Financial Statements of

KWANTLEN POLYTECHNIC UNIVERSITY FOUNDATION

Year ended March 31, 2017
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STATEMENT OF MANAGEMENT RESPONSIBILITY

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

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

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

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

Chair
September 19, 2017

Secretary
September 19, 2017
INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Kwantlen Polytechnic University Foundation

We have audited the accompanying financial statements of Kwantlen Polytechnic University Foundation, which comprise the statement of financial position as at March 31, 2017, the statements of operations and fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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

Report on other Legal and Regulatory Requirements

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

KPMG LLP

Chartered Professional Accountants

September 19, 2017
Langley, Canada
KWANTLEN POLYTECHNIC UNIVERSITY FOUNDATION
Statement of Financial Position
March 31, 2017, with comparative information for 2016

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$1,552,250</td>
<td>$984,321</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>16,867</td>
<td>26,013</td>
</tr>
<tr>
<td>Short-term investment (note 3)</td>
<td>2,105,110</td>
<td>2,069,011</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>58</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total Current assets:</strong></td>
<td>3,674,285</td>
<td>3,079,375</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>13,424</td>
<td>14,426</td>
</tr>
<tr>
<td>Investments (note 4)</td>
<td>21,374,686</td>
<td>19,476,799</td>
</tr>
<tr>
<td><strong>Total Assets:</strong></td>
<td>$25,062,395</td>
<td>$22,570,600</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities and Fund Balances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$34,777</td>
<td>$42,940</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>51,500</td>
<td>30,900</td>
</tr>
<tr>
<td>Due to Kwantlen Polytechnic University (note 5)</td>
<td>525,971</td>
<td>54,736</td>
</tr>
<tr>
<td><strong>Total Current liabilities:</strong></td>
<td>612,248</td>
<td>128,576</td>
</tr>
<tr>
<td><strong>Fund balances:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment (note 8):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed principal</td>
<td>13,330,751</td>
<td>12,829,846</td>
</tr>
<tr>
<td>Distributable income</td>
<td>1,888,086</td>
<td>1,677,712</td>
</tr>
<tr>
<td>Unallocated income</td>
<td>4,256,338</td>
<td>3,180,434</td>
</tr>
<tr>
<td><strong>Total Endowment:</strong></td>
<td>19,455,175</td>
<td>17,687,992</td>
</tr>
<tr>
<td>Restricted and other</td>
<td>4,994,972</td>
<td>4,754,032</td>
</tr>
<tr>
<td><strong>Total Fund Balances:</strong></td>
<td>24,450,147</td>
<td>22,442,024</td>
</tr>
<tr>
<td></td>
<td>$25,062,395</td>
<td>$22,570,600</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

Approved on behalf of the Board:

[Signatures]

Director

Director
**KWANTLEN POLYTECHNIC UNIVERSITY FOUNDATION**

Statement of Operations and Fund Balances

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

<table>
<thead>
<tr>
<th>Endowment Funds</th>
<th>Restricted and other funds</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed Principal</td>
<td>Distributable Income</td>
<td>Unallocated Income</td>
<td>Annual Awards</td>
</tr>
<tr>
<td>$316,208</td>
<td>$260</td>
<td>-</td>
<td>$428,661</td>
</tr>
<tr>
<td>Kwantlen Polytechnic University</td>
<td>30,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Matching funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributable allocation</td>
<td>20,396</td>
<td>790,410</td>
<td>-</td>
</tr>
<tr>
<td>Unallocated</td>
<td>-</td>
<td>-</td>
<td>(84,204)</td>
</tr>
<tr>
<td>Fair value change in investments</td>
<td>-</td>
<td>-</td>
<td>1,279,528</td>
</tr>
<tr>
<td>Events fees and fundraising</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gifts-in-kind</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vancouver Foundation (note 6)</td>
<td>-</td>
<td>41,976</td>
<td>-</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>366,604</strong></td>
<td><strong>790,670</strong></td>
<td><strong>1,237,299</strong></td>
</tr>
</tbody>
</table>

**EXPENSES:**

| | | | | | | | | | |
| Awards, bursaries and scholarships | - | 522,118 | - | 488,800 | 97,555 | 430 | 13,415 | 3,010 | 1,126,328 | 1,019,873 |
| Transfer to qualified donee | - | - | - | - | - | - | - | - | - | - |
| Programs | - | 2,800 | - | - | - | 11,275 | - | 14,075 | 5,819 |
| Gaming | - | - | - | - | - | 11,305 | - | 11,305 | 10,985 |
| Events: | | | | | | | | | |
| Expenses | - | - | - | - | - | 33,807 | - | 33,807 | 33,746 |
| Gifts-in-kind | - | - | - | - | - | 34,203 | - | 34,203 | 36,650 |
| Transfers to Kwantlen Polytechnic University | 322 | 57,379 | - | 13,500 | - | 31,886 | - | 3,305,084 | 3,407,971 | 321,421 |
| Specified Purpose | - | - | - | - | - | - | - | 157,817 | 157,817 | 134,112 |
| Gifts-in-kind | - | - | - | - | - | - | - | - | - | - |
| Investment management fees | - | - | 108,470 | - | - | - | - | 108,470 | 102,452 |
| Financial charges | - | - | - | - | - | 7,435 | - | 7,435 | 7,384 |
| **Total** | **322** | **582,297** | **108,470** | **503,300** | **97,555** | **123,100** | **24,720** | **3,485,911** | **4,905,375** | **1,672,442** |

Excess (deficiency) of revenues over expenses | **366,282** | **206,373** | **1,128,830** | **(74,739)** | **5,492** | **351,627** | **(1,076)** | **23,336** | **2,008,123** | **383,315** |

Fund balances, beginning of year | **12,829,846** | **1,677,712** | **3,180,434** | **618,893** | **10,833** | **2,032,290** | **15,425** | **2,076,591** | **22,442,024** | **22,058,709** |

Interfund transfers (note 8) | **134,623** | **(18,000)** | **(52,926)** | **121,450** | - | **(188,490)** | - | **3,343** | - | - |

**Fund balances, end of year** | **$15,330,751** | **$1,868,086** | **$4,256,356** | **$685,804** | **$16,325** | **$2,189,426** | **$14,347** | **$2,103,270** | **$24,400,147** | **$22,442,024** |

See accompanying notes to financial statements.
KWANTLEN POLYTECHNIC UNIVERSITY FOUNDATION

Statement of Cash Flows

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash provided by (used in):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operations:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenues over expenses</td>
<td>$ 2,008,123</td>
<td>$ 383,315</td>
</tr>
<tr>
<td>Item not involving cash:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value change in investments</td>
<td>(1,279,528)</td>
<td>1,361,198</td>
</tr>
<tr>
<td>Changes in non-cash working capital balances:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>9,146</td>
<td>(3,298)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(28)</td>
<td>3,489</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(8,183)</td>
<td>14,108</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>20,600</td>
<td>(19,700)</td>
</tr>
<tr>
<td>Due to Kwantlen Polytechnic University</td>
<td>471,235</td>
<td>55,554</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,221,385</td>
<td>1,794,666</td>
</tr>
<tr>
<td><strong>Investing:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in cash</td>
<td>566,927</td>
<td>115,869</td>
</tr>
<tr>
<td>Cash, beginning of year</td>
<td>998,747</td>
<td>882,878</td>
</tr>
<tr>
<td><strong>Cash, end of year</strong></td>
<td>$ 1,565,674</td>
<td>$ 998,747</td>
</tr>
<tr>
<td><strong>Cash consists of:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 1,552,250</td>
<td>$ 984,321</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>13,424</td>
<td>14,426</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 1,565,674</td>
<td>$ 998,747</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
1. Purpose of organization:

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

2. Significant accounting policies:

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

(a) Fund accounting:

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

(i) Endowment Funds:

(A) Contributed principal includes funds where the donor has specified that the principal be invested in perpetuity.

(B) Distributable income includes the allocated percentage of income earned from the investment of the endowment contributed principal for distribution in accordance with the provisions of each endowment agreement and Foundation Policy.

(C) Unallocated income includes the investment income earned from the investment of the endowment contributed principal in excess of the distributable income and fair market value change in the investments of the contributed principal.

(ii) Restricted and other funds:

(A) Annual awards includes externally restricted donations designated by the donor for annual scholarships, awards or bursaries in a specific education program.

(B) Direct awards includes externally restricted donations for which the donor has established criteria for the purpose of selecting a specific recipient for the scholarship, award or bursary.

