

Financial Statements of

KWANTLEN POLYTECHNIC UNIVERSITY

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of financial position as at March 31, 2020
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- and notes to the 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, 2020 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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.



Chartered Professional Accountants

Vancouver, Canada
May 27, 2020

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Financial Position

(in thousands of dollars)

As at March 31, 2020, with comparative information for 2019

		2020	2019
Financial assets			
Cash and cash equivalents	(Note 3)	\$ 72,217	\$ 26,258
Accounts receivable	(Note 4)	2,668	6,517
Inventories for resale		532	600
Investments	(Note 5)	27,946	28,880
		103,363	62,255
Liabilities			
Accounts payable and accrued liabilities	(Note 6)	44,229	27,398
Deferred revenue		30,957	13,495
Deferred contributions	(Note 8)	3,952	3,859
Deferred capital contributions	(Note 9)	155,789	159,328
Obligations under capital lease	(Note 10)	92	247
		235,019	204,327
Net debt		(131,656)	(142,072)
Non-financial assets			
Tangible capital assets	(Note 11)	249,005	255,381
Endowment investments	(Note 5)	2,817	2,817
Prepaid expenses and deposits		2,424	1,989
		254,246	260,187
Accumulated surplus		\$ 122,590	\$ 118,115
Accumulated surplus is comprised of:			
Accumulated surplus		\$ 122,536	\$ 117,864
Accumulated remeasurement gains		54	251
		\$ 122,590	\$ 118,115

Contractual obligations (Note 13)

Commitments and contingent liabilities (Note 14)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Sandra Case
Chair, Board of Governors



Candice Gartry, CPA, CGA
Interim Executive Director, Financial Services

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Operations and Accumulated Surplus

(in thousands of dollars)

Year ended March 31, 2020, with comparative information for 2019

		Budget	2020	2019
		(Note 2(k))		
Revenue:				
Province of British Columbia grants		\$ 74,922	\$ 73,511	\$ 71,045
Revenue recognized from deferred contribution	(Note 8)	3,122	8,374	6,536
Tuition and student fees		123,980	107,463	118,451
Ancillary services		5,739	5,199	6,472
Other revenue		8,888	7,110	4,615
Revenue recognized from deferred capital contributions	(Note 9)	9,078	8,616	7,612
		225,729	210,273	214,731
Expenses:	(Note 18)			
Instruction, research and support		218,879	200,782	187,243
Ancillary operations		6,439	4,819	5,428
		225,318	205,601	192,671
Annual surplus		411	4,672	22,060
Accumulated surplus, beginning of year		117,864	117,864	95,804
Accumulated surplus, end of year		\$ 118,275	\$ 122,536	\$ 117,864

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Changes in Net Debt

(in thousands of dollars)

Year ended March 31, 2020, with comparative information for 2019

	Budget	2020	2019
	(Note 2(k))		
Annual surplus	\$ 411	\$ 4,672	\$ 22,060
Acquisition of tangible capital assets	-	(12,098)	(46,109)
Amortization of tangible capital assets	18,860	18,474	16,661
	18,860	6,376	(29,448)
Net of (acquisition) use of prepaid expenses and deposits	-	(435)	2,369
Net remeasurement gains (losses)	-	(197)	826
Change in net debt	19,271	10,416	(4,193)
Net debt, beginning of year	(142,072)	(142,072)	(137,879)
Net debt, end of year	\$ (122,801)	\$ (131,656)	\$ (142,072)

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Cash Flows

(in thousands of dollars)

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 4,672	\$ 22,060
Items not involving cash:		
Amortization of tangible capital assets	18,474	16,661
Revenue recognized from deferred capital contributions	(8,616)	(7,612)
Change in non-cash operating working capital:		
Accounts receivable	3,849	1,710
Prepaid expenses and deposits	(435)	2,369
Inventories for resale	68	20
Accounts payable and accrued liabilities	16,831	(10,278)
Deferred revenue	17,462	(6,682)
Deferred contributions	93	60
Net change from operating activities	52,398	18,308
Capital activities:		
Cash used to acquire tangible capital assets	(12,098)	(45,998)
Net change from capital activities	(12,098)	(45,998)
Financing activities:		
Contributions received for tangible capital assets	5,077	7,836
Principal payments on capital lease obligations	(155)	(297)
Net change from financing activities	4,922	7,539
Investing activities:		
Decrease in investments	934	9,160
Net remeasurement gains (losses)	(197)	826
Net change from investing activities	737	9,986
Net change in cash and cash equivalents	45,959	(10,165)
Cash and cash equivalents, beginning of year	26,258	36,423
Cash and cash equivalents, end of year	\$ 72,217	\$ 26,258
Non-cash transaction:		
Tangible capital assets acquired and financed by capital leases	\$ -	\$ 111

