



Kwantlen Polytechnic University

Annual Financial Report

March 31, 2024



TABLE OF CONTENTS

Message from the Chief Financial Officer.....	1
Management Discussion and Analysis	
Executive Summary	3
Operating Environment and Governance.....	6
Financial Results	8
Financial Indicators.....	22
Risks, Uncertainties and Opportunities	24
KPU Looking Forward	26
Audited Consolidated Financial Statements	
Management’s Statement of Responsibility	28
Independent Auditor’s Report.....	29
Consolidated Statement of Financial Position.....	32
Consolidated Statement of Operations & Accumulated Operating Surplus	33
Consolidated Statement of Changes in Net Debt.....	34
Consolidated Statement of Cash Flows	35
Consolidated Statement of Remeasurement Gains and Losses	36
Notes to the Consolidated Financial Statements	37

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 CHIEF FINANCIAL OFFICER

I am pleased to present Kwantlen Polytechnic University's ("KPU's" or the "University's") annual financial report for the year ended March 31, 2024. KPU's annual financial report includes the audited consolidated financial statements for the year and management's discussion and analysis which provides a comprehensive review of the University's overall financial condition and areas of opportunity, risk and improvement.

The global economy and political landscape remain full of uncertainty, with increased inflation, supply chain and housing market challenges in recent years, alterations to federal government immigration policy, climate change, increasing cybersecurity risks, geopolitical conflicts impacting global stability, and the uncertain trajectory of economic recovery post-pandemic, to name a few.

Recent changes to federal government immigration policies have directly influenced KPU's international student enrollments. From December 2023 to March 2024, the federal government announced three major changes impacting international students in Canada: 1) a two-year cap on study permits; 2) doubling of the cost-of-living requirements; and, 3) elimination of open work permits for spouses and partners of international students in undergraduate programs, all compounding an already softening international student enrollment trend. KPU is determining how the University's allocation of study permits will be incorporated into long-term strategic planning and budgeting approaches. Assessing the impact on future enrolment is challenging as more changes are expected with the federal and provincial governments looking closely at immigration and international education policies.

KPU's approach to its fiscal year (FY) 2023-24 budget included maintaining prior year divisional budgets, enabling increases on a one-time-only basis only, while continuing to focus on diversifying revenue sources, enhancing student financial supports, improving technology and infrastructure to address security concerns and assist with a blended approach to learning and working, focusing resources on KPU's climate action plan, and funding for student and employee recruitment and retention.

Through continued efforts, KPU remains committed to educational achievements, research, innovation and accountability to ensure its students, employees and the entire KPU learning community have supports for diverse, inclusive and relevant streams of education. As a polytechnic university, KPU offers traditional and career programs with multiple pathways leading to university degrees. KPU's purpose is to provide students with the skills and understanding necessary to be engaged, aware, and responsible citizens, and to pursue fulfilling careers by focusing on the integration of theory, critical insight, and practice. It is through collective efforts across the University that KPU has navigated challenges, embraced opportunities and achieved significant milestones through education, professional development and innovative pursuits, to continue propelling both KPU and its community's growth and success.

A photograph of a university campus walkway. In the foreground, a person in a blue checkered shirt and grey pants walks away from the camera, carrying a black bag. To the left is a wooden planter with pink flowers. In the background, several other students are walking. A red rectangular box with white text is centered in the upper half of the image. The scene includes a modern building with a glass walkway, brick pillars, and a black lamppost on the right. Tall trees and a clear blue sky are visible in the background.

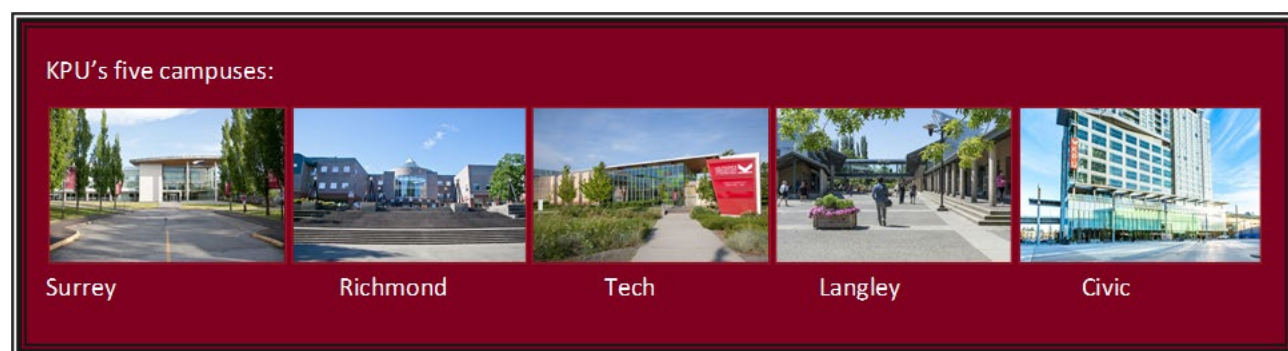
Management Discussion and Analysis

EXECUTIVE SUMMARY

The management discussion and analysis (“MD&A”) provides an overview of KPU’s operating environment, financial condition and areas of financial risk and opportunity for the year-ending March 31, 2024. This MD&A and the accompanying audited consolidated financial statements are an important measure of the University’s financial health and should be read together. For expanded information on the topics below, please refer to the relevant section headings throughout the MD&A.

About KPU

KPU, as the sole polytechnic university in Canada, uniquely combines the hands-on, industry-responsive approach of polytechnics with the expanded academic offerings and research integration of a university, offering diverse credentials through over 140 programs, serving over 20,000 students annually across five campuses in the region south of the 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 (“Ministry”), ensuring alignment of its strategic plan with provincial priorities. KPU features a bi-cameral governance model with a Board of Governors overseeing the management, administration and control of property, revenue, business and affairs, and a Senate managing academic policies. The President and executive team handle daily operations and policy implementation.

KPU receives base funding from the BC Government and is subject to balanced budget legislation. As part of the BC Government, KPU’s financial statements must comply with BC’s Budget Transparency and Accountability Act and are consolidated with the BC Government’s financial statements.

Financial Results / Indicators

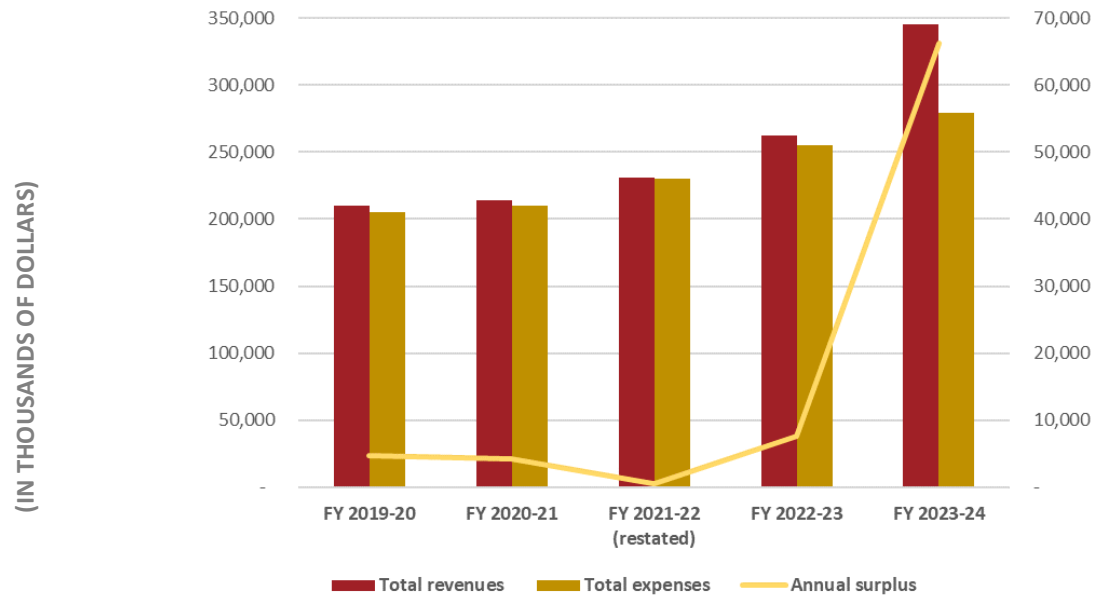
KPU’s financial health is based on various factors that collectively indicate its financial stability, sustainability, vulnerability and ability to fulfill its mission effectively.

In FY 2023-24, a significant transaction occurred with the sale of a portion of land, generating cash proceeds of \$117.6M and a gain-on-sale of \$116.4M. This transaction had a substantial impact on FY 2023-24’s revenue, operating surplus, financial position and cash flow. This transaction is referred to as the ‘land sale’ throughout the MD&A.

A detailed discussion of FY 2023-24 cash flows and operating results begins on page four of this report.

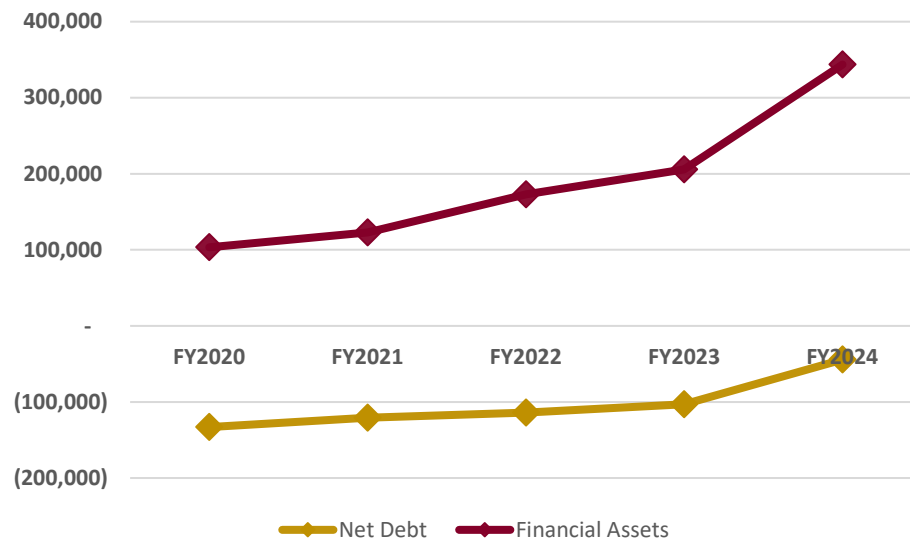
Revenue Growth and Operating Surpluses

KPU has experienced consistent revenue growth over the past five years, increasing by 64%, while expenses have grown by 36%. KPU consistently maintained operating surpluses (revenues greater than expenses) each year.



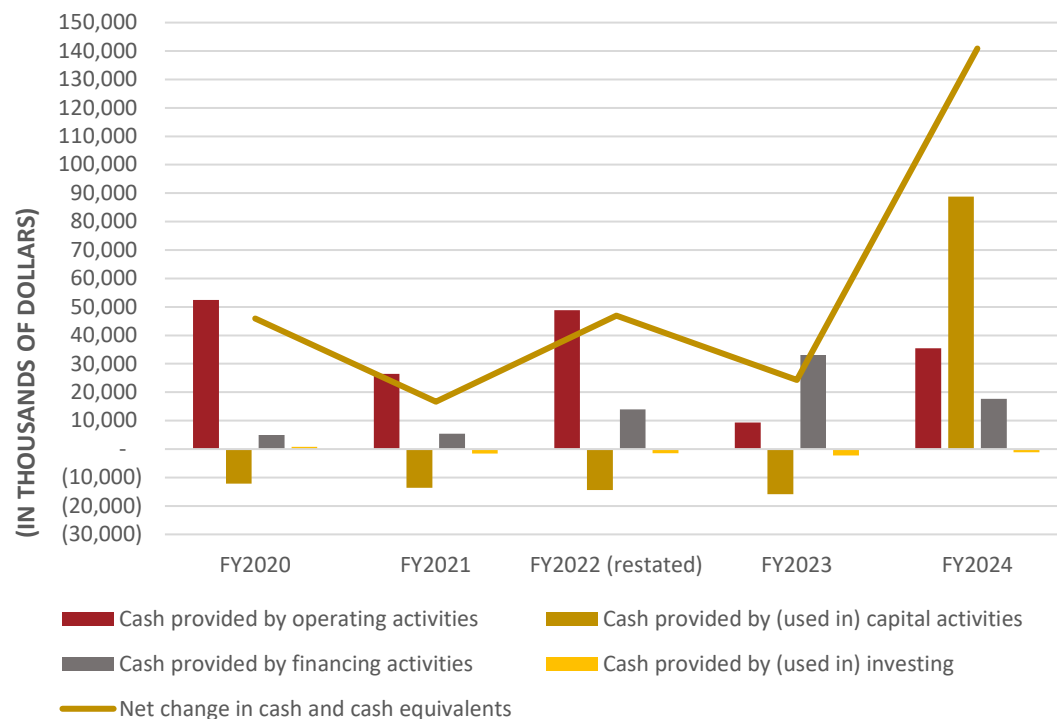
Financial Position

KPU is in a strong financial position, evidenced by a considerable reduction in net debt and increase in financial assets over the last five years.



