



CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2023

And Independent Auditor's Report thereon

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

To the Board of Governors of Emily Carr University of Art + Design

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

In discharging its responsibilities for the integrity and fairness of the 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 and Board Finance and Audit Committee are composed primarily of those who are neither management nor employees of the University. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial information included in the annual report. The Board Finance and Audit Committee has the responsibility of meeting with management and external auditors to discuss the financial reporting process, auditing matters, financial reporting issues, and recommends approval of the 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 Board Finance and Audit Committee; their report follows. 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 Emily Carr University of Art + Design:



Viktor Sokha, Vice President
Finance + Administration



Mark Douglas
Executive Director, Financial Services

Date June 1, 2023

Date June 1, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Governors of Emily Carr University of Art + Design, and
to the Minister of Post-Secondary Education and Future Skills, Province of British
Columbia

Opinion

We have audited the consolidated financial statements of Emily Carr University of Art + Design (the "University"), which comprise:

- the consolidated statement of financial position as at March 31, 2023
- the consolidated statement of operations and accumulated 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
- 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, 2023 of the University 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 University 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 1 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 University'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 University or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University'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 University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 1, 2023

Emily Carr University of Art + Design

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 14,942,532	\$ 13,504,967
Accounts receivable (note 4)	1,501,429	600,941
Investments (note 5)	3,125,905	3,633,194
Investment in GNW Campus Trust (note 7)	11,692,867	12,263,955
Inventories for resale	204,792	201,671
	<u>31,467,525</u>	<u>30,204,728</u>
Liabilities:		
Accounts payable and accrued liabilities (note 9)	6,274,968	5,667,258
Deferred revenue	2,723,871	2,345,464
Debt (note 10)	53,647,209	54,867,891
Deferred contributions (note 12)	4,206,388	4,334,747
Deferred capital contributions (note 12)	56,305,422	57,431,693
Capital lease obligation (note 14)	825,679	727,303
	<u>123,983,537</u>	<u>125,374,356</u>
Net debt	(92,516,012)	(95,169,628)
Non-financial assets:		
Tangible capital assets (note 8)	124,849,446	127,170,155
Endowment investments (note 6)	6,183,785	6,180,822
Prepaid expenses	84,523	47,143
	<u>131,117,754</u>	<u>133,398,120</u>
Accumulated surplus (note 18)	<u>\$ 38,601,742</u>	<u>\$ 38,228,492</u>

Continuing operations (note 1)
Contractual obligations and contingencies (note 13)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Keith Kerrigan, Chair
Board of Governors



Viktor Sokha,
Vice President, Finance + Administration

Emily Carr University of Art + Design

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended March 31, 2023, with comparative information for 2022

	2023 Budget (Note 2(n))	2023	2022
Revenue:			
Grants:			
Province of British Columbia	\$ 25,634,543	\$ 26,988,994	\$ 22,180,401
Federal government	192,600	195,004	205,014
Tuition fees	20,069,491	21,185,050	18,898,915
Amortization and recognition of deferred capital contributions and deferred contributions	5,758,190	4,996,797	7,844,582
Income (Loss) from equity accounted organizations	188,083	(571,088)	736,776
Gifts, grants and bequests	38,200	41,699	37,551
Interest	221,300	795,082	261,489
Other	820,906	1,255,564	1,209,662
	52,923,313	54,887,102	51,374,390
Expenses:			
Instruction	21,659,404	22,206,207	21,363,267
Instruction support	28,914,235	28,875,328	26,277,634
Research	2,795,229	2,086,260	2,353,197
Externally sponsored activity and trust	1,382,735	1,383,567	1,586,991
	54,751,603	54,551,362	51,581,089
Annual operating surplus (deficit)	(1,828,290)	335,740	(206,699)
Endowment contributions	41,000	37,510	47,007
Annual surplus (deficit)	(1,787,290)	373,250	(159,692)
Accumulated surplus, beginning of year	38,228,492	38,228,492	38,388,184
Accumulated surplus, end of year	\$ 36,441,202	\$ 38,601,742	\$ 38,228,492

See accompanying notes to consolidated financial statements.