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Remeasurement Gains and Losses

(in thousands of dollars)

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Accumulated remeasurement gains (losses), beginning of year	\$ 251	\$ (575)
Unrealized gains (losses) generated during the year from:		
Fixed income investments	(21)	270
Mortgage-backed securities and mutual funds	1	15
Foreign currency translation	(37)	(6)
Remeasurement (gains) losses realized and reclassified to the Statement of Operations and Accumulated Surplus from:		
Fixed income investments	(186)	497
Mortgage-backed securities and mutual funds	(5)	15
Foreign currency translation	51	35
Net remeasurement gains (losses) for the year	(197)	826
Accumulated remeasurement gains, end of year	\$ 54	\$ 251

See accompanying notes to financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2020

1. Authority and purpose

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

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

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The University temporarily closed campuses to students as of March 16, 2020 based on public health recommendations with a transition to virtual courses, and has not reopened its campuses as of the date of these financial statements were approved. The University has transitioned to a work from home approach for employees that are able to do so, along with the implementation of social distancing policies for employees that remain on campuses. The ultimate duration of the pandemic, related public health measures and their impact on the economy and the financial effect on the University are not known at this time.

2. Summary of significant accounting policies

(a) Basis of accounting

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

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

Government Organization Accounting Standards Regulation 257/2010 requires all taxpayer supported organizations in the schools, universities, colleges and hospitals sectors to adopt the Canadian Public Sector Accounting Standards ("PSAS") without any public sector ("PS") 4200 elections, effective their first fiscal year commencing after January 1, 2012.

Government Organization Accounting Standards 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.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

2. Summary of significant accounting policies (continued)

(a) Basis of accounting (continued)

Regulation 198/2011 also requires that the 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 accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS 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 PS 3410. Externally restricted contributions are recognized in revenue in the period when the resources are used for the purpose specified in accordance with PS 3100.

As a result, revenue recognized in the Statement of Operations and Accumulated Surplus and certain related deferred capital contributions would be recorded differently under PSAS.

(b) Cash and cash equivalents

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

(c) Financial instruments

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

(i) Fair value category: The University manages and reports performance for groups of financial assets on a fair-value basis. Cash and cash equivalents and investments are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets except for those related to restricted endowments 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. Unrealized gains and losses on endowment investment assets, where earnings are restricted as to use, are recorded as deferred contributions and recognized in revenue when disposed and when the related expenses are incurred.

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

(d) Inventories for resale

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

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

2. Summary of significant accounting policies (continued)

(d) Inventories for resale (continued)

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.

(e) 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 the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(f) 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 acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and air space parcels, are amortized on a straight-line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value. Work in progress is not amortized until the asset is available for productive use.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

2. Summary of significant accounting policies (continued)

(f) 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	3 years
Leased capital assets	shorter 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 charged to expenses as incurred.

(g) Employee future benefits

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

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

(h) Revenue recognition

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

Unrestricted donations and grants are recorded as revenue 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.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

2. Summary of significant accounting policies (continued)

(h) 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 is reported as part of Other Revenue on the Statement of Operations and Accumulated Surplus and includes interest recorded on an accrual basis, dividends recorded as declared, and realized gains and losses on the sale of investments.

(i) Use of estimates

In accordance with PSAS, the preparation of the 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Key areas where management has made estimates and assumptions include those related to the determination of useful lives of tangible capital assets for amortization and the amortization of related deferred capital contributions, accrued liabilities, valuation of accounts receivable, and provisions for contingencies. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(j) 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 Statement of Financial Position date.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

2. Summary of significant accounting policies (continued)

(j) Foreign currency translation (continued)

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

(k) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2019-2020 University Budget approved by the Board of Governors on March 27, 2019. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

(l) Expense Functions

Expense functions have been identified based upon the functional lines of service provided by the University. The University's services are provided by departments and their activities are reported by functional area in the Statement of Operations and Accumulated Surplus. The functional lines, along with the services they provide, are as follows:

- (i) Instruction, research, and support: This function includes activities related to delivering education. This includes instruction, education administration, student support, general administration, and the cost of space, safety, and equipment.
- (ii) Ancillary: This function includes the activities of the ancillary operations. An ancillary operation is one that is generally outside of the normal functions of instruction, research, and support, and provides goods and services to students, staff or others, and that charges a fee directly related to the cost of providing the goods or services. Ancillary operations include parking, food services, and bookstores. Costs associated with this function include function related contracts and general and financial administration and support costs.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

3. Cash and cash equivalents

	2020	2019
Cash	\$ 70,085	\$ 15,891
Cash equivalents	2,132	10,367
	\$ 72,217	\$ 26,258

4. Accounts receivable

	2020	2019
Accounts receivable	\$ 5,467	\$ 8,038
Allowance for doubtful accounts	(2,799)	(1,521)
	\$ 2,668	\$ 6,517

5. Investments and endowment investments

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

	2020	2019
Fixed income investments	\$ 25,491	\$ 28,716
Mortgage-backed securities and mutual funds	5,272	2,981
	30,763	31,697
Endowment investments	2,817	2,817
Investments	\$ 27,946	\$ 28,880

All fixed income investments held at March 31, 2020 mature at various dates to September 2077 (2019 – September 2077) and bear interest at rates varying from 1.30% to 6.63% (2019 – 1.30% to 6.46%).