Cash Flows

KPU consistently has strong cash from operating activities.



Risks, uncertainties and opportunities

KPU encounters various challenges in its operational environment, including financial, regulatory, and geopolitical risks, particularly regarding its reliance on international student tuition. Additionally, the University contends with inflationary pressures, construction cost escalations, and cybersecurity threats. To address these issues, KPU is actively implementing strategies to mitigate risks and enhance student support, faculty recruitment, and cybersecurity measures.

KPU looking forward

As KPU progresses, strategic enrolment management and diversifying revenue sources remain crucial for growth and operational effectiveness. Guided by Vision 2026 and uniquely positioned as Canada's only polytechnic university, KPU will continue to prioritize the learning needs of its students first by integrating theory, critical insight, and practice. The University aims to equip students with the skills and understanding necessary to become engaged, aware, and responsible citizens, and to pursue fulfilling careers. KPU is dedicated to teaching, research and innovation that enhance human capacity to influence and improve our world. KPU is undertaking an exercise of financial modeling to support decision making in reaction to the impact of externally controlled factors like the reduction in international students. While the modelling is ongoing and continuous as more data becomes available, the initial impression is that KPU is well positioned, in the short term, to withstand the impact of this downturn. This exercise will also lead to reviewing KPU's optimal size and breadth of its operations. KPU will continue to employ flexible budgeting practices and diversify revenue sources, including establishing revenue-generating opportunities through the KPU Communities Trust.

OPERATING ENVIRONMENT AND GOVERNANCE

University Overview

As Canada's sole polytechnic university, KPU stands out from conventional universities and polytechnic institutes nationwide. Polytechnics are higher education institutions that offer advanced technical education, with a hands-on, industry-oriented approach. These programs emphasize practical learning equipping students with the essential skills and proficiencies needed in today's workplaces, giving our graduates a significant advantage in the job market. Achieving university status allows KPU to award bachelor's, master's and doctoral degrees, as well as citations, certificates, and diplomas in both traditional and innovative disciplines. As a university, KPU has an enhanced ability to integrate academic and professional education, research, community engagement and critical thinking with theoretical knowledge into its educational framework.

Over 20,000 students annually attend courses at KPU's five campuses: Surrey, Richmond, Langley, Cloverdale and Civic Plaza. These campuses serve the region south of the Fraser River 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 gifted the use of its name to the University.

Government Oversight

The Government of British Columbia ("BC Government") is made up of Ministries and various other organizations that deliver services & programs on its behalf, including post-secondary education. For reporting purposes, this group of entities is referred to as a Government Reporting Entity ("GRE"). Specifically, KPU is accountable to the public through the ministry which provides leadership and direction for post-secondary education and skills training across the province.

The Ministry requires KPU to align with overarching principles relevant to the entire public sector as well as specific directions on priorities and expectations. The Ministry issues mandate letters to British Columbia public post-secondary institutions ("PSIs") that outline government priorities for the public post-secondary system. KPU's mandate letter and the Minister's letter of direction highlight the government's priorities for the University. KPU meets these requirements by aligning its strategic goals and performance measures with provincial and Ministry post-secondary education sector objectives.

KPU operates under the authority of the *University Act* of British Columbia and is a not-for-profit entity governed by a Board of Governors, with the majority appointed by the provincial government. In accordance with the *University Act*, KPU has adopted principles of bi-cameral governance, where the Board oversees the management, administration and control of property, revenue and business affairs of the University while the Senate oversees academic governance. KPU is led by the President, supported by an executive team, is responsible for managing the day-to-day operations and implementing policies.

As a publicly funded PSI, KPU must adhere to guidelines set by the British Columbia post-secondary sector. The financial context for this sector is tightly constrained by the provincial government, which has mandated a 2% per year limit on domestic tuition increases, limiting opportunities to increase tuition revenue. While international tuition rate increases are not currently restricted by government, discretion must be used when setting rates to ensure they remain competitive in the international student market and provide predictability for international students.

Balanced budget legislation

The British Columbia post-secondary education sector is subject to balanced budget legislation. This legislation requires that, in any given fiscal period there cannot be an operating deficit. This contributes to a complex operating environment, especially in times of economic uncertainty. Longer term planning is required to ensure the University is in a balanced financial position each year, regardless of historical surpluses or deficits.

The Ministry continues to provide the opportunity to the University, upon request, to present a deficit budget. Given its expected financial position, KPU did not request a deficit budget and KPU's Board approved a balanced budget for FY 2023-24.

Strategic priorities and planning

KPU's strategic plan, Vision 2026, outlines the mission, vision, and goals that will steer the University's growth and decision-making over the coming years. Building on the foundation of Vision 2023, which concluded with a final report in fall 2023, Vision 2026 was developed through extensive consultations with key stakeholders. The final version of Vision 2026 received approval from KPU's Board of Governors (the "Board") in May 2023.

Vision 2026's mission, vision, values and goals embody KPU's identity as a polytechnic university, highlighting its unique potential to adapt and foresee future changes and challenges. By prioritizing key areas, KPU aims to ensure sustained success. The strategic direction set by Vision 2026 continues to shape the planning, budgeting and management processes, enabling the effective allocation of limited financial resources and the optimization of service outcomes.

Operating grants and Other Revenues

Each year, eligible public PSIs receive base operating funding from the provincial government. For many institutions, including KPU, this grant is calculated independently of government student full-time equivalent ("FTE") targets. Consequently, changes in student delivery FTEs do not necessarily affect financial support. The Ministry issues an annual budget letter detailing KPU's operating grant and student FTE targets, associated accountabilities, and expectations for the upcoming year.

Public PSIs also generate revenue from various sources including tuition, ancillary services, federal grants, endowments and investments. However, the majority of their funding comes from a combination of the provincial operating grant and tuition.

Collective Agreements

The Kwantlen Faculty Association ("KFA"), represents the faculty members at KPU. Meanwhile, the BC General Employees' Union ("BCGEU") represents staff members at various public institutions across British Columbia, though not specifically at KPU. Both the KFA and the BCGEU have collective agreements in place, with the KFA's agreement covering the period from April 1, 2022 to March 31, 2025 and the BCGEU's agreement covering from July 1, 2022 to June 30, 2025.

FINANCIAL RESULTS

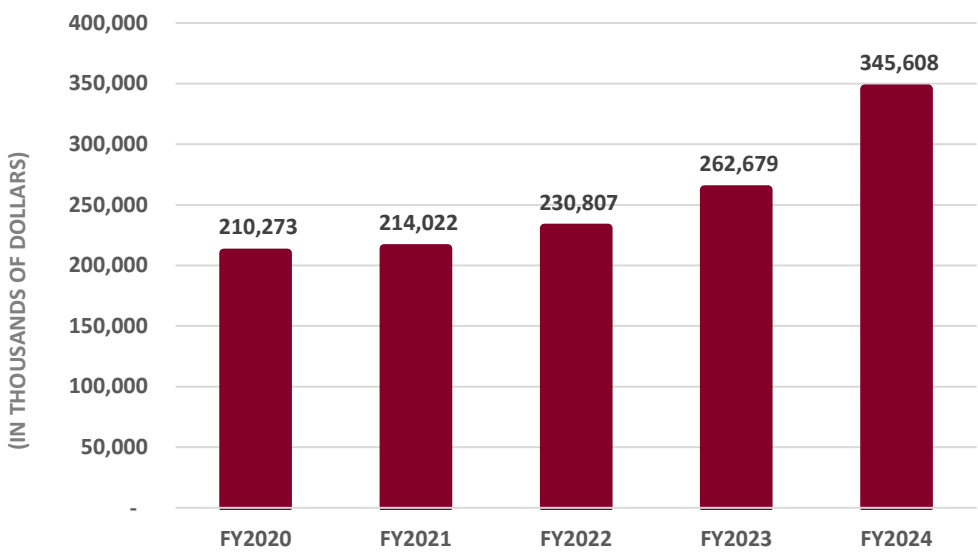
KPU prepares its consolidated financial statements in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* (“Act”) of the Province of British Columbia (the “Province”). The Act mandates that KPU follow Public Sector Accounting Standards (“PSAS”) along with Regulations 257/2010 and 198/2011 issued by the Province’s Treasury Board. These regulations include notable differences related to deferred contributions. The basis for accounting and significant accounting policies followed for KPU’s consolidated audited financial statements for the year ended March 31, 2024 are detailed in Note 2 of the statements included later in this report, with Note 2(a) providing an in-depth description of the regulations and PSAS differences.

Overview

This section provides a comprehensive overview of KPU’s financial results, including revenues, expenses, financial position and cash flows from multiple perspectives. In FY 2023-24, KPU sold a portion of land adjacent to its Cloverdale campus to Fraser Health. This significant transaction impacted the results presented in this report. The Board approved the sale of the land in FY 2022-23 and, the land was reclassified as “asset held-for-sale” on KPU’s FY 2022-23 Consolidated Statement of Financial Position. The sale was completed in August 2023 for a price of \$117.6M which resulted in a gain-on-sale of \$116.4M.

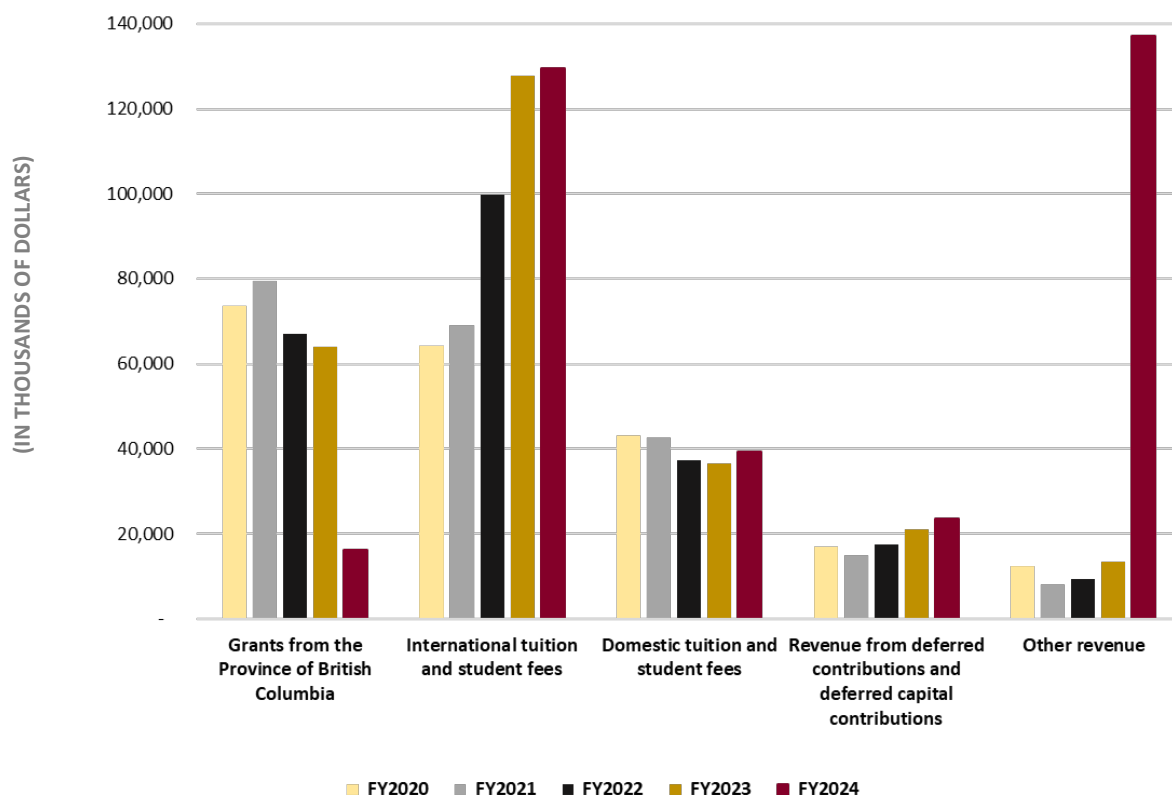
Revenues

Revenues have shown consistent year-over-year growth, reflecting the University’s overall expansion over the past five years. As shown in the graph below, total revenues grew by 64.4% from \$210.3M in FY 2019-20 to \$345.6M in FY 2023-24. Revenue increased by 31.6% from FY 2022-23 (\$262.7M) to FY 2023-24 (\$345.6M). The significant increase in FY 2023-24 is attributed to the one-time land sale previously mentioned.