Emily Carr University of Art + Design

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

Year ended March 31, 2023, with comparative information for 2022

	2023 Budget (Note 2(n))	2023	2022
Annual surplus (deficit)	\$ (1,787,290)	\$ 373,250	\$ (159,692)
Acquisition of tangible capital assets	(1,163,678)	(1,135,796)	(1,188,769)
Amortization of tangible capital assets	3,451,982	3,456,505	4,132,144
	2,288,304	2,320,709	2,943,375
Acquisition of prepaid expense	-	(42,705)	(5,325)
Use of prepaid expense	5,325	5,325	10,557
	5,325	(37,380)	5,232
Increase in endowment investments	(41,000)	(2,963)	(47,007)
	(41,000)	(2,963)	(47,007)
Decrease in net debt	465,339	2,653,616	2,741,908
Net debt, beginning of year	(97,911,536)	(95,169,628)	(97,911,536)
Net debt, end of year	\$ (97,446,197)	\$ (92,516,012)	\$ (95,169,628)

See accompanying notes to consolidated financial statements.

Emily Carr University of Art + Design

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Cash flows from operating activities:		
Annual surplus (deficit)	\$ 373,250	\$ (159,692)
Adjustments to reconcile net cash provided by operating activities:		
Loss (Income) from equity accounted organizations	571,088	(736,776)
Amortization of tangible capital assets	3,456,505	4,132,144
Amortization of deferred capital contributions	(1,542,722)	(2,272,271)
Changes in non-cash working capital:		
Accounts receivable	(900,488)	373,540
Inventories for resale	(3,121)	14,837
Prepaid expenses	(37,380)	5,232
Accounts payable and accrued liabilities	607,710	(22,633)
Deferred revenue	378,407	320,918
Deferred contributions	(128,359)	(1,350,572)
	2,774,890	304,727
Cash flows from capital activities:		
Purchase of tangible capital assets	(538,329)	(755,789)
Cash flows from financing activities:		
Payments on capital lease obligations	(499,091)	(633,763)
Payments on debt	(1,220,682)	(1,167,147)
Deferred capital contributions received	416,451	708,287
	(1,303,322)	(1,092,623)
Cash flows from investing activities:		
Disposal of investments	504,326	685,061
Increase (decrease) in cash and cash equivalents during the year	1,437,565	(858,624)
Cash and cash equivalents, beginning of year	13,504,967	14,363,591
Cash and cash equivalents, end of year	\$ 14,942,532	\$ 13,504,967
Supplementary information:		
Non-cash transactions:		
Acquisition of tangible capital assets through capital lease	\$ 597,467	\$ 432,980
Distribution declared by GNWCT and unpaid and included in accounts receivable at year end	-	82,742

See accompanying notes to consolidated financial statements.

Emily Carr University of Art + Design

Notes to Consolidated Financial Statements

Year ended March 31, 2023

1. Purpose of the organization and continuing operations:

Founded as the Vancouver School of Decorative and Applied Arts in 1925, Emily Carr University of Art + Design (the "University") is one of the oldest post-secondary institutions in British Columbia and the only institution in the province dedicated solely to professional education and learning in Visual Arts, Media Arts and Design. The University has been named one of the top universities in the world for art and design, ranked 24th in the world in 2023 and the only Canadian university to be included among the world's top 50. The University has more than 1,800 students enrolled in graduate and undergraduate programs, with thousands more taking workshops, certificate programs and individual courses. The faculty, staff and alumni are internationally recognized as award-winning creators and thought leaders whose work consistently advances the resilience and potential of both cultural sectors and the economy.

The University is a special purpose teaching University that operates under the authority of the University Act (Bill 34, enacted September 1, 2008) and receives significant funding from the Government of British Columbia. The University is exempt from income taxation under Section 149 of the Income Tax Act.

In fiscal 2022/2023, the University is reporting an annual surplus of \$373,250 which was possible because of one-time additional Ministry funding. For fiscal 2023/2024 the University is budgeting a significant deficit which will be funded using accumulated surplus and one-time additional funding received from the British Columbia Ministry of Post-Secondary and Future Skills (the "Ministry"). Management has implemented a deficit mitigation plan that will enable the University to achieve a balanced budget by fiscal 2026. The plan focuses on strategic enrolment management, revenue generation initiatives and cost containment by freezing budget for non-essential expenditures.

The University will continue to monitor the on-going cost pressures and their impact on its cash and budget forecasts and will adjust its operations, including actively reviewing potential sources of revenue and working to reduce costs, to ensure it fulfills its obligations and continues its operations. To continue as a going concern in the normal course of operations will depend upon many factors including the University's ability to meet budgeted student registration levels, realize on the savings from the cost mitigating measures, and receive the continued financial support from the Ministry, as required, to fund any budget shortfalls and cashflow requirements.

Emily Carr University of Art + Design

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies:

(a) Basis of presentation:

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

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

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

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

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

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

(b) Controlled entity:

The University controls the Emily Carr Foundation by virtue of its ability to appoint a majority of the Foundation's Board of Directors. The Foundation's net assets and operating activity as at and for the years ended March 31, 2023 and 2022 were insignificant.

Emily Carr University of Art + Design

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(c) Investments in Government Business Enterprises:

Great Northern Way Campus Trust (“GNW Campus Trust”):

The University participates as an equal beneficiary in a Joint Venture with British Columbia Institute of Technology, University of British Columbia and Simon Fraser University. Joint Venture members participate equally in the control of the GNW Campus Trust. The GNW Campus Trust, is a trust established for the four institutions (the “Owners”), each of whom is an equal shareholder in Great Northern Way Campus Ltd. and each of whom appoints one director to its Board of Directors.

Great Northern Way Campus Trust (“GNW Campus Trust”) (continued):

The Trust holds the legal and beneficial interest in the lands and premises located at 555 and 577 Great Northern Way and 375 East 1st Avenue, Vancouver, British Columbia, which were acquired by way of donation from Finning International Inc.

The Trust is considered to be a government business enterprise (“GBE”), which is accounted for by the modified equity method. Under this method, the University’s investment in the GNW Campus Trust business enterprise and its net income and other changes in equity are recorded using the modified equity method. No adjustment is made to conform the accounting policies of the government business enterprise to those of the University. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions between entities of assets that remain within the entities controlled by the University. Any dividends the University receives from GNW Campus Trust are reflected as a reduction in the investment asset account.

The Trust has a December 31st fiscal year-end, which is used to record the equity income. Any material transactions between December 31st and the fiscal year-end of the University, are recognized in these consolidated financial statements.

The University monitors the recoverability of revenue generating long-lived assets within the GNW Campus Trust, based on estimates using factors such as expected future asset utilization, economic outlook and future cash flows expected to result from the use of the related assets or be realized on sale. The University recognizes an impairment loss if the projected undiscounted aggregate cash flows are less than the carrying amount. The amount of impairment charge, if any, is defined as the excess of carrying value over its fair value.

On an annual basis, the University reviews the GNW Campus Trust’s continuance as a going concern and classification as a GBE, which is dependent upon continued positive earnings. If the going concern basis is not appropriate, adjustments may be necessary in the carrying amounts of the GNW Campus Trust Fund assets, liabilities and expenses in these consolidated financial statements and the adjustments could be material.

Emily Carr University of Art + Design

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(d) 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.

(e) Revenue recognition:

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

Unrestricted donations, grants and contributions are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Restricted donations, grants and contributions 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 contributions in the form of a depreciable tangible capital asset are recorded in accordance with Regulation 198/2011 which requires that they be recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related 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 those for 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 contributions have been met.

(iii) Endowment contributions are recognized as revenue when received. Any related investment income earned thereon is deferred when earned in accordance with the stipulations in the endowment agreements. The income is recognized as revenue when it is spent on the purpose specified.

(iv) Donations of capital assets that would otherwise be purchased are accounted for at fair value when a fair value can be reasonably estimated.

The GNW Campus Trust retains control of ownership of its revenue-producing properties and, therefore, accounts for leases with its tenants as operating leases. Rental revenues from property management and operating cost recoveries are recorded on a straight-line basis over the term of the lease, except for contingent rental income which is recognized when tenants are obligated to pay such rent under the terms of the related lease agreements.

(e) Supplies and services contributions:

Contributions of supplies and services received that would otherwise have been purchased are not recognized in these consolidated financial statements.

Emily Carr University of Art + Design

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(f) Inventories for resale:

Inventories for resale are recorded at the lower of cost or net realizable value. Cost is comprised of the purchase price, freight and handling costs, net taxes and any other costs directly attributable to bringing inventories to their present location, and is determined on a specific items basis. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to declining selling prices.

(g) Financial instruments:

Financial instruments are initially classified upon initial recognition as a fair value or amortized cost instrument. Transaction costs are added to the amortized cost or expensed if they relate to instruments recorded on a fair value basis. The effective interest rate method is used to recognize interest. Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the statement of operations and accumulated surplus and related balances reversed from the statement of remeasurement gains and losses. Restricted endowment interest is recognized as a direct increase to deferred contributions until distributed for the specified purpose. Interest and dividends attributable to financial instruments are reported in the statement of operations.

Endowment investments are held in perpetuity and presented as non-financial assets as they are not available for consumption or to discharge liabilities. The investments consisting of guaranteed investment certificates are recorded at amortized cost and there are no unrealized gains or losses as at March 31, 2023 (2022 - nil). As a result, the University does not have a statement of re-measurement gains and losses.

The University's financial instruments are comprised of and measured as follows:

- Accounts receivable, investments and accounts payable and accrual liabilities are measured at amortized cost using the effective interest method.

(h) 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 assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

Emily Carr University of Art + Design

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(i) Tangible capital assets (continued):

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Period
Buildings	60 years
Equipment	5 years
Computer equipment	3 to 4 years
Software	10 years
Library collection	10 years

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

(ii) Leased tangible capital assets:

Leases, which transfer substantially all of the benefits and risks incidental to ownership of property, are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iii) Impairment of tangible capital assets:

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.

(iv) Prepaid expenses:

Prepaid expenses are non-financial assets, which are expensed over the periods expected to benefit from them.

(j) Employee future benefits:

(i) Multi-employer plans:

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

Emily Carr University of Art + Design

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(ii) Employee leave benefits:

The University allows employees to accumulate unused vacation days and gratuity days for future use. Any unused vacation or gratuity days are recorded as a liability when earned. The University does not allow employees to carryforward and utilize any unused sick days.

(k) Foreign currency transactions:

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 were designated in the fair value category under the financial instrument standard, are reflected in the consolidated financial statements in equivalent Canadian dollars at the exchange rate in effect on the statement of financial position date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or the statement of financial position date would be recognized in a statement of remeasurement gains and losses. There are no gains or losses as at March 31, 2023 (2022 – nil). As a result, the University does not have a statement of remeasurement gains and losses.

(l) Capitalization of public-private partnership projects:

Public-private partnership ("P3") projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction is estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred directly by the University.

The asset cost includes development and financing fees estimated at fair value, which require the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return.

When available for operations, the Project's assets are amortized over their estimated useful lives.

Correspondingly, an obligation for the cost of capital and financing received to date, net of the contributions received, is recorded as a liability and included as debt on the statement of financial position.

Upon substantial completion, the private sector partner receives monthly payments to cover the partner's operating costs, financing costs and a return of their capital over the term of their project agreement. These monthly payments are expensed by the University as incurred.

Emily Carr University of Art + Design

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(m) Use of estimates:

The preparation of these consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenue and expenses for the periods reported. Areas requiring the use of management's estimates relate to the useful lives of tangible capital assets for the purposes of amortization, valuation of revenue-producing properties and property under development held by the GNW Campus Trust, net realizable value of inventories for resale, collectability of accounts receivable, provisions for employee benefit obligations, and provisions for contingent liabilities. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(n) Budget information:

Budget information has been provided for comparative purposes and have been derived from the 2022/2023 Budget, approved by the Board of Governors of the University on June 2, 2022.

(o) Contaminated sites:

A liability for contaminated sites is recognized when a site is not in productive use and 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 the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. The University has determined that there was no contaminated sites liability to be recognized at March 31, 2023.

3. Adoption of PS 3280 Asset Retirement Obligations Standard:

On April 1, 2022, the College adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- (i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (ii) The past transaction or event giving rise to the liability has occurred;
- (iii) It is expected that future economic benefits will be given up; and
- (iv) A reasonable estimate of the amount can be made.

Emily Carr University of Art + Design

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

3. Adoption of PS 3280 Asset Retirement Obligations Standard (continued):

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 assets. As at March 31, 2023, the University determined there were no significant asset retirement obligations associated with its assets and hence the adoption of this standard did not have an impact on the amounts presented in these financial statements.

4. Accounts receivable:

	2023	2022
Tuition and trade receivables	\$ 383,626	\$ 403,370
Sales tax rebates receivable	85,432	46,839
Dividend receivable	82,742	82,742
Due from Province of British Columbia	881,704	-
Other	67,925	67,990
	<u>\$ 1,501,429</u>	<u>\$ 600,941</u>

5. Investments:

Investments and endowment investments recorded at amortized cost are comprised of fixed income securities which have maturities greater than three months at time of purchase.

All fixed income securities, held at March 31, 2023, mature at various dates to February 2028 (2022 - various dates to February 2027) and bear interest at rates ranging from 1.05% to 4.60% (2022 - 1.05% to 3.60%) per annum.

6. Endowment investments:

Endowment investments represent the portion of endowment funds that are to be held in perpetuity by the University and are not available for use for operations or capital purchases. Only the income from the investments is available to the University, and in some cases only a part of the income. The balance must be reinvested to maintain the capital.

Capitalization on investments is 10% of the income earned on the endowment. The uncapped portion of income earned is available for disbursement to students in the form of scholarships, bursaries and awards.

In accordance with University policy, endowment funds are invested in highly liquid securities that are not rated lower than A by Canadian Bond Rating Service at the time of investment. Permitted securities include government bonds, commercial paper, term deposits, guaranteed investment certificates, banker's acceptances and corporate bonds.

Emily Carr University of Art + Design

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

6. Endowment investments (continued):

	2022	Contributed / earned	Transfer	Amounts received / spent	2023
Trust fund endowment:					
Principal contribution	\$ 6,180,822	\$ 37,510	\$ (34,547)	\$ -	\$ 6,183,785
Investment income earned	89,051	132,490		(114,846)	106,695
Total	\$ 6,269,873	\$ 170,000	\$ (34,547)	\$ (114,846)	\$ 6,290,480

7. Investment in GNW Campus Trust:

The University has a 25% share of the GNW Campus Trust.

	2023	2022
Investment, at beginning of year	\$ 12,263,955	\$ 11,609,921
Distributions declared	-	(82,742)
Net earnings (loss)	(571,088)	736,776
Investment, at end of year	\$ 11,692,867	\$ 12,263,955

The University's 25% share of the GNW Campus Trust is of the following:

	2023	2022
Financial assets	\$ 9,771,717	\$ 10,471,550
Liabilities	3,584,139	3,890,074
Net assets	6,187,578	6,581,476
Non-financial assets	5,505,289	5,682,479
Accumulated surplus	\$ 11,692,867	\$ 12,263,955

	2023	2022
Revenue	\$ 1,798,740	\$ 2,197,754
Expenses	(2,369,828)	(1,460,978)
Surplus, at end of year	\$ (571,088)	\$ 736,776

Under the provision of the Trust Deed, Great Northern Way Campus Ltd. in its capacity as trustee of the GNW Campus Trust, and at its sole discretion, is required to distribute all net income of the GNW Campus Trust to the beneficiaries. There was no distribution declared in fiscal 2023 (2022 - \$330,970, with \$82,742 as the University's 25% share).

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

8. Tangible capital assets:

Cost	2022	Additions	Disposals	2023
Land (a)	\$ 14,400,000	\$ -	\$ -	\$ 14,400,000
Buildings	119,196,542	48,095	-	119,244,637
Equipment - general	4,385,903	272,467	(3,159,617)	1,498,753
Equipment - computer	1,596,634	168,887	(672,279)	1,093,242
Library collection	501,476	48,880	(55,056)	495,300
Leases - digital equipment	2,440,993	597,467	(1,016,725)	2,021,735
Total	\$ 142,521,548	\$ 1,135,796	\$ (4,903,677)	\$ 138,753,667

Accumulated amortization	2022	Disposals	Amortization expense	2023
Land	\$ -	\$ -	\$ -	\$ -
Building	9,229,207	-	1,987,719	11,216,926
Equipment - general	3,472,789	(3,159,617)	498,995	812,167
Equipment - computer	996,432	(672,279)	365,400	689,553
Library collection	252,412	(55,056)	49,839	247,195
Leases - digital equipment	1,400,553	(1,016,725)	554,552	938,380
Total	\$ 15,351,393	\$ (4,903,677)	\$ 3,456,505	\$ 13,904,221

	2023	2022
	Net book value	Net book value
Land	\$ 14,400,000	\$ 14,400,000
Buildings	108,027,711	109,967,335
Equipment - general	686,586	913,114
Equipment - computer	403,689	600,202
Library collection	248,105	249,064
Leases - digital equipment	1,083,355	1,040,440
Total	\$ 124,849,446	\$ 127,170,155

(a) Land acquisition:

In 2017, the University purchased from Great Northern Way Campus Ltd. the lands described as Lot Q situated on the Great Northern Way Campus site, Vancouver, British Columbia for \$14.4 million. On May 12, 2017, Great Northern Way Campus Ltd. declared a capital dividend of \$14.4 million to each of its shareholders and correspondingly, issued promissory notes payable to each shareholder. The promissory note payable to the University was fully settled by transfer of the lands pursuant to the terms of the land purchase agreement.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

8. Tangible capital assets (continued):

(b) Works of art and historical treasures:

The University manages and controls various works of art including paintings, drawings, prints, lithographs and etchings located on site in public display areas. These assets have an appraised value at the time of acquisition of \$3,163,236 (2022 - \$3,163,236), but are not recorded as tangible capital assets on these consolidated financial statements.

9. Accounts payable and accrued liabilities:

	2023	2022
Trade accounts payable and accrued liabilities	\$ 3,777,824	\$ 3,149,998
Accrued payroll benefits:		
Vacation pay	2,080,578	2,163,082
Banked overtime	17,384	12,568
Gratuity days	332,293	314,327
Early retirement incentives	66,889	27,283
	\$ 6,274,968	\$ 5,667,258

10. Debt:

	2023	2022
Concessionaire payable - Great Northern Way Campus Project with AAP Partnership, payable in monthly payments commencing August 4, 2017 including annual interest of 4.59%, in accordance with the project agreement terms. Required principal repayments on P3 debt for the years ending March 31, 2047.	\$ 53,647,209	\$ 54,867,891

Principal and interest payments for the next five years and thereafter are as follows:

	Principal	Interest	Total payments
2024	\$ 1,276,673	\$ 2,460,355	\$ 3,737,028
2025	1,335,233	2,401,795	3,737,028
2026	1,396,479	2,340,549	3,737,028
2027	1,460,534	2,276,494	3,737,028
2028	1,527,528	2,209,500	3,737,028
Thereafter	46,650,762	24,186,442	70,837,204
	\$ 53,647,209	\$ 35,875,135	\$ 89,522,344

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

10. Debt (continued):

The debt related payments as well as the facility maintenance and lifecycle costs under the P3 contracts (note 13(c)) are funded by the Ministry.

11. Employee future 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 pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2022, the College Pension Plan has about 16,600 active members, and approximately 10,100 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 million surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$2,761 million funding surplus for basic pension benefits on a going concern basis.

The University paid \$2,565,061 (2022 - \$2,470,533) for employer contributions to the plans in fiscal 2023.

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, with results available in 2025.

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.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

12. Deferred contributions and deferred capital contributions:

	2022	Amounts received	Amortized as revenue	2023
Provincial operating	\$ 841,749	\$ 696,301	\$ (820,928)	\$ 717,122
Federal operating	1,278,956	921,671	(882,650)	1,317,977
Other operating	2,214,042	1,707,744	(1,750,497)	2,171,289
Deferred contributions	4,334,747	3,325,716	(3,454,075)	4,206,388
Provincial capital	40,483,138	232,593	(1,006,299)	39,709,432
Other capital	16,948,555	183,858	(536,423)	16,595,990
Deferred capital contributions	57,431,693	416,451	(1,542,722)	56,305,422
Total	\$ 61,766,440	\$ 3,742,167	\$ (4,996,797)	\$ 60,511,810

Included in deferred capital contributions are unspent funds of \$2,276,112 (2022 - \$2,155,863).

13. Contractual obligations and contingencies:

(a) Operating and building leases:

At March 31, 2023, the University is obligated to make the following minimum lease payments with respect to leased studio space in each of the next three fiscal years ending March 31:

2024	\$ 142,724
2025	148,077
2026	153,629
	\$ 444,430

(b) GNW Campus Trust commitments:

(i) The GNW site is currently zoned pursuant to CD-1 (402) Comprehensive Development Zone. A condition of the CD-1 zoning is related to servicing and engineering commitments both on and off the site. When the site was partially gifted, these commitments were assumed by GNW when it and the partner institutions entered into an Assignment and Assumptions Agreement with the City of Vancouver in 2002. This agreement pertains to the entire land area under the CD-1 (402) zoning, including land not owned by GNW. This agreement obligates GNW to reimburse the City of Vancouver for certain costs in addition to carrying out certain on-site and off-site servicing works. The timing of payments is largely contingent on activities that may be performed by GNW in the coming years as part of its site development plan.

Emily Carr University of Art + Design

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

13. Contractual obligations and contingencies (continued):

(b) GNW Campus Trust commitments (continued):

(ii) Effective September 1, 2010, GNW entered into a Management Services Agreement with SFU whereby SFU will provide certain budget and financial, student, academic and administrative services related to the Master of Digital Media (“MDM”) Program. The agreement was amended on December 2, 2014 to include an allocation of space in buildings 685 and 577 for the MDM Program, and the appointment of a principal contact by SFU to oversee the terms of the agreement. GNW agrees to pay SFU six percent (6%) of the gross tuition and mandatory fees in return for these services.

A new agreement was negotiated with SFU in 2020 and was executed effective January 1, 2021. The new agreement has a management fee at a rate of eight percent (8%) due to an increase in services to be provided by SFU under the new agreement.

(c) Public-private partnership commitments:

The University entered into multiple-year P3 contracts to design, build, finance, and maintain the Great Northern Way Campus. The information presented below shows the anticipated cash outflow for future obligations under these contracts for the facility maintenance and the lifecycle costs. Facilities maintenance and life cycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable and payable to March 31, 2047.