PSAS defines the fair value of a financial instrument as the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The University uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Statement of Financial Position under the following captions:

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

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

5. Investments and endowment investments (continued)

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

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

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

6. Accounts payable and accrued liabilities

	2020	2019
Accounts payable and accrued liabilities	\$ 26,291	\$ 13,338
Salaries and wages payable	7,043	3,439
Accrued vacation payable	10,895	10,621
	\$ 44,229	\$ 27,398

7. 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 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, 2019, the College Pension Plan has about 15,025 active members, and approximately 8,414 retired members. As at December 31, 2018, the Municipal Pension Plan has about 205,000 active members, including approximately 6,000 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.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

7. Employee future benefits (continued)

(a) Pension benefits (continued)

The most recent actuarial valuation for the College Pension Plan as at August 31, 2018, indicated a \$303,000 surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866,000 funding surplus for basic pension benefits on a going concern basis. The University paid \$10,416 for employer contributions to the plans in the fiscal year 2020 (2019 - \$10,095).

The next valuation for the College Pension Plan will be as at August 31, 2021, with results available in 2022. The next valuation for the Municipal Pension Plan will be December 31, 2021, with results available in 2022.

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 \$691 in the current year (2019 – \$559). As at March 31, 2020, the University has an obligation of \$783 (2019 – \$357) which has been included in salaries and wages payable.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

8. Deferred contributions

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

	2019	Amounts received	Recognized as revenue	2020
Provincial	\$ 2,790	\$ 6,179	\$ (6,319)	\$ 2,650
Federal	453	1,125	(1,030)	548
Other sources	616	1,163	(1,025)	754
	\$ 3,859	\$ 8,467	\$ (8,374)	\$ 3,952

9. Deferred capital contributions

Changes in deferred capital contributions balance are as follows:

	2019	Amounts received	Recognized as revenue	2020
Provincial	\$ 134,570	\$ 4,565	\$ (7,206)	\$ 131,929
Federal	9,984	342	(734)	9,592
Other sources	14,774	170	(676)	14,268
	\$ 159,328	\$ 5,077	\$ (8,616)	\$ 155,789

10. Obligations under capital lease

The University has entered into capital leases to finance computers and equipment at an estimated cost of borrowing of 3.38% (2019 – 3.10%) per annum. The principal and interest payments are as follows:

	2020	2019
2020	\$ -	\$ 161
2021	61	61
2022	24	24
2023	10	10
Total minimum capital lease payments	95	256
Less amounts representing interest	(3)	(9)
Present value of net minimum capital lease payments	\$ 92	\$ 247

Total interest payment on capital leases for the year was \$5 (2019 – \$11).

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)

(in thousands of dollars)

Year ended March 31, 2020

11. Tangible capital assets

	Land	Buildings	Major site improvements	Major equipment	Library holdings	Technology infrastructure	Furniture & equipment	Computing Equipment	Leased capital assets	Work in progress (WIP) ¹	Total
2020 Cost											
Opening balance	21,485	266,565	43,185	6,620	8,729	3,866	68,454	8,048	1,969	992	429,913
Additions	-	45	1,058	1,017	467	-	4,143	1,400	-	3,968	12,098
Dispositions	-	-	-	-	-	-	-	-	(1,599)	-	(1,599)
Transfer to/(from) WIP	-	-	421	-	-	-	-	-	-	(421)	-
Closing balance	21,485	266,610	44,664	7,637	9,196	3,866	72,597	9,448	370	4,539	440,412
2020 Accumulated amortization											
Opening balance	-	(89,157)	(12,993)	(835)	(6,670)	(1,167)	(55,681)	(6,335)	(1,694)	-	(174,532)
Amortization	-	(6,666)	(4,298)	(544)	(463)	(482)	(4,745)	(1,092)	(184)	-	(18,474)
Dispositions	-	-	-	-	-	-	-	-	1,599	-	1,599
Closing balance	-	(95,823)	(17,291)	(1,379)	(7,133)	(1,649)	(60,426)	(7,427)	(279)	-	(191,407)
2020 Net book value	\$ 21,485	\$ 170,787	\$ 27,373	\$ 6,258	\$ 2,063	\$ 2,217	\$ 12,171	\$ 2,021	\$ 91	\$ 4,539	\$ 249,005
2019 Net book value	\$ 21,485	\$ 177,408	\$ 30,192	\$ 5,785	\$ 2,059	\$ 2,699	\$ 12,773	\$ 1,713	\$ 275	\$ 992	\$ 255,381

1. As at March 31, 2020, work in progress with a value of \$4,539 (2019 - \$992) has not been amortized. Amortization of these assets will commence when the assets are put into productive use.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

12. 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, investments and accounts receivable.