Revenues by source

The following graph shows the trend in revenues by source over the past five years:



The sections below provide an overview of each revenue source and explanations of changes between FY 2022-23 to FY 2023-24.

Grants from the Province of British Columbia

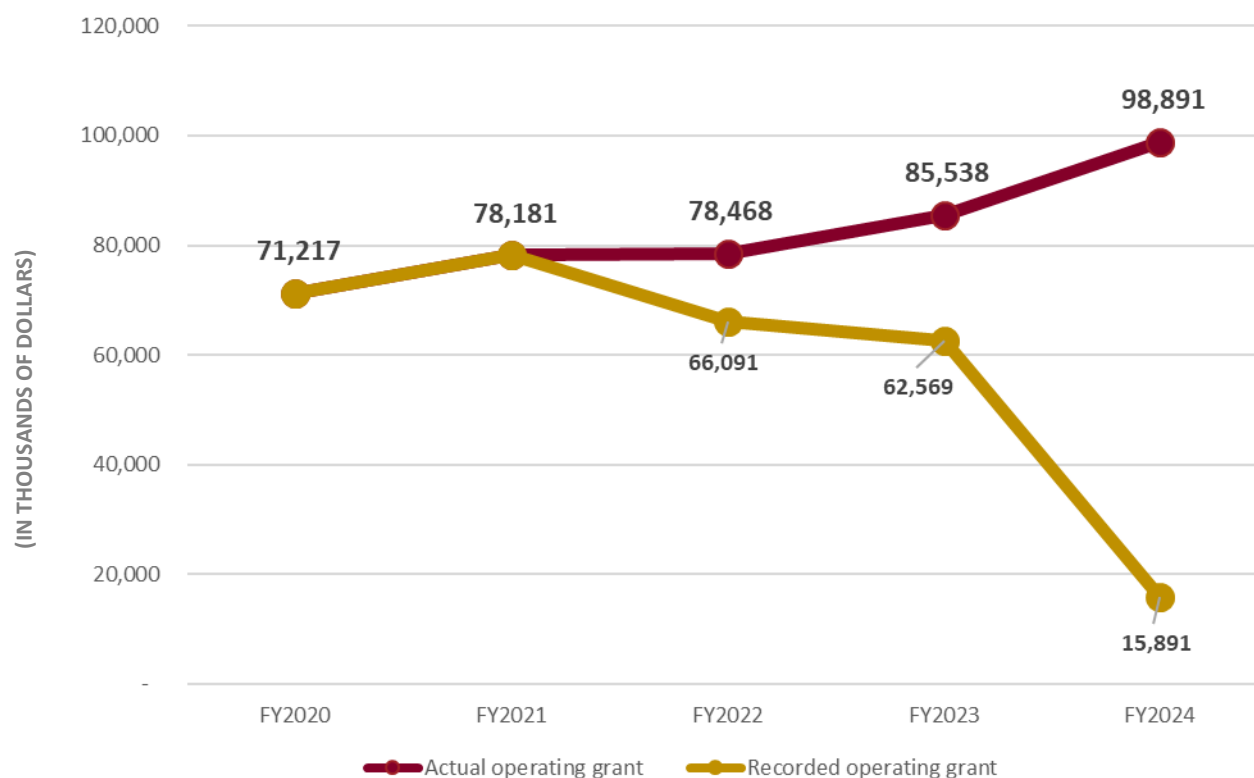
Grants from the Province primarily consist of the provincial operating grant, which serves as KPU's core funding. This category also encompasses provincial funding allocated for specific purposes and projects. Overall, reported grants from the province decreased by 74.6% in FY 2023-24 as compared to the prior year. The decrease is a result of KPU receiving approval from the Ministry to defer \$83.0M of its FY 2023-24 operating grant compared to \$23.0M in FY 2022-23.

Operating Grant Deferrals

KPU's FY 2023-24 budget letter indicated an operating grant of \$85.0M. Subsequently, the University received an additional \$13.9M for wage increases under the Province's Shared Recovery Mandate ("SRM") for funding related to FY 2022-23 and FY 2023-24, for a total annual operating grant of \$98.9M. The SRM provides funding for increases in salaries and benefits for all public sector employers with unionized employees, including the BCGEU KFA employees. Negotiations are focused on providing a fair and reasonable offer to public-sector workers that includes inflation protection, while ensuring that the BC Government has the resources to continue to invest in building a stronger province for everyone.

KPU was approved to defer \$23.0M of its FY 2022-23 operating grant for capital purposes. In FY 2023-24, KPU was approved to defer \$83.0M, with \$78M allocated for operating purposes and \$5M for capital purposes. The FY 2023-

24 deferral was implemented with a focus 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 consolidated financial statements may differ from actual grants received. The graph below shows that operating grants have been increasing over the past five years.

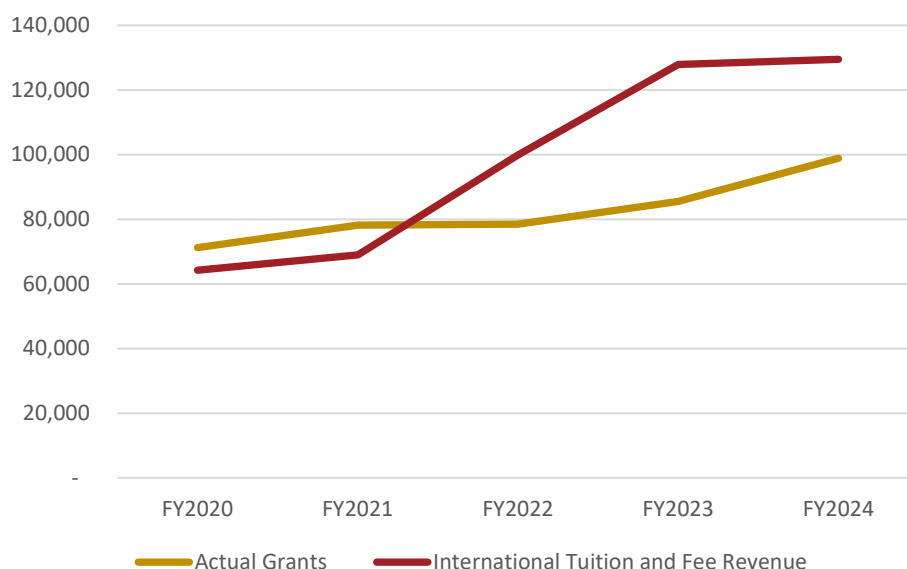


International and domestic tuition and student fees

Tuition and student fees represent all fees incurred by students to attend KPU for credential programs. International tuition and student fees are the University's largest revenue source, increasing by \$1.6M or 1.3% to \$129.5M in FY 2023-24 (FY 2022-23 - \$127.9M or 28.1%). The increase includes a 2% rise in fees offset by an 8.0% year-over-year decrease in international student FTEs. A significant number of students received transfer credits (referred to as "PLAR's") in FY 2022-23. Consequently, the drop in FTEs does not directly correspond to the year over year change in tuition. Tuition for international students is higher than that of domestic students because the government grants cannot be used to subsidize international student tuition.

Domestic tuition and student fees rose to \$39.2M (FY 2022-23 - \$36.6M), a 7.2% increase from FY 2022-23. This increase aligns with the 3.8% rise in domestic student FTEs.

Historically, grants from the province of British Columbia have been similar to international student tuition and fees, however, the graph below identifies a shift in FY 2021-22 where international student tuition and fee revenue exceeded the actual grants from the Province, becoming KPU's primary ongoing revenue source.



The graph reflects four years of data beginning in FY 2020-21 when international and domestic tuition and student fees were first disclosed separately on the consolidated financial statements.

Revenue from deferred contributions

Revenue from deferred contributions, which represent the spending of externally restricted grants as specified by the contributor, increased by 8.7% to \$11.5M in FY 2023-24 (FY 2022-23 - \$10.5M). A significant factor in this change was the increase in revenue recognized from sources other than provincial and federal contributions. These contributions are predominately for research grant activities, which continues to recover after being suppressed throughout the pandemic.

Revenue from deferred capital contributions

Prior to use, contributions restricted for the purpose of acquiring capital are recorded as deferred capital contributions on the Consolidated Statement of Financial Position. As capital projects are completed and assets are put into use, these contributions are recognized as revenue from deferred capital contributions at the same rate as the amortization of the tangible capital asset. In FY2024, there was a 14.6% increase to \$12.1M (FY2023 - \$10.5M), primarily driven by capital assets that were put into service in FY2024.

Other revenue

Other revenue is composed of ancillary services revenue, investment income, miscellaneous income, and the gain on the land sale, which was the driver of the significant increase in this revenue category in FY 2023-24.

Ancillary services revenue which includes revenue from the bookstore, parking and food services remained stable at \$3.3M in FY 2023-24 (FY 2022-23 - \$3.3M). Despite increased student and employee activity on campus post-pandemic, this revenue source has not returned to pre-pandemic levels due to an overall reduction in campus activities.

Investment income includes interest revenue, dividends and realized gains and losses on the sale of investments. There was a year-over-year increase of \$7.1M or 117.3% in investment income (FY 2022-23 - \$3.8M or 163%). This increase is largely attributed to higher interest earnings on increased cash balances from the land sale and elevated average interest rates with the prime rate remaining at 6.7% for most of the year.

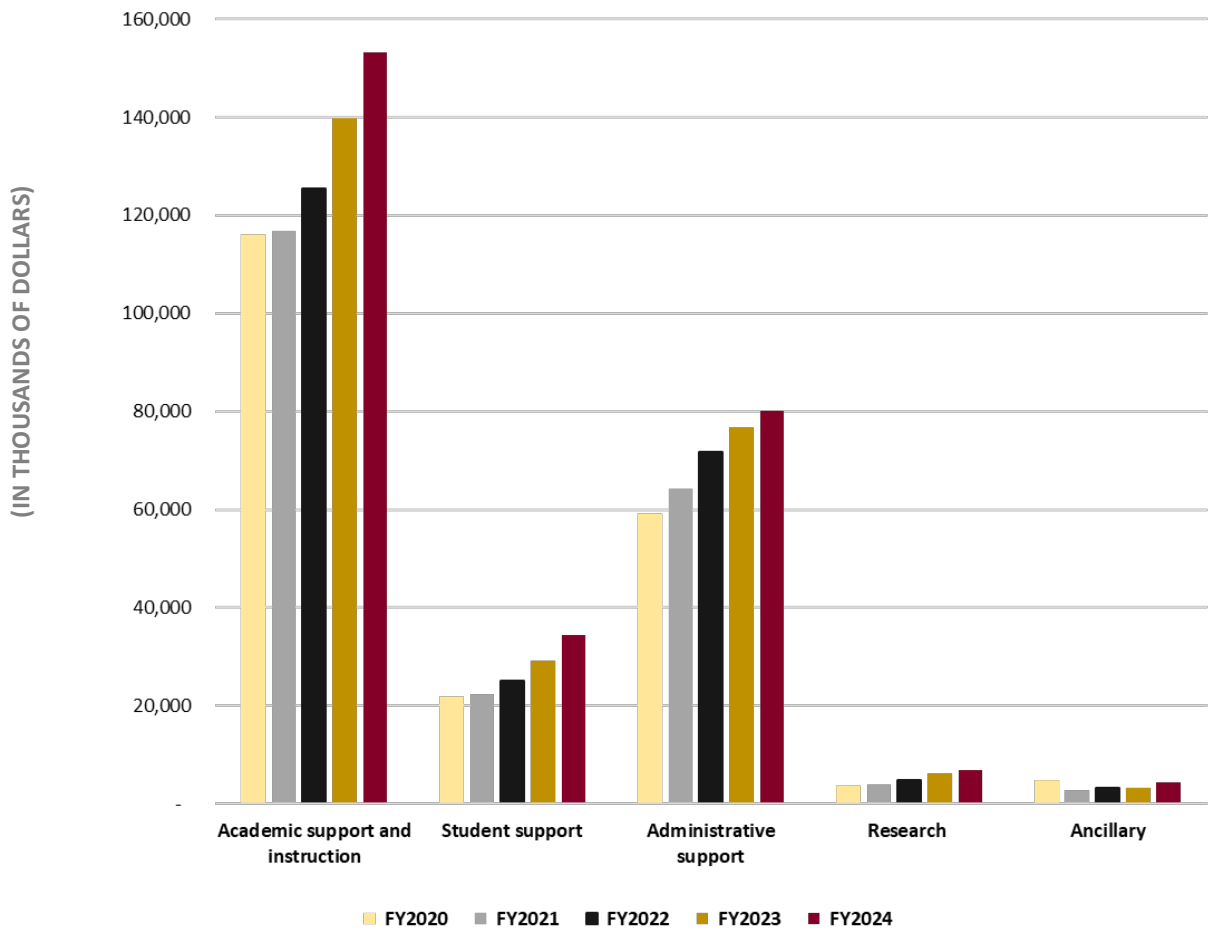
The remainder of other revenue is composed of miscellaneous income such as space rentals, donations received, trades shop income and product sales and contract revenue. This increased by 7.8% to \$4.3M in FY 2023-24 (FY 2022-23 - \$4.0M or 14.8% decrease).

