



**FINANCIAL STATEMENTS**  
**March 31, 2010**

## MANAGEMENT'S STATEMENT OF RESPONSIBILITY

To the Board of Emily Carr University of Art + