

Financial Statements of

KWANTLEN POLYTECHNIC UNIVERSITY

Year ended March 31, 2014

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

To the Board of Governors of Kwantlen Polytechnic University

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

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


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

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

On behalf of Kwantlen Polytechnic University



Dr. Alan Davis
President and Vice-Chancellor



Mr. Gordon Lee
Vice President, Finance & Administration



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Kwantlen Polytechnic University, which comprise the statement of financial position as at March 31, 2014, the statements of operations, remeasurement gains and losses, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements of Kwantlen Polytechnic University as at March 31, 2014 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

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

KPMG LLP

Chartered Accountants

June 4, 2014
Abbotsford, British Columbia

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Financial Position

(in '000s)

March 31, 2014, with comparative information for 2013

		2014	2013
Financial assets			
Cash and cash equivalents	(Note 3)	\$ 25,427	\$ 20,535
Accounts receivable	(Note 4)	2,483	3,676
Inventories for resale		1,869	1,841
Investments	(Note 6)	32,781	34,244
		<u>62,560</u>	<u>60,296</u>
Liabilities			
Accounts payable and accrued liabilities	(Note 7)	24,693	22,736
Deferred revenue		9,994	9,439
Deferred contributions	(Note 9)	3,861	2,945
Deferred capital contributions	(Note 10)	130,244	130,768
Obligations under capital lease	(Note 11)	27	62
		<u>168,819</u>	<u>165,950</u>
Net debt		(106,259)	(105,654)
Non-financial assets			
Tangible capital assets	(Note 12)	179,043	178,893
Endowment investments	(Note 6)	2,817	2,817
Prepaid expenses		2,048	1,608
		<u>183,908</u>	<u>183,318</u>
Accumulated surplus	(Note 16)	\$ 77,649	\$ 77,664
Accumulated surplus is comprised of:			
Accumulated operating surplus		\$ 77,416	\$ 77,345
Accumulated remeasurement gains		233	319
		<u>\$ 77,649</u>	<u>\$ 77,664</u>


Contractual obligations (Note 14)

Commitments and contingent liabilities (Note 15)

See accompanying notes to financial statements.

Approved on behalf of the Board:


Chair


Vice President, Finance and Administration

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Operations

(in '000s)

Year ended March 31, 2014, with comparative information for 2013

	Budget (Note 2(j))	2014	2013
Revenue:			
Province of British Columbia grants (Note 9)	\$ 70,014	\$ 72,109	\$ 72,753
Other grants (Note 9)	2,191	1,983	1,609
Tuition and student fees	55,272	58,416	53,589
Ancillary services	9,035	8,039	8,191
Other revenue	6,600	5,067	4,621
Amortization of deferred capital contributions (Note 10)	5,105	5,097	4,860
	<u>148,217</u>	<u>150,711</u>	<u>145,623</u>
Expenses:			
Instruction and instructional support (Note 17)	133,868	136,657	129,001
Ancillary operations	8,057	8,013	8,630
Externally sponsored activity	2,664	2,352	1,918
Research activity	3,603	3,618	3,317
	<u>148,192</u>	<u>150,640</u>	<u>142,866</u>
Annual surplus before restricted funding	25	71	2,757
Restricted endowment contributions	-	-	317
Annual surplus	25	71	3,074
Accumulated operating surplus, beginning of year	77,345	77,345	74,271
Accumulated operating surplus, end of year	<u>\$ 77,370</u>	<u>\$ 77,416</u>	<u>\$ 77,345</u>

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Changes in Net Debt

(in '000s)

Year ended March 31, 2014, with comparative information for 2013

	Budget (Note 2(j))	2014	2013
Annual surplus	\$ 25	\$ 71	\$ 3,074
Acquisition of tangible capital assets	-	(10,582)	(11,098)
Amortization of tangible capital assets	11,000	10,432	9,858
	11,000	(150)	(1,240)
Restricted endowment contributions	-	-	(317)
Acquisition net of use of prepaid expense	-	(440)	228
Net remeasurement gains (losses)	-	(86)	319
Change in net debt	11,025	(605)	2,064
Net debt, beginning of year	(105,654)	(105,654)	(107,718)
Net debt, end of year	\$ (94,629)	\$ (106,259)	\$ (105,654)

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Cash Flows

(in '000s)

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 71	\$ 3,074
Items not involving cash:		
Amortization of tangible capital assets	10,432	9,858
Amortization of deferred capital contributions	(5,097)	(4,860)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	1,193	(715)
Decrease (increase) in prepaid expenses	(440)	228
Increase in inventories for resale	(28)	(400)
Increase in accounts payable and accrued liabilities	1,957	1,485
Increase in deferred revenue	555	1,251
Increase in deferred contributions	916	1,159
Net change in cash from operating activities	9,559	11,080
Capital activities:		
Cash used to acquire tangible capital assets	(10,582)	(11,098)
Net change in cash from capital activities	(10,582)	(11,098)
Financing activities:		
Contributions received for tangible capital assets	4,573	834
Principal payments on capital lease obligations	(35)	(64)
Net change in cash from financing activities	4,538	770
Investing activities:		
Decrease (increase) in investments	1,463	(2,813)
Increase in endowment investments	-	(317)
Net remeasurement gains (losses)	(86)	319
Net change in cash from investing activities	1,377	(2,811)
Net change in cash and cash equivalents	4,892	(2,059)
Cash and cash equivalents, beginning of year	20,535	22,594
Cash and cash equivalents, end of year	\$ 25,427	\$ 20,535

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Remeasurement Gains and Losses

(in '000s)

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Accumulated remeasurement gains, beginning of year	\$ 319	\$ -
Unrealized gains (losses) attributed to:		
Long term bonds	(377)	324
Securities	(31)	(3)
Foreign currency translation	(1)	(2)
Amounts reclassified to the Statement of Operations:		
Long term bonds	284	-
Securities	23	-
Foreign currency translation	16	-
Net remeasurement gains (losses) for the year	(86)	319
Accumulated remeasurement gains, end of year	\$ 233	\$ 319

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

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

Year ended March 31, 2014

1. Authority and Purpose

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

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

2. Summary of significant accounting policies

(a) Basis of accounting:

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

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

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

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

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian Public Sector Accounting Standards which requires government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with Public Sector Accounting Standard PS3410. As a result, revenue recognized in the Statement of Operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

KWANTLEN POLYTECHNIC UNIVERSITY

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

Year ended March 31, 2014

2. Summary of significant accounting policies (continued)

(b) Cash and cash equivalents

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

(c) Financial instruments

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

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

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

(d) Inventories for resale

Inventories for resale, including new and used textbooks, course manuals, stationary, art supplies, clothing, crested and non-crested giftware are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated proceeds on sale less any costs to sell.

(e) Non-financial assets

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

KWANTLEN POLYTECHNIC UNIVERSITY

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

Year ended March 31, 2014

2. Summary of significant accounting policies (continued)

(e) Non-financial assets (continued)

- (i) Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value:

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

Assets under construction are not amortized until the asset is available for productive use.

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

(ii) Leased tangible capital assets

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

(f) Employee future benefits

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

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

KWANTLEN POLYTECHNIC UNIVERSITY

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

Year ended March 31, 2014

2. Summary of significant accounting policies (continued)

(g) Revenue recognition

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

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

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

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

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

(h) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the determination of useful lives of tangible capital assets for amortization and the amortization of related deferred capital contributions, accrued liabilities, valuation of accounts receivable, and provisions for contingencies. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

KWANTLEN POLYTECHNIC UNIVERSITY

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

Year ended March 31, 2014

2. Summary of significant accounting policies (continued)

(i) Foreign currency translation

The University's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which are designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the balance sheet date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet date is recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the Statement of Remeasurement Gains and Losses and the exchange gain or loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the Statement of Operations and Accumulated Surplus.

(j) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2013-2014 University Budget approved by the Board of Governors of Kwantlen Polytechnic University on April 3, 2013. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

KWANTLEN POLYTECHNIC UNIVERSITY

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

Year ended March 31, 2014

3. Cash and cash equivalents

	2014	2013
Cash	\$ 17,455	\$ 14,988
Cash equivalents	7,972	5,547
	<u>\$ 25,427</u>	<u>\$ 20,535</u>

4. Accounts receivable

	2014	2013
Accounts receivable	\$ 3,433	\$ 4,551
Allowance for doubtful accounts	(950)	(875)
	<u>\$ 2,483</u>	<u>\$ 3,676</u>

5. Due from/ to government and other government organizations

Included in accounts receivable	2014	2013
Provincial government	\$ 433	\$ 1,557
Other government	247	340
	<u>\$ 680</u>	<u>\$ 1,897</u>
Included in accounts payable and accrued liabilities	2014	2013
Provincial government	\$ 25	\$ 141
Other government	1	1,105
	<u>\$ 26</u>	<u>\$ 1,246</u>

KWANTLEN POLYTECHNIC UNIVERSITY

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

Year ended March 31, 2014

6. Financial instruments

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

	2014	2013
Long term bonds	\$ 34,257	\$ 33,764
Securities	1,341	3,297
	35,598	37,061
Endowment Investments	2,817	2,817
Investments	\$ 32,781	\$ 34,244

All fixed income securities held at March 31, 2014 mature at various dates to December 2105 (2013 – December 2105) and bear interest rates varying from 1.75% - 7.9% (2013 – 1.90% - 7.22%).

Generally accepted accounting principles define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The University uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Statement of Financial Position under the following captions:

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

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

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

The University's instruments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there were no significant transfers of securities between the different levels.

KWANTLEN POLYTECHNIC UNIVERSITY

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

Year ended March 31, 2014

7. Accounts payable and accrued liabilities

	2014	2013
Accounts payable and accrued liabilities	\$ 10,076	\$ 9,924
Salaries and wages payable	5,411	4,166
Accrued vacation payable	9,206	8,646
	\$ 24,693	\$ 22,736

8. Employee future benefits

(a) Pension benefits:

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are based on a formula. The College Pension Plan has about 13,000 active members from senior administration and instructional staff and approximately 6,000 retired members. The Municipal Pension Plan has about 179,000 active members, with approximately 5,700 from colleges and special purpose, teaching universities.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012 indicated a \$105 million funding deficit for basic pension benefits. The next valuation will be as at August 31, 2015 with results available in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plans record accrued liabilities and accrued assets for the Plans in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plans.

The University expensed \$7,836 for employer contributions to the Plans in the current year (2013 - \$7,259).

(b) Maternity or parental leave:

The University provides supplemental employee benefits for faculty, staff, or administration on maternity or parental leave. For the duration of the leave, employees on maternity or parental leave receive a supplemental payment added to employment insurance benefits. Employer-paid benefits also continue to be paid on the employees' behalf. The University has expensed \$653 in the current year (2013 - \$688). As at March 31, 2014, the University has an obligation of \$406 (2013 - \$445), which has been included in salaries and wages payable.

KWANTLEN POLYTECHNIC UNIVERSITY

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

Year ended March 31, 2014

9. Deferred contributions

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

	2013	Amounts received	Amortized as revenue	2014
Provincial Grants	\$ -	\$ 69,578	\$ (69,578)	\$ -
Deferred contributions	2,055	3,561	(2,531)	3,085
Federal Grants	-	615	(615)	-
Deferred Contributions	419	421	(459)	381
Other sources				
Deferred contributions	471	833	(909)	395
Total	\$ 2,945	\$ 75,008	\$ (74,092)	\$ 3,861

10. Deferred capital contributions

	2013	Adjustment	Amounts received	Amortized as revenue	2014
Provincial	\$ 125,943	\$ (10)	\$ 2,463	\$ (4,820)	\$ 123,576
Federal	2,553	10	-	(111)	2,452
Other sources	2,272	-	2,110	(166)	4,216
Total	\$ 130,768	\$ -	\$ 4,573	\$ (5,097)	\$ 130,244

11. Obligations under capital lease

The University has entered into capital leases to finance computing equipment at an estimated cost of borrowing of 1.02% per annum. The principal and interest payments are as follows:

	2014	2013
2014	\$ -	\$ 36
2015	19	19
2016	8	8
2017	-	-
Total minimum lease payments	27	63
Less amounts representing interest	-	(1)
Present value of net minimum capital lease payments	\$ 27	\$ 62

Total interest on leases for the year was \$1 (2013 - \$4).