Expenses

Overall, expenses have grown by 35.8% from \$205.6M to \$279.3M over the past five years, versus the increase in revenues of 64.3% over the same period.

Expenses by functional area

Functional areas reflect broad services provided by the University. KPU allocates the majority of its budget to ensuring the delivery of quality education, with significant investments in academic support, instruction and administrative support for core activities. The remaining budget is dedicated to supporting students in non-academic areas, research initiatives and providing ancillary services. The graph below illustrates the expense amounts for each function over the past five fiscal years.



Academic support and instruction

This functional area encompasses all academic programs, courses, and activities related to teaching and learning. It includes undergraduate and graduate programs, curriculum development, academic advising, student support services, faculty development, and instructional technology. The focus is on maintaining high-quality educational experiences for students and fostering a culture of academic excellence.

As KPU emerged from the pandemic, its focus shifted from maintaining core academic activities to furthering academic innovation and teaching excellence. Academic support and instruction increased by 9.7% to \$153.3M in FY 2023-24 (FY 2022-23 - \$139.7M). The majority of this increase is attributed to faculty salaries and benefits wage increases for existing programs, increases to the Entertainment Arts program and targeted investments in academic strategic initiatives and institutional and faculty development.

Student support

This functional area includes the Office of the Registrar, Student 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.
- KPU International offers services to international students including admissions support services, and study abroad opportunities.

Student support increased by 17.8% to \$34.4M in FY 2023-24 (FY 2022-23 - \$29.2M). The University made targeted investments to enhance the student experience including increasing funding for student awards, and the introduction of a new KPU food security grant. The holistic approach to supporting students has been strengthened to further enhance the educational and learning experience.

Administrative support

This functional area encompasses the operational and administrative facets that support KPU's day-to-day functioning. It includes areas such as Campus and Community Planning, Campus Safety and Security, Communications, Equity and Inclusive Communities, External Affairs, Facilities, Finance, General Counsel, Governance, Human Resources, Indigenous Leadership, Innovation and Partnerships, Information Technology, Marketing, Office of the President, and Planning & Accountability. This area ensures efficient and effective management of resources and compliance with relevant regulations and policies.

Administrative support expenses increased by 4.3% to \$80.1M in FY 2023-24 (FY 2022-23 - \$76.8M). The increase is primarily due to salary and benefit increases and new strategic positions and additional Information Technology costs related to the final phase of the cloud migration. Higher costs related to the activities in KPU Communities Trust were also noted. These increases were partially offset by a \$3.9M year over year decrease in transfers to the KPU Foundation.

Research

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

Research expenses increased by 13.5% to \$7.0M in FY 2023-24 (FY 2022-23 - \$6.1M) driven by heightened activity on short-term research grants. KPU continues to support the expansion of its research initiatives, contributing \$2.0M to the KPU Research Endowment in the KPU Foundation towards research activities at the University in FY 2023-24. Since FY2020, research expenses have increased by 94.9%, reflecting significant growth driven by both internal and external grant activities. This growth reflects the University's commitment to enriching experiential learning opportunities through robust research support.

Ancillary Services

This functional area includes non-academic services that enhance the student experience, such as bookstores, food services and parking. Ancillary expenses increased by 41.5% to \$4.4M in FY 2023-24 (FY 2022-23 - \$3.1M) primarily as a result of food services contract obligations and termination payments of \$0.5M related to the transition to a new service provider; additional repairs and maintenance of the Langley, Richmond, Surrey and Cloverdale campus parking lots of \$0.2M; and, adjustments to bookstore inventories for previously returned and unbilled merchandise netting to \$0.45M.

Expenses by object

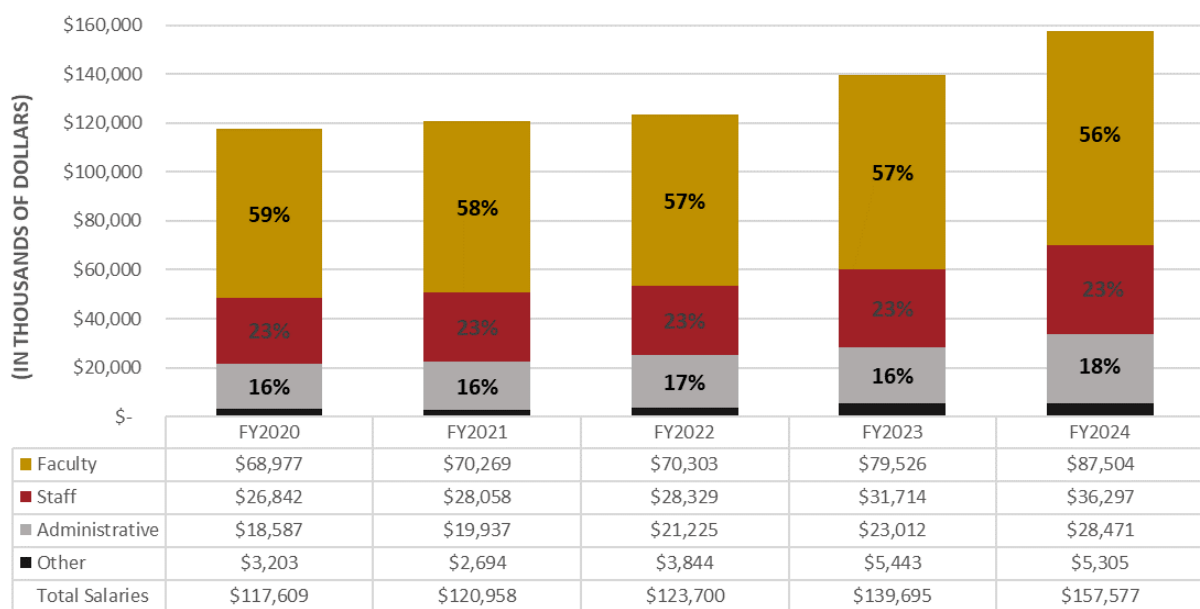
The object refers to the expense category. The table below shows the expenses by object for FY 2022-23 and FY 2023-24. Overall, expenses increased 9.5% from the prior year.

Expenses by object (in \$'000s)	FY 2023-24	FY 2022-23	Change
Salaries and benefits	194,744	173,175	21,569
Travel and professional development	4,159	3,334	825
Supplies	4,971	5,121	(150)
Student awards, bursaries and donations	8,685	11,600	(2,915)
Fees and services	27,255	25,326	1,929
Facilities	15,834	14,524	1,310
Cost of sales	2,184	1,475	709
Leases, property taxes, insurance	616	469	147
Accretion	54	98	(44)
Amortization of tangible capital assets	20,789	19,895	894
Total expenses by object	279,291	255,017	24,274

Salaries and benefits

There are three main employee groups at KPU: faculty, staff and administration. Faculty are members of the Kwantlen Faculty Association ("KFA") and staff are members of the BC General Employees' Union ("BCGEU"). Administration staff are non-union.

Salaries and benefits are KPU's largest expenditures representing 69.7% of KPU's expenses in FY 2023-24 (FY 2022-23 – 67.9%). There was an overall increase in salaries and benefits of \$21.6M or 12.5% year-over-year. The graph below provides additional details of salaries by employee group.



The relative proportion of salary expense by employee group has remained stable over time. Recent growth in the Administrative functional area resulted from filling previously approved vacant positions over the past two fiscal years. The highest increases seen in the Academic and Student Services areas for targeted academic and student supports. The new Office of Equity and Inclusive Communities, Indigenous Leadership and the Office of Communications in the President’s functional area, and the Human Resources functional area also had continued growth along with increased activities at the KPU Communities Trust.

Both the BCGEU and the KFA collective agreements were ratified during FY2024. The increase in faculty and staff group salaries reflects the cumulative impact of higher than budgeted wage increases. The staff group also saw increases due to filling previously approved vacant positions over the past two fiscal years. Faculty salaries were further impacted by the ongoing rollout of the Entertainment Arts programs, and Health program expansions.

Non-salary expenses

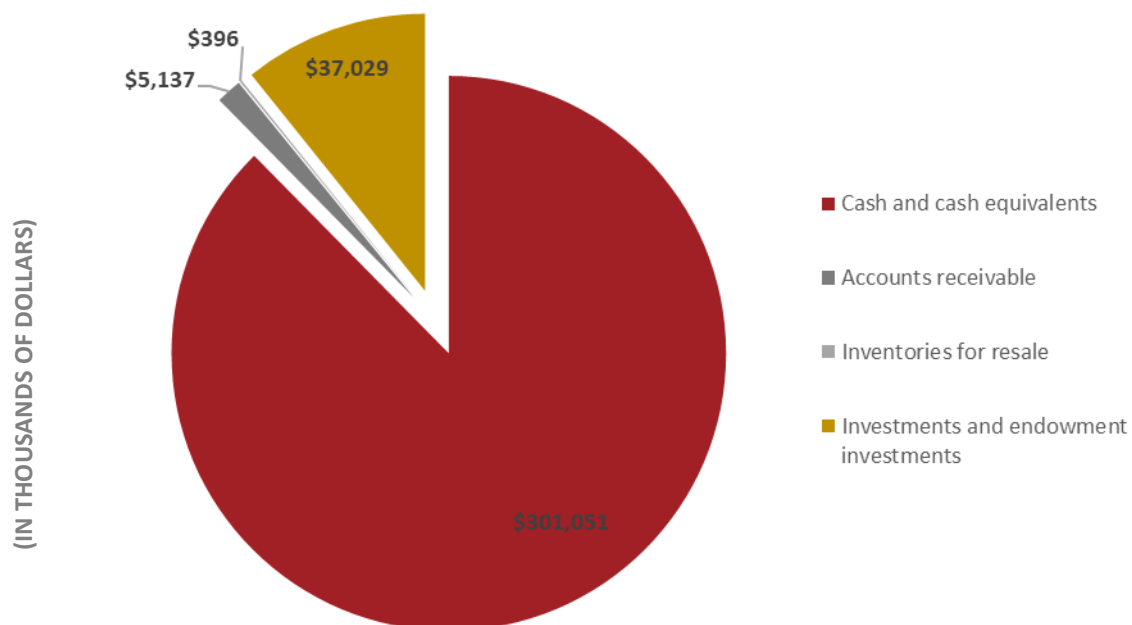
Non-salary expenses, including amortization, increased by 3.3% or \$2.7M to \$84.5M in FY2024 (FY2023 – \$81.8M). This increase is attributed to activity levels rebounding to pre-COVID levels, inflationary pressures, and an increase in amortization due to new asset additions. Significant new asset additions are discussed in the Non-Financial Assets section later in the report. These increases were partially offset by a \$3.9M in year over year decrease in transfers to the KPU Foundation.

Financial position

The University is in a strong financial position with significant increases in financial assets and reductions in net debt. This robust position provides greater flexibility for long term strategic decision making.

Financial assets

Financial assets represent resources that can be converted to cash to meet obligations or fund future operations. During FY 2023-24, financial assets increased by 67.0% to \$343.6M (FY 2022-23 - \$205.8M or 18.9%). The graph below provides a breakdown of financial assets at the year ended March 31, 2024:



Cash and cash equivalents are the most significant component of financial assets amounting to \$301.1M or 87.6% of all assets (FY2023 - \$160.2M or 77.8% of all assets). This represents a \$140.9M year-over-year increase (FY2023 –

\$24.3M increase), primarily due to \$117.6M received from the land sale, \$7.1M in additional interest income earned on cash balances due to higher interest rates, and funding from the provincial government for retroactive wage increases for BCGEU and KFA employees following the ratification of collective agreements.

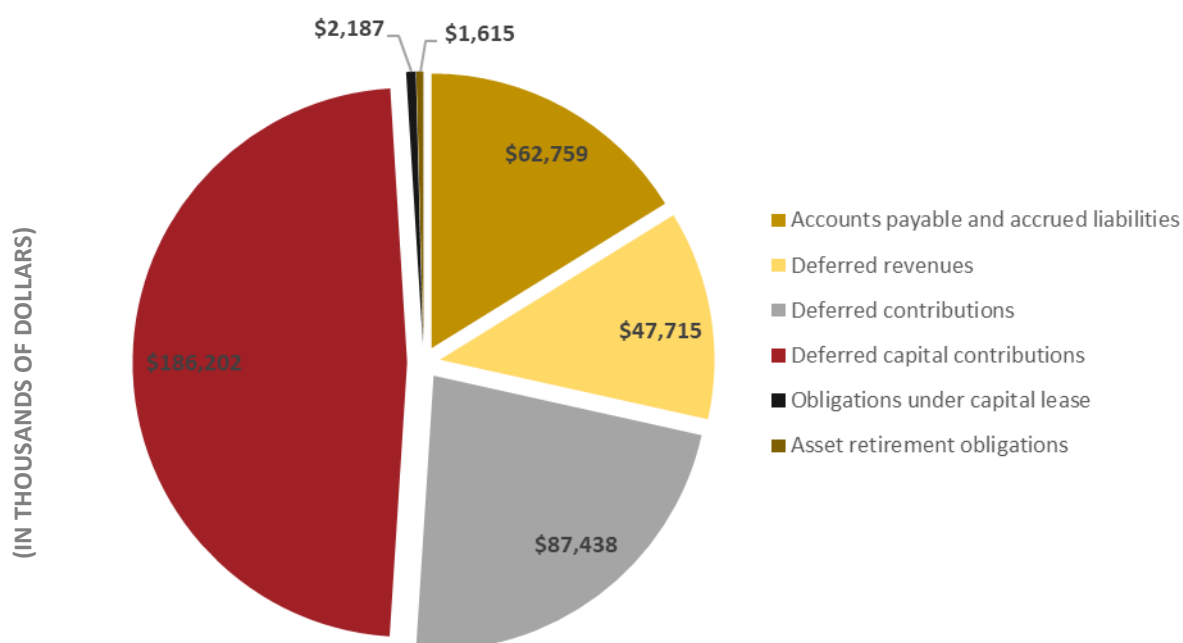
Accounts receivable represents \$5.1M or 1.5% of the financial asset balance (FY2023 - \$10.3M or 5.0% of assets), reflecting a year-over-year decrease of \$5.1M (49.9%). This decrease was primarily due to receiving funds from the Ministry for collective agreement increases that had not yet been ratified and were therefore receivable in FY 2022-23.

Inventories for resale, which include various products held for resale in KPU's bookstores, remained relatively stable from FY2022 -23 to FY 2023-24.

Investments and endowment investments are the next largest component of financial assets totaling \$37.0M or 10.8% of financial assets (FY2023 - \$33.9M or 16.5% of assets). The year-over-year change was mainly due to unrealized gains on investments.

Liabilities

Liabilities represent the obligations the University has to others arising from past transactions or events. Liabilities increased by 25.7% to \$387.9M in FY 2023-24 (FY 2022-23 - \$308.6M or 7.4%). The graph below provides a breakdown of liabilities at the year ended March 31, 2024:



Accounts payable and accrued liabilities reflect amounts owed to vendors and others for goods or services received by the end of the fiscal year. These balances may include estimates where invoices have not yet been received. Accounts payable and accrued liabilities, representing 16.2% of total liabilities (FY 2022-23 - 16.1% of total liabilities), increased by 26.1% to \$62.8M in FY 2023-24 (FY 2022-23 - \$49.8M). This increase is largely due to higher accrued salaries, benefits and wages payable resulting from retroactive amount owed to employees upon ratification of collective agreements, increased in year-over-year vacation accruals due to more employees and wage increases, and the timing of payments to vendors.

Deferred revenues represent tuition payments made by students for future courses, which are recognized as revenue when the course is delivered. Deferred revenues, representing 12.3% of total liabilities (FY 2022-23 - 21.8%), decreased by 29.1% to \$47.7M in FY 2023-24 (FY 2022-23 - \$67.3M). This reduction is primarily due to a

decrease in payments received from international students for both the summer term and terms not yet registered, reflecting a decline in international enrolment.

Deferred contributions represent unspent externally restricted grants and contributions to be used in future periods, as specified by the contributor. Deferred contributions, representing 22.5% of total liabilities (FY 2022-23 – 3.3% of liabilities), increased significantly due to a \$78.0M deferral of the FY 2023-24 provincial operating grant for operating purposes.

Deferred capital contributions, which are externally restricted contributions for acquiring capital, are the largest component of liabilities at 48.0% of total liabilities (FY 2022-23 – 58.2% of total liabilities). This category increased by 3.6% to \$186.2M in FY 2023-24 (FY 2022-23 - \$179.7M), mainly due to a Ministry approved deferral of \$5.0M of the University's FY 2023-24 operating grant for capital purposes.

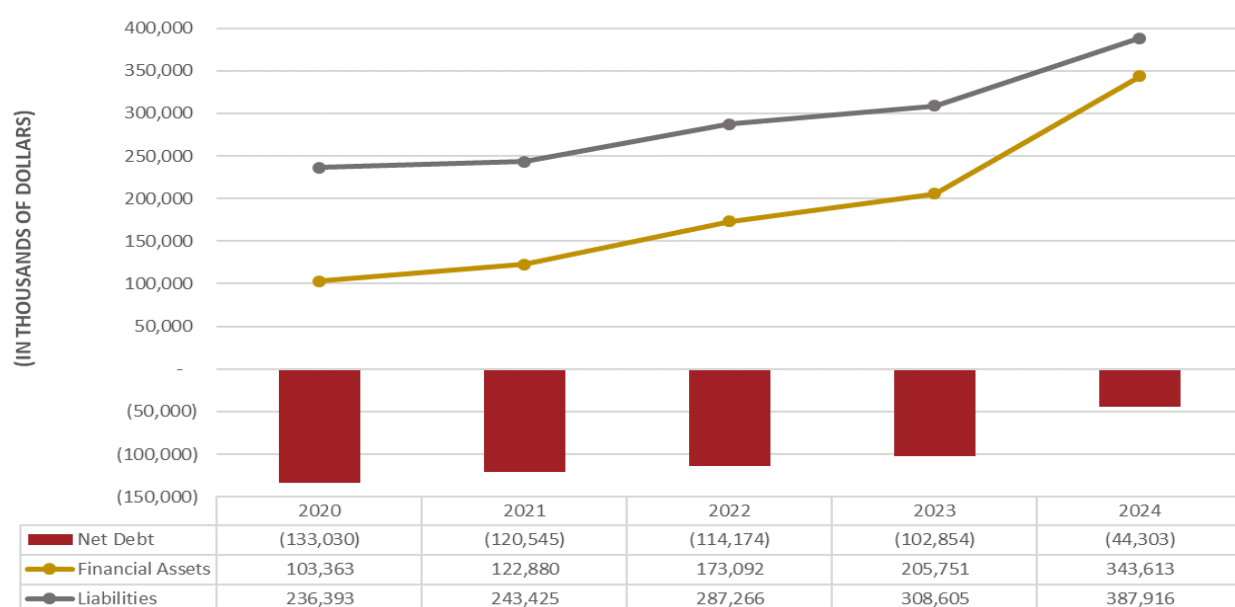
As discussed in the deferred contributions and deferred capital contributions sections, the University requested deferrals to fund future initiatives that could not be addressed in the current fiscal year. These capital initiatives will focus on deferred maintenance of aging infrastructure, refreshing outdated information technology and furniture, and targeting planned University capital projects. This strategy supports the long-term financial stability of the University. The FY 2023-24 operating deferral requests were made with a focus on long term planning goals, equity, diversity, and inclusion supports, student supports, indigeneity, and technology projects and services.

Obligations under capital lease represent a capital lease the University entered into on September 1, 2023 to finance IT infrastructure for the Entertainment Arts program at an estimated cost of borrowing of 7.36% per annum (FY2023 – nil).

Included in liabilities is an asset retirement obligation for the removal of hazardous material from some of the University's buildings. The balance of asset retirement obligations at March 31, 2024 was \$1.6M (FY2023 - \$1.6M).

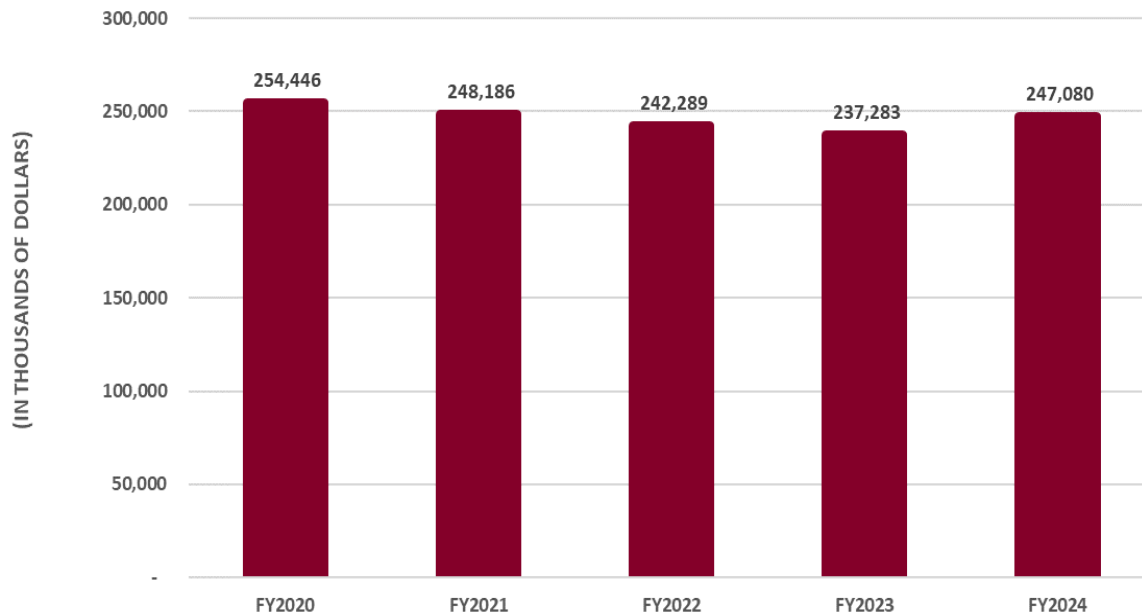
Net debt

Net debt, the excess of liabilities over financial assets, was \$44.3M FY 2023-24, a decrease of \$58.6M from the prior year due to an annual surplus of \$66.3M in FY2024. The annual surplus was largely due to the proceeds from the land sale, offset by the deferral of the FY2023 - 24 operating grant from the Ministry. The following graph shows that net debt has been steadily decreasing over the past five years, an indication that the University's liquidity and financial position are improving.