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

(b) Market risk

Market risk is the risk that changes in 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.

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

(c) Liquidity risk

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

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

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

13. 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:

	2021	2022	2023	2024	2025
Contractual obligations	\$ 18,623	\$ 2,446	\$ 2,441	\$ 560	\$ 0

14. Commitments and contingent liabilities

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

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

- (b) The University committed to the building of the Chip and Shannon Wilson School of Design at the Richmond campus for the Faculty of Design. The project which has a total budget of \$36,000 was substantially complete by December 2017. As at March 31, 2020, the University incurred costs of \$35,285 (2019 – \$34,996) for this project, with the anticipated remaining costs of \$715 to be incurred in fiscal 2021.

- (c) The University has the ability to draw on a line of credit with a commercial bank for \$7,500 (2019–\$7,500). As at March 31, 2020, the University has not utilized the available line of credit.

- (d) As at March 31, 2020, the University has issued letters of credits to the City of Surrey totalling \$294 (2019 – \$294) which expire on January 25, 2021. There is an automatic renewal that occurs each year thereafter and will terminate once the City of Surrey advises the University that the guarantee is no longer required.

15. 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.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

15. Related party transactions (continued)

Significant related party transactions with the provincial government entities are as follows:

Revenue and expenses:

Included in revenue	2020	2019
Ministry of Advanced Education, Skills and Training – Grants and revenue recognized in deferred contributions	\$ 76,546	\$ 72,064
Other provincial government entity – grants and revenue Recognized in deferred contributions	3,297	3,161
	\$ 79,843	\$ 75,225
Included in expenses	2020	2019
Ministry of Advanced Education, Skills and Training	\$ 239	\$ 202
Other provincial government entities	1,238	1,466
Other provincial universities	351	340
	\$ 1,828	\$ 2,008

Receivables and payables:

Included in accounts receivable	2020	2019
Ministry of Advanced Education, Skills and Training	\$ 1,070	\$ 928
	\$ 1,070	\$ 928

There are \$nil (2019 - \$nil) included in accounts payable for related party transactions with the provincial government entities.

Related party transactions with key management personnel:

During the year, the key management personnel, comprised of the Senate, the Board and the University's Executives, have \$nil (2019 - \$nil) related party transactions with the University with respect to the delivery of goods and services, and payment of fees that were transacted at non-arms' length. As at March 31, 2020, the University had a net receivable of \$nil (2019 - \$nil) and a net payable of \$nil (2019 - \$nil) with respect to these transactions.

16. Contingent assets

The University has \$nil of contingent assets as at March 31, 2020 and 2019.

17. 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 is a recipient of research grants from various federal, provincial and municipal funding agencies.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (Continued)
(in thousands of dollars)

Year ended March 31, 2020

17. Contractual rights (continued)

During the year, the University has entered into various multi-year research funding agreements whereby the University 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 and do not guarantee the University the right to future funding.

18. Expense by object

The following is a summary of expenses by object:

	Instruction, research, and support	Ancillary operations	2020
Salaries and benefits	\$ 143,700	\$ 1,168	\$ 144,868
Travel and professional development	3,426	6	3,432
Supplies	4,299	16	4,315
Student awards and bursaries	4,459	-	4,459
Fees and services	15,888	440	16,328
Facilities	9,428	373	9,801
Cost of sales	-	2,784	2,784
Leases, property taxes, insurance	1,108	32	1,140
Amortization of tangible capital assets	18,474	-	18,474
	\$ 200,782	\$ 4,819	\$ 205,601

	Instruction, research, and support	Ancillary operations	2019
Salaries and benefits	\$ 135,044	\$ 1,090	\$ 136,134
Travel and professional development	2,894	20	2,914
Supplies	4,326	14	4,340
Student awards and bursaries	3,425	-	3,425
Fees and services	15,589	378	15,967
Facilities	8,374	515	8,889
Cost of sales	-	3,375	3,375
Leases, property taxes, insurance	930	36	966
Amortization of tangible capital assets	16,661	-	16,661
	\$ 187,243	\$ 5,428	\$ 192,671

19. Comparative figures

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