2024	\$	2,945,976
2025		3,410,003
2026		3,307,259
2027		3,470,337
2028		4,518,568
Thereafter		87,443,949
	\$	105,096,092

14. Capital lease obligation:

The University has entered into capital leases with respect to computer equipment. The principal and interest payments are as follows:

	2023	2022
2023	\$ -	\$ 387,473
2024	434,528	285,388
2025	266,831	117,690
2026	149,141	-
2027	84,315	-
Total minimum lease payments	934,815	790,551
Amount representing interest at rates ranging from 3.00% to 8.50% (2022 - 3.00% to 7.05%)	(109,136)	(63,248)
Capital lease obligations	\$ 825,679	\$ 727,303

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

15. Expenses by object:

The following is a summary of expenses by object:

	2023	2022
Salaries and benefits	\$ 37,010,775	\$ 34,564,973
Facility services	3,660,102	3,459,960
Amortization	3,456,505	4,132,144
Interest	2,559,816	2,623,869
Information technology	1,332,925	1,225,513
HR programs and professional development	891,755	704,013
Professional services	879,115	668,727
Scholarships, bursaries and awards	825,408	921,836
Advertising and promotions	582,100	399,954
Other	572,549	461,533
Utilities	524,118	494,145
Supplies	494,659	499,267
Student recruitment and development	337,902	195,774
Guest artists and speakers	320,350	399,585
Communications	267,899	240,996
Leases and rentals	230,293	88,930
Library services	205,856	215,413
Counselling and interpreting	128,180	86,567
University memberships	109,950	98,983
Repairs and maintenance	93,032	65,228
Cost of goods sold	68,073	33,679
	<u>\$ 54,551,362</u>	<u>\$ 51,581,089</u>

16. Funds held by Vancouver Foundation:

The University has endowment funds of \$1,088,333 (2022 - \$1,083,337) with the Vancouver Foundation. These are permanent funds with the Foundation and provide income for scholarships, bursaries and other student aid at the University. The funds are not under University ownership or control. The University has recorded its contributions to the funds as donation expenses. The University received amounts totaling \$35,987 (2022 - \$7,350) as income from the funds during the year.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

17. Financial risk management:

The University is exposed to risks of varying degrees of significance from its use of financial instruments, which could affect its ability to achieve its strategic objectives. The Board of Governors ensures that the University has identified its major risks and ensures that management monitors and controls them.

(a) Fair values:

Fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying values of cash and cash equivalents, investments, accounts receivable and accounts payable approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

(b) Liquidity risk:

Liquidity risk is the risk that the University is not able to meet its financial obligations as they become due, or can only do so at excessive costs. The University establishes budgets and cash flow projections to ensure it has the necessary funds.

(c) Market risk:

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

Fixed interest rate instruments are subject to fair value risk. The University is exposed to this risk with respect to the P3 debt (note 10) as well as the fixed income investments (note 5).

(d) Credit risk:

Credit risk is the risk of financial loss to the University if a student 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, amounts receivable and investments. The risk is mitigated by ensuring the majority of receivables are collected prior to delivery of programs.

The University's exposure to credit risk is influenced mainly by the individual characteristics of each student and hence is not subject to concentration of credit risk. The University is exposed to credit risk in the event of non-payment of billings. This risk is mitigated by the University's prompt collection process and ability to withhold transcripts.

The University accounts for a specific bad debt provision when management considers that the expected recovery is less than the account receivable.

There have been no significant changes to the risk exposures from 2022.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

18. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2023	2022
Equity of GNW Campus Trust	\$ 11,692,867	\$ 12,263,955
Capital fund	16,409,441	16,158,046
Internally restricted for special projects	557,714	578,241
Internally restricted for student awards	346,147	336,100
Endowments	6,183,785	6,180,822
Unappropriated surplus	3,411,788	2,711,328
	<u>\$ 38,601,742</u>	<u>\$ 38,228,492</u>