Non-financial assets

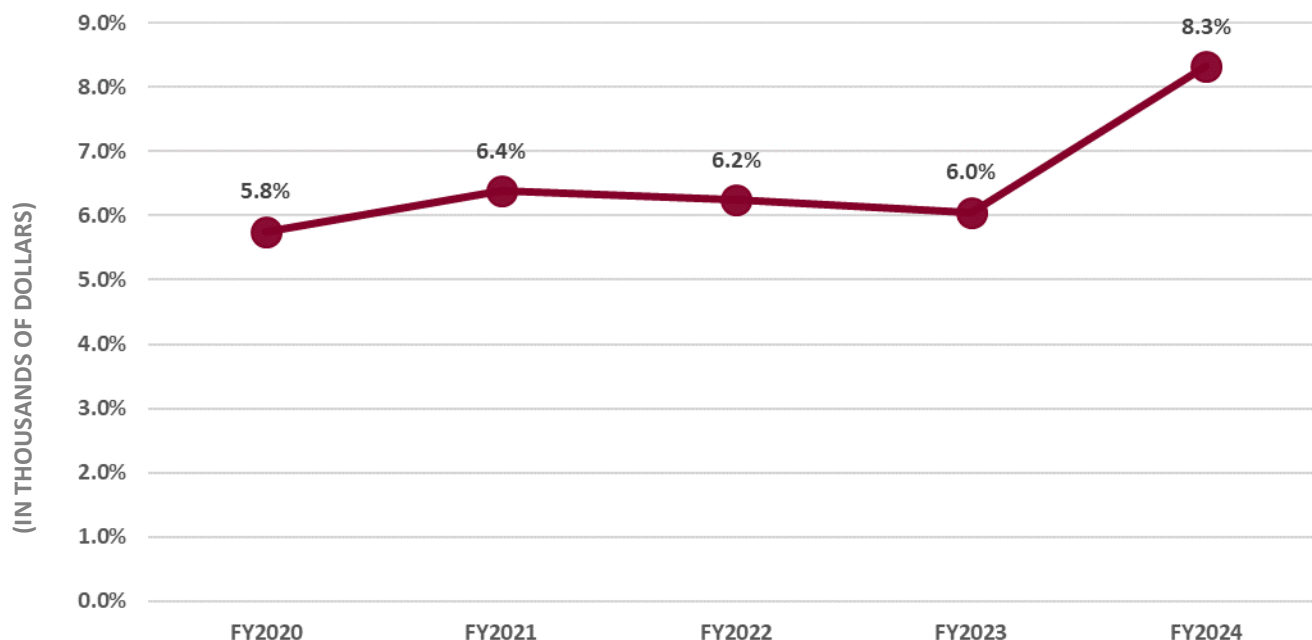
Non-financial assets are not available to discharge existing liabilities and are held to provide services in the future. These assets have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The following chart shows total non-financial assets by fiscal year.



The following table provides a breakdown of non-financial assets held by KPU for the last two fiscal years. Total non-financial assets increased by 4.1% in FY 2023-24.

Non-financial assets (in \$000's)	FY 2023-24	FY 2022-23	Change
Tangible capital assets	240,411	232,450	7,961
Investments and endowment investments	2,817	2,817	--
Prepaid expenses and deposits	3,852	2,016	1,836
Total non-financial assets	247,080	237,283	9,797

Tangible capital assets include assets purchased or constructed by the University, as well as assets fully or partially contributed by the provincial government. These assets encompass land, buildings, major site improvements, major equipment, library holdings, technology infrastructure, furniture and equipment, computing equipment and leased capital assets. The graph below depicts tangible capital asset additions as a percentage of total revenue. This ratio measures the extent to which an organization is investing in tangible capital assets, and demonstrates the allocation of resources, strategic investment decisions, and the overall financial and operational health of the entity.



Between FY2020 and FY2023, acquisitions were approximately 6% of total revenues, primarily consisting of routine furniture and equipment and computing equipment. In FY 2023-24, acquisitions increased to 8.3% of total revenues 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 to support information technology infrastructure for the Entertainment Arts program.

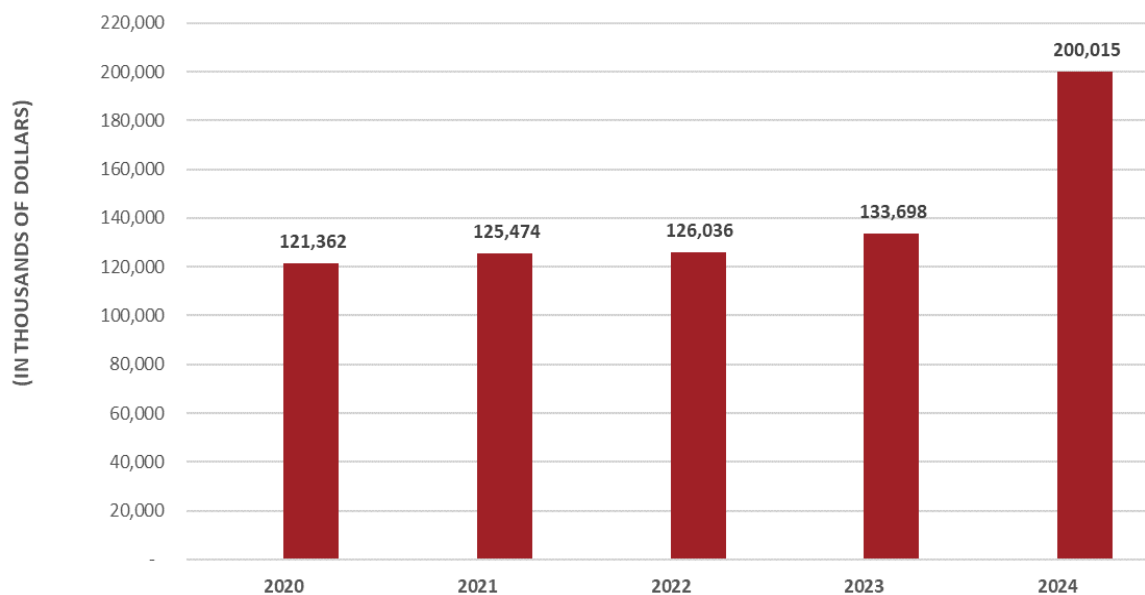
Investments and endowment investments reflect funds set aside to earn revenue for specific purposes, such as student bursaries or scholarships. KPU's Board sets rules for the establishment and management of an endowment fund, including the distribution of endowment earnings. The balance in investments and endowment investments remained stable from FY 2022-23 to FY 2023-24.

Prepaid expenses and deposits represent payments for goods and / or services that will be received in the next fiscal year. These expenses, representing 1.6% of total non-financial assets (FY 2022-23 – 0.8%), increased by 91.1% from FY 2022-23; primarily due to new prepaid balances related to the transition to the cloud for the Enterprise Resource Planning ("ERP") system.

Accumulated surplus

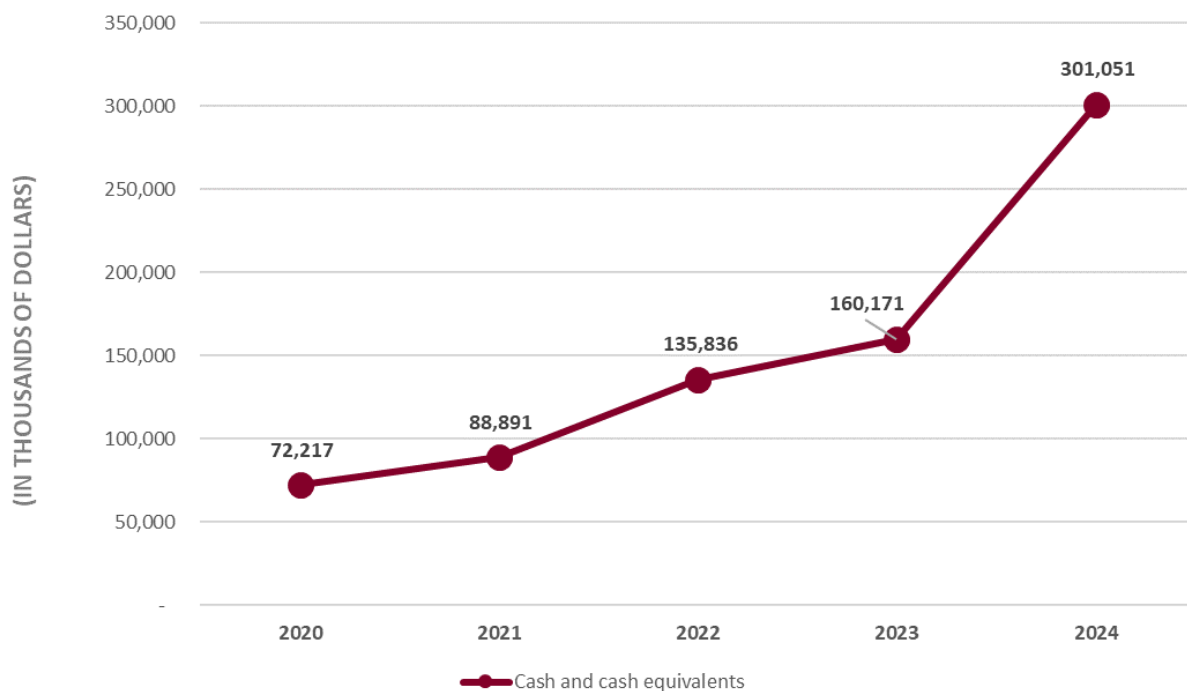
The University is in an accumulated surplus position. Indicating net positive resources that, subject to direction of the Province and Board of Governors, could be used to provide future services. A substantial portion of this balance is allocated either to future services through investments in capital assets or in reserved for specific purposes determined by the Board of Governors or external funding restrictions. The University's FY2023 -24 accumulated surplus includes \$44.6M in unrestricted reserves (FY2022-23 - \$35.7M) available to fund capital assets or other strategic initiatives.

The following graph depicts the fiscal year-by-year accumulated operating surplus, which constitutes the majority of the total accumulated surplus balance. The significant increase in accumulated operating surplus in FY 2023-24 is primarily due to the land sale.



Cash flows

The Consolidated Statement of Cash Flows reports on the sources and uses of cash during the year. The University's overall cash position increased by \$140.9M from \$160.2M in FY 2022-23 to \$301.1M in FY 2023-24.



The primary source of cash in FY2023-24 was from the proceeds of the land sale. Other sources of cash are from operations, specifically cash received from student tuition and fees and grants from the Province. Cash received as contributions for tangible capital assets was another significant source. Cash is used to meet operational expenses, reduce liabilities and fund the University's investment in infrastructure. More detail is available in the Consolidated Statement of Cash Flows within the consolidated audited financial statements.

The format of the Consolidated Statement of Cash Flows changed in FY 2023-24 from the "indirect method", which adjusts the annual surplus for non-cash items, to the "direct method", which more clearly shows the cash received and used in KPU's activities. These activities include - operating (cash received and used in KPU's higher education service provision), capital (purchase and sale of tangible capital assets), financing (deferred capital contributions and capital leases), and investing (purchase and sale of investments).

FINANCIAL INDICATORS

Overall, the financial indicators below demonstrate that over the past three years, KPU has maintained its strong financial position and its ability to meet its financial obligations.

Key Financial Ratios	FY 2023-24 Target	FY 2023-24 Actual	FY 2022-23 Actual	FY 2021-22 Actual (Restated)
Net debt to total revenue ratio	41%	13%	39%	49%
Net debt to total revenue ratio (normalized for operating grant deferrals and land sale)	41%	35%	28%	42%
Province of BC operating grant revenue to total revenue ratio	31%	5%	24%	29%
Province of BC operating grant revenue to total revenue ratio (Normalized for operating grant deferrals and land sale)	31%	34%	30%	32%
Own source revenue per student FTE (in \$'000s)	\$12.9	\$21.6	\$8.9	\$11.3
Own source revenue per student FTE (in \$'000s) (normalized for the land sale in FY2023-24)	\$12.9	\$13.4	\$8.9	\$11.3
Net debt per student FTE (in \$'000s)	\$8.4	\$3.1	\$7.1	\$8.8
Net debt per student FTE (in \$'000s) (normalized for operating grant deferrals and land sale)	\$8.4	\$7.2	\$5.5	\$7.8

Net debt to total revenue ratio

Net debt equates to KPU's financial assets less its liabilities, and reflects KPU's ability to address its University obligations at a given point in time. The net debt to total revenue ratio identifies the percentage of revenue available to cover KPU's net debt. The year-over-year decreases in the percentage are favourable as they indicate higher revenues earned in relation to net debt. The significant reductions in FY2024 is due to the land sale. Normalizing both revenue and net debt to remove the land sale gain and operating grant deferrals increases this ratio to 35%.

Province of BC operating grant revenue to total revenue ratio

Province of BC grant revenue to total revenue ratio dropped significantly in FY2023-24 due to the operating grant deferral of \$83.0M in FY2024 (FY2023 - \$23.0M) and the \$116.4M gain on the land sale. Normalizing this ratio for the FY 2023-24 land sale and operating grant deferrals over the past few years indicates that this ratio has remained relatively consistent over time.

Own source revenue per student full-time-equivalent ("FTE")

Own source revenue per student FTE represents revenue earned by the University outside of provincial grants and other external contributions. The year-over-year increases indicate more revenue per student is being generated

through the University's own sources. This ratio has been normalized for the \$116.4M gain on the land sale and shows a strengthening ration over the past three years.

