Fees and services	16,338	21,444
General other non-salary	9,938	10,119
Software and subscriptions	9,493	8,941
Student awards	5,284	7,175
Facilities repairs and maintenance	3,338	3,651
Utilities	2,102	2,349
Travel and professional development	3,461	4,809
KPU Foundation disbursements *(Note 21)*	2,504	3,135
Amortization of tangible capital assets	22,179	21,518
	$ 280,667	**$ 291,076**

21. Kwantlen Polytechnic University Foundation

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

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

	2026	2025
The Advancing Initiatives Fund	$ 2,500	$ -
KPU Financial Aid Endowment	-	2,000
KPU Financial Barrier Reduction Fund	-	1,000
KPU Other Transfers	4	135
	$ 2,504	**$ 3,135**

The University also provides administrative, management and staff resources to the Foundation at no charge. As at March 31, 2026 the University has a payable of nil (2025 – $3,000) to the Foundation.

22. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's consolidated financial statements presentation. These changes do not affect prior year's annual surplus.

KPU CIVIC PLAZA
13485 Central Ave
Surrey, BC

KPU LANGLEY
20901 Langley Bypass
Langley, BC

KPU RICHMOND
8771 Lansdowne Rd
Richmond, BC

KPU SURREY
12666 72 Ave
Surrey, BC

KPU TECH
5500 180 St
Surrey, BC

kpu.ca