KWANTLEN POLYTECHNIC UNIVERSITY

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

Year ended March 31, 2014

12. Tangible capital assets

	Land	Site improvements	Buildings	Major renovations	Furniture & equipment	Library holdings	Vehicles	Construction in progress	Total
2014 Cost									
Opening balance	\$ 20,040	\$ 941	\$ 195,226	\$ 10,675	\$ 46,151	\$ 6,164	\$ 45	\$ 41	\$ 279,283
Additions	-	-	425	3,363	2,616	689	-	3,489	10,582
Transfers to/(from) CIP	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-	-	-
Closing balance	20,040	941	195,651	14,038	48,767	6,853	45	3,530	289,865
2014 Accumulated amortization									
Opening balance	-	(803)	(57,879)	(772)	(37,293)	(3,603)	(40)	-	(100,390)
Amortization	-	(27)	(4,886)	(1,235)	(3,806)	(473)	(5)	-	(10,432)
Disposals	-	-	-	-	-	-	-	-	-
Closing balance	-	(830)	(62,765)	(2,007)	(41,099)	(4,076)	(45)	-	(110,822)
2014 Net book value	\$ 20,040	\$ 111	\$ 132,886	\$ 12,031	\$ 7,668	\$ 2,777	\$ -	\$ 3,530	\$ 179,043
2013 Net book value	\$ 20,040	\$ 138	\$ 137,347	\$ 9,903	\$ 8,858	\$ 2,561	\$ 5	\$ 41	\$ 178,893

(a) Assets under construction:

Assets under construction having a value of \$3,530 (2013 - \$41) have not been amortized. Amortization of these assets will commence when the assets are put into service.

(b) Write-down of tangible capital assets:

There is no write-down or reversal of any prior year write-down in the current year (2013 - nil).

KWANTLEN POLYTECHNIC UNIVERSITY

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

Year ended March 31, 2014

13. Financial risk management

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

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

(a) Credit risk

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

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

(b) Market risk

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

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

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

(c) Liquidity risk

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

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

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

(in '000s)

Year ended March 31, 2014

14. Contractual obligations

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

	2015	2016	2017	2018	2019
	\$ 2,618	\$ 944	\$ 171	\$ 67	\$ 63

15. Commitments and contingent liabilities

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

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

- (b) The University has committed to the building of the Chip and Shannon Wilson School of Design at the Richmond campus for the Faculty of Design. The University is to receive \$12,000 from Chip and Shannon Wilson and lululemon athletica Canada Inc. and provincial funding of up to \$12,000 in support of the project. The University has Board approval for a budget of \$12,000 as the University's contribution toward the project. The project, which has a total budget of \$36,000, is expected to be completed by December 31, 2015.
- (c) The University has entered into an agreement to purchase real estate to provide additional classroom space to meet future student demand with space being available in 2016/17. The University will be funding the project at a budget of \$19,555.
- (d) The University Board has approved a Brewery and Brewery Operations program that requires equipment and a lab facility with a budget up to \$2,372. Related commitments at March 31, 2014 total \$128. The Brewery program will be starting September 2014.
- (e) The University has the ability to draw on a line of credit of \$7,000 (2013 - \$7,000). As at March 31, 2014, the University has not utilized the available line of credit.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

(in '000s)

Year ended March 31, 2014

16. Accumulated surplus

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

	2014	2013
Operating fund	\$ 584	\$ 579
Operating contingency fund	8,000	7,500
Vacation accrual fund	(9,206)	(8,646)
Ancillary fund	8,401	7,970
Special purpose fund	9,347	10,593
Endowment fund	2,817	2,817
Capital fund	57,706	56,851
	\$ 77,649	\$ 77,664

17. Expenses by object

The following is a summary of expenses by object:

	Instruction and instructional support	Ancillary	Externally sponsored activity	Research	2014
Salaries and benefits	\$ 106,242	\$ 1,877	\$ 879	\$ 2,343	\$ 111,341
Travel and professional development	2,407	23	129	440	2,999
Supplies	3,371	106	270	155	3,902
Student awards and bursaries	71	-	182	-	253
Fees and services	6,831	719	766	264	8,580
Facilities	5,607	410	111	151	6,279
Cost of sales	-	4,615	-	-	4,615
Leases, property taxes, insurance	974	29	14	23	1,040
Amortization of tangible capital assets	9,956	234	-	242	10,432
Contributions to Kwantlen Polytechnic University Foundation	1,198	-	1	-	1,199
Total	\$ 136,657	\$ 8,013	\$ 2,352	\$ 3,618	\$ 150,640

KWANTLEN POLYTECHNIC UNIVERSITY

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

Year ended March 31, 2014

17. Expenses by object (continued)

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