Net debt per student full-time-equivalent ("FTE")

Net debt per student represents the University's debt attributable to each student. The year-over-year decreases represent growth in resources for the University. The decrease in FY2023-24 is partly driven by the land sale. After normalizing net debt this ratio is still favourably below our target of \$8.4 per student FTE.

RISKS, UNCERTAINTIES AND OPPORTUNITIES

KPU operates in an increasingly complex environment facing challenges from competitive, financial, regulatory, research and scholarship and innovation perspectives.

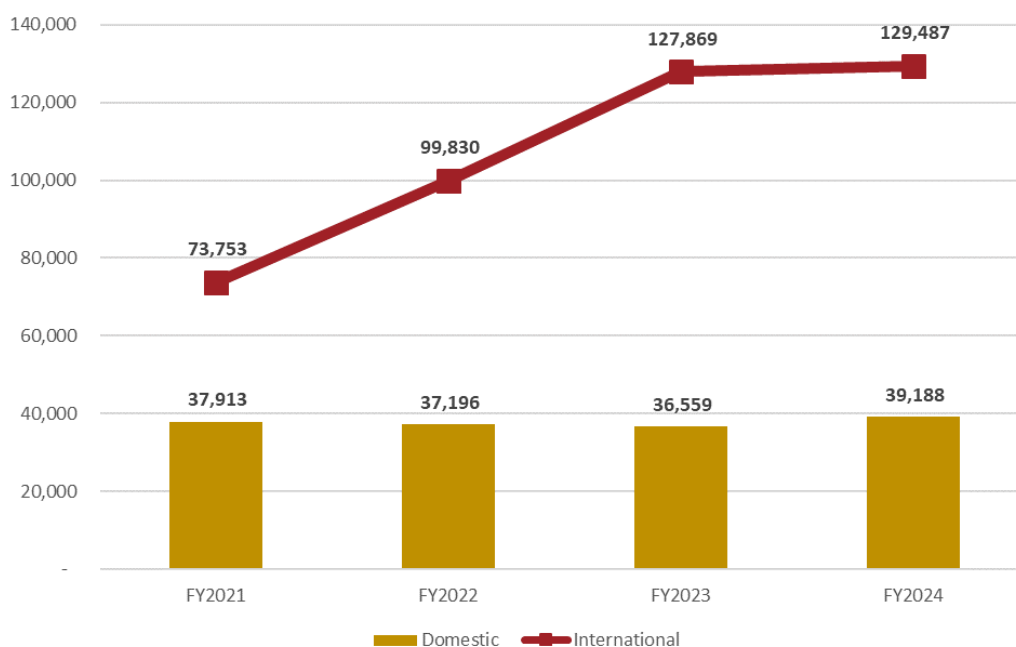
Revenue Stability and Diversity

KPU has three-primary revenue sources: government grants, domestic tuition and fees and international tuition and fees. International tuition and fees are the largest single revenue source, the most volatile, making KPU's reliance on this revenue its largest financial risk. As demand for KPU's programs grew internationally, so did the need for additional infrastructure and employees. Consequently, KPU became increasingly reliant on international student tuition revenue for long-term sustainability. Various factors, including geo-political and immigration policy changes, can significantly impact this revenue source with little notice. This was evident in early 2024 following the federal government's announcement of three substantial modifications to its immigration policies:

- 1) implementing a two-year cap on study permits,
- 2) doubling the cost-of-living requirements, and
- 3) eliminating open work permits for spouses and partners of international students in undergraduate programs.

These changes exacerbated the decline in international student enrollment observed throughout FY 2023-24. KPU is determining how the University's new allocation of study permits will be incorporated into long-term strategic planning and budgeting approaches. Assessing the impact on future enrolment is challenging, with the federal and provincial governments looking closely at international education policies.

Domestic tuition and student fees are considered more stable revenue sources. However, the provincial government mandates that annual domestic tuition increases be capped at two percent. The only way to increase this revenue stream further is to expand the domestic student base. The graph below highlights that KPU had been experiencing a decline in domestic student FTEs up to and including FY 2022-23. Domestic FTEs increased by 3.9% from FY 2022-23 to FY 2023-24, reflecting a change in this trend. The University is optimistic that domestic FTEs will return to pre-pandemic levels.



Overall, the University faces greater risk due to its reliance on less resilient sources of revenue, such as international tuition and fees, to meet ongoing obligations. Recognizing this risk, KPU has implemented procedures to manage international enrolment through strategic enrolment planning. This approach focuses on diversifying the international student body, thereby reducing the potential risk associated with barriers from any single country that could affect student intake.

Inflation

During FY 2023-24, domestic and global inflation increased significantly, impacting the University economically and socially. Students and employees have faced rising costs for food, housing and transportation, while the University has experienced significant pressures on construction and operating costs due to its multi-campus, asset-rich, environment. To mitigate these risks, the University maintains a prudent financial approach, structuring its budget with ongoing and one-time components aligned with the nature of its revenues, and maintaining a financial reserve to respond to any unforeseen challenges.

Employee recruitment and retention

KPU relies on its faculty, administrators, support and operational employees to maintain its high standard of education. Experienced and diverse faculty are essential for effective student instruction, while dedicated employees are crucial to supporting a wide range of administrative and operational functions. Both are vital for ensuring students have a successful university experience. However, KPU faces the ongoing challenge of recruiting and retaining skilled and experienced staff, which are critical for its operations. To address this risk, KPU cultivates respectful learning and working environments that prioritize inclusivity and support fair and equitable treatment for all members of its diverse community. Additionally, KPU provides opportunities for both personal and professional growth, offers flexible hybrid work arrangements, and competitive benefits to its employees.

Cybersecurity

Cybersecurity risks, such as data breaches, ransomware attacks, and phishing scams, present significant threats to sensitive information and operational stability. These risks can lead to the loss or exposure of data, disrupting academic and administrative functions and / or the compromise of research data integrity. Recent high-profile cyber incidents within the post-secondary sector highlight the critical need for proactive security measures. KPU prioritizes safeguarding its digital assets through regular security audits, extensive employee training, and the deployment of advanced threat detection technologies. Cultivating a culture of cybersecurity awareness among staff and students is essential in effectively mitigating evolving cyber threats.

KPU LOOKING FORWARD

As KPU continues to evolve, strategic enrolment management will remain essential in managing cost pressures and maintaining effective operations. While global economic uncertainties and higher inflation pose concerns for financial impacts, KPU remains committed to educational advancements, innovation and excellence for its students, employees and the learning community.

The federal government's two-year cap on international student study permit has restructured KPU's share of the provincial allocation into FY2025 to be approximately 3,500 international study permit applicants. However, current application rates suggest that international student applications over the next year will be well below the cap due to the global confusion caused by the government's announcement, leading many to mistakenly believe that Canada is not currently accepting international students. KPU is actively addressing these misconceptions and working diligently to enhance international recruitment efforts. The University is cautiously optimistic that domestic student numbers will continue to increase and international student application numbers will improve.

The COVID-19 pandemic shifted educational delivery from primarily in-person classes to online instruction. KPU continues to assess the impacts of this evolutionary approach to learning and any potential long-term financial impacts. This evolution has been enabled through high levels of faculty engagement and sustained by increased investments in teaching and learning, including personnel, technologies and infrastructure. Currently, KPU has adopted a mixed approach to learning, offering both in-person classes and online instruction in many program areas.

KPU's financial reporting, planning and budgeting processes incorporate the Vision 2026 mandate, which clearly defines the mission, vision, values and goals for the University. This mandate provides for growth, planning and accountability, helping to guide and respond to challenges. The ongoing presidential search will also provide an opportunity for the University to consult, review and define key elements for the Office of the President, to ensure continuity and guidance for KPU's future achievements. As KPU looks ahead to FY2025, integrated planning, innovative improvements and long-term resourcefulness will be at the forefront for KPU's continued success.

The KPU Communities Trust (the "Trust") was created to generate revenue opportunities to support academic endeavors and enhance student experience and well-being. Work is underway to establish priorities, policies and processes to guide its growth.



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, 2024, 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. Alan Davis
President and Vice-Chancellor



Chervahun Emilien
Chief Financial Officer



KPMG LLP

PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of Kwantlen Polytechnic University, and to 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, 2024
- 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, 2024 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, flowing style. Below the signature is a single, long, horizontal, slightly wavy line that serves as a decorative underline.

Chartered Professional Accountants

Vancouver, Canada
May 22, 2024

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Financial Position

As at March 31, 2024

(In thousands of dollars)

		2024 \$	2023 \$
Financial assets			
Cash and cash equivalents	(Note 4)	301,051	160,171
Accounts receivable	(Note 5, 21)	5,137	10,253
Inventories for resale		396	414
Investments and endowment investments	(Note 6)	37,029	33,856
Asset held-for-sale	(Note 7)	-	1,057
		343,613	205,751
Liabilities			
Accounts payable and accrued liabilities	(Note 8)	62,759	49,760
Deferred revenue		47,715	67,293
Deferred contributions	(Note 10)	87,438	10,271
Deferred capital contributions	(Note 11)	186,202	179,720
Obligations under capital lease	(Note 12)	2,187	-
Asset retirement obligations	(Note 13)	1,615	1,561
		387,916	308,605
Net debt		(44,303)	(102,854)
Non-financial assets			
Tangible capital assets	(Note 15)	240,411	232,450
Investments and endowment investments	(Note 6)	2,817	2,817
Prepaid expenses and deposits		3,852	2,016
		247,080	237,283
Accumulated surplus		202,777	134,429
Accumulated surplus is comprised of:			
Accumulated operating surplus		200,015	133,698
Accumulated remeasurement gains		2,762	731
	(Note 16)	202,777	134,429

Contractual obligations (Note 18)

Contingent liabilities (Note 19)

Contractual rights (Note 20)


Ivy Chen
Chair, Board of Governors


Chervahun Emilien
Chief Financial Officer

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Operations and Accumulated Operating Surplus

Year ended March 31, 2024

(In thousands of dollars)

		Budget \$ (Note 2(n))	2024 \$	2023 \$
Revenue:				
Grants from the Province of British Columbia	(Note 21)	89,095	16,238	63,850
Revenue from deferred contributions	(Notes 10, 21)	6,572	11,455	10,540
International tuition and student fees		133,882	129,487	127,869
Domestic tuition and student fees		38,455	39,188	36,559
Ancillary services		3,049	3,343	3,301
Investment income		3,560	13,155	6,055
Gain on sale of land	(Note 7)	-	116,394	-
Other revenue		3,515	4,296	3,987
Revenue from deferred capital contributions	(Notes 11, 21)	11,649	12,052	10,518
		289,777	345,608	262,679
Expenses:				
Academic support and instruction	(Notes 21, 22, 23)	162,120	153,319	139,713
Student support		32,516	34,443	29,243
Administrative support		85,386	80,149	76,809
Research		6,460	6,957	6,127
Ancillary services		3,295	4,423	3,125
		289,777	279,291	255,017
Annual surplus		-	66,317	7,662
Accumulated operating surplus, beginning of year		133,698	133,698	126,036
Accumulated operating surplus, end of year		133,698	200,015	133,698

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2024

(In thousands of dollars)

	Budget \$ (Note 2(n))	2024 \$	2023 \$
Annual surplus	-	66,317	7,662
Acquisition of tangible capital assets, net of write-offs	(36,343)	(28,750)	(15,885)
Transfer of asset held for sale (Note 7)	-	-	1,057
Amortization of tangible capital assets	21,508	20,789	19,895
	(14,835)	(7,961)	5,067
Acquisition of prepaid expenses and deposits	-	(1,836)	(61)
Net remeasurement gains (losses)	-	2,031	(1,348)
Change in net debt	(14,835)	58,551	11,320
Net debt, beginning of year	(102,854)	(102,854)	(114,174)
Net debt, end of year	(117,689)	(44,303)	(102,854)

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Cash Flows

Year ended March 31, 2024

(In thousands of dollars)

	2024 \$	2023 \$
Operating activities:		
Cash received from:		
Student tuition and fees	150,593	159,969
Grants and contributions	110,555	68,215
Sale of goods and rendering of services	4,720	4,471
Interest and investment income	12,494	5,507
User fees, fines, penalties and other fees	1,900	1,614
	280,262	239,776
Less cash for:		
Employee payments	(152,616)	(137,922)
Supplier payments	(84,413)	(80,845)
Interest paid	(102)	(37)
Student awards	(5,596)	(4,600)
Transfers to the KPU Foundation	(2,029)	(7,000)
	(244,756)	(230,404)
Cash provided by operating activities	35,506	9,372
Capital activities:		
Cash used to acquire tangible capital assets	(28,750)	(15,885)
Proceeds on sale of land	117,600	-
Cash provided by (used in) capital activities	88,850	(15,885)
Financing activities:		
Contributions received for tangible capital assets	18,139	33,053
Principal payments on capital lease obligations	(473)	-
Cash provided by financing activities	17,666	33,053
Investing activities:		
Increase in investments	(1,142)	(2,205)
Cash used in investing	(1,142)	(2,205)
Net change in cash and cash equivalents	140,880	24,335
Cash and cash equivalents, beginning of year	160,171	135,836
Cash and cash equivalents, end of year	301,051	160,171

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2024

(In thousands of dollars)

	2024 \$	2023 \$
Accumulated remeasurement gains, beginning of year	731	2,079
Unrealized gains (losses) generated during the year from:		
Fixed income pooled investments	677	1,027
Pooled equity investments	1,406	(2,042)
Foreign currency translation	1	(58)
Remeasurement (gains) losses realized and reclassified to the Statement of Operations and Accumulated Surplus from:		
Pooled investments, mortgage-backed securities and mutual funds	(50)	(345)
Foreign currency translation	(3)	70
Net remeasurement gains (losses) for the year	2,031	(1,348)
Accumulated remeasurement gains, end of year	2,762	731

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

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 public sector 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.