(C) Specified purpose includes donations where the donor has specified criteria for scholarships, awards or bursaries, equipment purchase or supporting activities in the Foundation or Kwantlen Polytechnic University.

Specified purpose also includes funds that are unrestricted and account for the Foundation's operating activities, and includes receipt of funds not otherwise designated for specified purposes.
2. Significant accounting policies (continued):
   (a) Fund accounting (continued):
      (ii) Restricted and other funds (continued):
         (C) (continued):
         Gaming includes net proceeds from fundraising activities through gaming licenses authorized by the Government of British Columbia. The use of these funds is restricted to scholarships, awards and bursaries and the specific criteria established for each gaming activity.
         (D) Others includes funds held-in-trust for Kwantlen Polytechnic University which the donor has designated a specific use.
   (b) Revenue recognition:
      The Foundation follows the restricted fund method of accounting for contributions. Accordingly, contributions, including pledges, are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
      Investment income is recorded in the appropriate fund on the accrual basis.
      Kwantlen Polytechnic University donates administrative and accounting services, office space, use of equipment, supplies and other requirements for the daily operations of the Foundation. These contributions are not reported in the financial statements as their value cannot be reasonably estimated.
   (c) Awards, bursaries and scholarships:
      Awards, bursaries and scholarships are recognized as an expense in the year they are granted or awarded.
   (d) Gifts-in-kind:
      The Foundation receives donations of capital items and other supplies for use by Kwantlen Polytechnic University or the Foundation. Such gifts-in-kind are recorded at the fair value of the property being gifted when fair value can be reasonably established.
   (e) Restricted cash:
      Restricted cash includes amounts restricted from the gaming fund and is presented separately in the statement of financial position.
2. Significant accounting policies (continued):

(f) Financial instruments:

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

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

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

(g) Use of estimates:

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

3. Short-term investment and pledge commitment:

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

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

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

4. Investments:

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds fund series</td>
<td>$ 7,149,282</td>
<td>$ 7,557,701</td>
</tr>
<tr>
<td>Canadian equities</td>
<td>5,961,951</td>
<td>5,112,381</td>
</tr>
<tr>
<td>Global equities</td>
<td>5,422,700</td>
<td>4,164,483</td>
</tr>
<tr>
<td>Portfolio investment in Canadian and USA equities and global bonds</td>
<td>980,806</td>
<td>981,466</td>
</tr>
<tr>
<td>Real estate portfolio investment</td>
<td>1,659,947</td>
<td>1,660,768</td>
</tr>
<tr>
<td></td>
<td>$ 21,374,686</td>
<td>$ 19,476,799</td>
</tr>
</tbody>
</table>

5. Due to Kwantlen Polytechnic University:

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

6. Endowment investments – Vancouver Foundation

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

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

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

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

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

8. Endowment fund balances:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed principal, beginning balance</td>
<td>$12,829,846</td>
<td>$12,298,746</td>
</tr>
<tr>
<td>Transfer between funds</td>
<td>134,623</td>
<td>196,297</td>
</tr>
<tr>
<td>Contributions</td>
<td>346,208</td>
<td>315,671</td>
</tr>
<tr>
<td>Transfer to qualified donee</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to Kwantlen Polytechnic University</td>
<td>(322)</td>
<td>-</td>
</tr>
<tr>
<td>Realized investment earnings</td>
<td>20,396</td>
<td>19,132</td>
</tr>
<tr>
<td></td>
<td><strong>$13,330,751</strong></td>
<td><strong>$12,829,846</strong></td>
</tr>
</tbody>
</table>

| Distributable income, beginning balance | $1,677,712 | $1,647,428 |
| Distributable income allocation      | 790,670    | 789,062    |
| Distributions                        | (582,297)  | (511,138)  |
| Transfer between funds               | (18,000)   | (227,640)  |
| Distributable income, ending balance | **$1,868,088** | **$1,677,712** |

| Unallocated income, beginning balance | $3,180,434 | $3,552,741 |
| Transfer between funds               | (52,926)   | 80,453     |
| Undistributed realized income        | (42,228)   | 1,010,890  |
| Fair market value change in investments | 1,279,528 | (1,361,198) |
| Investment management fees           | (108,470)  | (102,452)  |
| Unallocated income, ending balance   | **$4,256,338** | **$3,180,434** |

9. Director, employee and contractor remuneration:

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