2. Summary of significant accounting policies (continued)

(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.

2. Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

- (ii) Cost category: For accounts receivable, 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.

(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.

(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 a permanent value. Work in progress is not amortized until the asset is available for productive use.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(g) Non-financial assets (continued)

(i) Tangible capital assets (continued)

	Term
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-year 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.

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.

(j) Revenue recognition

Tuition and student fees, ancillary revenues, and sales of other goods and services are reported as revenue when (or as) KPU 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.

2. Summary of significant accounting policies (continued)

(j) Revenue recognition (continued)

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

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

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

2. Summary of significant accounting policies (continued)

(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 Campus and Community Planning, Campus Safety and Security, Office of Equity and Inclusive Communities, External Affairs, Facilities, Financial Services, General Counsel, Human Resources, Indigenous Leadership, Innovation and Partnerships, Information Technology, Marketing and Communications, Office of the President, Governance, and Planning & Accountability.

(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.

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 2023-2024 University Budget approved by the Board of Governors on February 1, 2023. The budget is reflected in the Consolidated Statement of Operations and Accumulated Operating Surplus and the Consolidated Statement of Changes in Net Debt.

(o) Assets held-for-sale

Assets held-for-sale are valued at the lower of cost or expected net realizable value.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

3. Changes in accounting policy

(a) Private Public Partnerships

On April 1, 2023, the University adopted Canadian Public Sector Accounting Standard PS 3160, Public Private Partnerships ("PS 3160"). The new accounting standard addresses the recognition, measurement, presentation, and disclosure of infrastructure procured by public sector entities through certain types of public private partnership arrangements. Management has assessed that there is no impact of adopting PS 3160 on the consolidated financial statements of the University.

(b) Purchased intangibles

On April 1, 2023, the University adopted Public Sector Guideline PSG-8, Purchased Intangibles, applied on a prospective basis ("PSG-8"). PSG-8 defines purchased intangibles as identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Intangibles acquired through a transfer, contribution, or inter-entity transaction, are not purchased intangibles. Management has assessed that there is no impact of adopting PSG-8 on the consolidated financial statements of the University.

(c) Revenue

On April 1, 2023, the University adopted Canadian Public Sector Accounting Standard PS 3400, Revenue ("PS 3400"). Under the new accounting standard, there are two categories of revenue – exchange and unilateral. If the transaction gives rise to one or more performance obligations, it is an exchange transaction. If no performance obligations are present, it is unilateral revenue. Management has assessed that there is no impact of adopting PS 3400 on the consolidated financial statements of the University.

4. Cash and cash equivalents

	2024 \$	2023 \$
Cash	297,978	157,182
Cash equivalents	3,073	2,989
	301,051	160,171

5. Accounts receivable

	2024 \$	2023 \$
Student	2,987	3,004
Trade and other	3,719	8,584
Allowance for doubtful accounts	(1,569)	(1,335)
	5,137	10,253

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

6. Investments and endowment investments

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

	2024 \$	2023 \$
Designated to the fair value category (Level 2)		
Fixed income pooled investments	21,674	20,996
Canadian equities pooled investments	7,788	7,087
International equities pooled investments	7,796	6,375
Guaranteed investment certificate	1,049	1,000
Total Level 2 category investments	38,307	35,458
Designated to the fair value category (Level 3)		
Infrastructure pooled investments	26	82
Real estate pooled investments	1,513	1,133
Total Level 3 category investments	1,539	1,215
Total investments	39,846	36,673
Less endowment investments	(2,817)	(2,817)
Investments	37,029	33,856

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 (KPU 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.

	2024 \$	2023 \$
Balance, beginning of year	1,215	742
Purchases	246	727
Dispositions	-	(302)
Income distribution	-	34
Unrealized gain	78	14
Balance, end of year	1,539	1,215

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

7. Asset held-for-sale

The Board of Governors previously approved the sale of a portion of land at the Cloverdale (Tech) campus to Fraser Health Authority. The sale was completed during the year for proceeds of \$117,600 and resulted in a gain on sale of land in the amount of \$116,394. In the comparative period, land with a cost of \$1,057 was classified as asset held-for-sale.

8. Accounts payable and accrued liabilities

	2024 \$	2023 \$
Accounts payable and accrued liabilities	27,830	24,822
Salaries, benefits and wages payable	20,298	12,410
Accrued vacation payable	14,631	12,528
	62,759	49,760

9. Employee future benefits

(a) Pension benefits

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, 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, 2023, the College Pension Plan has about 17,200 active members, and approximately 10,700 retired members. As at December 31, 2022, the Municipal Pension Plan has about 240,000 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, 2021, indicated a \$202,000 surplus for basic pension benefits on a going concern basis.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

9. Employee future benefits (continued)

(a) Pension benefits (continued)

The most recent valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761,000 funding surplus for basic pension benefits on a going concern basis.

The University paid \$13,217 for employer contributions to the plans in fiscal year 2024 (2023 – \$11,932).

The next valuation for the College Pension Plan will be as at August 31, 2024. The next valuation for the Municipal Pension Plan will be December 31, 2024.

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 \$1,215 in the current year (2023 – \$982). As at March 31, 2024, the University has an obligation of \$977 (2023 – \$452) which has been included in salaries, benefits and wages payable.

10. 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.

	2023	Amounts received	Recognized as revenue	2024
	\$	\$	\$	\$
Provincial	6,047	83,094	(6,308)	82,833
Federal	2,023	1,524	(1,640)	1,907
Other sources	2,201	4,004	(3,507)	2,698
	10,271	88,622	(11,455)	87,438

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

11. 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:

	2023	Amounts received	Recognized as revenue	2024
	\$	\$	\$	\$
Provincial	156,803	18,498	(10,781)	164,520
Federal	8,417	36	(771)	7,682
Other sources	14,500	-	(500)	14,000
	179,720	18,534	(12,052)	186,202

12. 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 (2023 - nil). The principal and interest payments are as follows:

	2024	2023
	\$	\$
2025	984	-
2026	984	-
2027	411	-
Total minimum capital lease payments	2,379	-
Less amounts representing interest	(192)	-
Present value of net minimum capital lease payments	2,187	-

Total interest payment on capital leases for the year was \$102 (2023 - nil).

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

13. 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:

	2024 \$	2023 \$
Balance, beginning of year	1,561	1,463
Accretion expense	54	98
Balance, end of year	1,615	1,561

The undiscounted estimated cash flows required to settle the obligations are approximately \$2,169 (2023 - \$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 3.5% (2023 - 3.2%) per annum.

14. Line of credit

The University has the ability to draw on a line of credit with a commercial bank for \$7,500 (2023 - \$7,500). As at March 31, 2024, the University has not utilized the available line of credit.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

15. Tangible capital assets

	Land	Buildings	Major site improve- ments	Major equipment	Library holdings	Technology infrastruc- ture	Furniture & equipment	Computing equipment	Leased capital assets	Work in progress (WIP)	2024	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost												
Opening balance	20,428	267,414	49,041	18,584	9,936	3,866	88,567	16,257	-	9,013	483,106	468,278
Additions	-	-	6,609	642	228	1,005	5,526	2,018	2,660	10,062	28,750	15,885
Transfer to asset held for sale	-	-	-	-	-	-	-	-	-	-	-	(1,057)
Transfer to/(from) WIP	-	-	7,078	328	-	270	-	-	-	(7,676)	-	-
Closing balance	20,428	267,414	62,728	19,554	10,164	5,141	94,093	18,275	2,660	11,399	511,856	483,106
Accumulated amortization												
Opening balance	-	(116,269)	(30,309)	(4,310)	(8,333)	(3,097)	(75,795)	(12,543)	-	-	(250,656)	(230,761)
Amortization	-	(6,687)	(4,254)	(1,361)	(354)	(524)	(5,304)	(1,788)	(517)	-	(20,789)	(19,895)
Closing balance	-	(122,956)	(34,563)	(5,671)	(8,687)	(3,621)	(81,099)	(14,331)	(517)	-	(271,445)	(250,656)
Net book value	20,428	144,458	28,165	13,883	1,477	1,520	12,994	3,944	2,143	11,399	240,411	232,450

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

16. Accumulated surplus

The accumulated surplus is comprised of the following:

	2024	2023
	\$	\$
Investment in tangible capital assets	84,479	88,984
Endowments (Note 6)	2,817	2,817
Internally restricted reserves	68,071	6,170
Unrestricted reserves	44,648	35,727
Accumulated remeasurement gains	2,762	731
	202,777	134,429

During the year ended March 31, 2024, the Board of Governors approved \$61,901 in internal restrictions of the University's total accumulated surplus, for the establishment of the Indigenous Fund of \$16,901, Student Award Fund of \$20,000 and Capital Reserve Fund of \$25,000 (2023 – nil).

17. 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.

17. 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 at 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.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

18. 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:

	2025	2026	2027	2028	2029	There- after
	\$	\$	\$	\$	\$	\$
Capital commitments	7,372	31	-	-	-	-
Operational commitments	21,892	11,184	6,866	4,120	3,335	9,067
	29,264	11,215	6,866	4,120	3,335	9,067

19. 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.

20. 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.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

21. 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:

Revenue and expenses:

Included in revenue	2024 \$	2023 \$
Ministry of Post-Secondary Education and Future Skills grants	16,238	63,850
Other provincial government entities – grants and revenue recognized from deferred contributions (Note 10)	6,308	6,799
Other provincial government entities – grants and revenue recognized from deferred capital contributions (Note 11)	10,781	9,145
	33,327	79,794
Included in expenses	2024 \$	2023 \$
Ministry of Post-Secondary Education and Future Skills	347	318
Other provincial government entities	1,718	1,408
Other provincial universities	485	384
	2,550	2,110

Receivables and payables:

Included in accounts receivable	2024 \$	2023 \$
Ministry of Post-Secondary Education and Future Skills	798	6,098

Related party transactions with key management personnel:

During the year, key management personnel, comprised of the Board and the University's Executives, have nil (2023 – nil) related party transactions with the University.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

22. Expense by object

The following is a summary of expenses by object:

	2024 \$	2023 \$
Salaries and benefits	194,744	173,175
Travel and professional development	4,159	3,334
Supplies	4,971	5,121
Student awards, bursaries and donations	8,685	11,600
Fees and services	27,255	25,326
Facilities	15,834	14,524
Cost of sales	2,184	1,475
Leases, property taxes, insurance	616	469
Accretion	54	98
Amortization of tangible capital assets	20,789	19,895
	279,291	255,017

23. 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.

	2024 \$	2023 \$
KPU Research Endowment	2,000	4,000
KPU Food Endowment	-	1,000
KPU Financial Aid Endowment	1,000	-
KPU Financial Barrier Reduction Fund	60	2,000
KPU Other Transfers	29	-
	3,089	7,000

The University also provides administrative, management and staff resources to the Foundation at no charge. As at March 31, 2024 the University has a payable of \$1,060 (2023 - nil) to the Foundation.

24. Comparative information

Certain comparative figures have been reclassified to conform to the current year consolidated financial statement 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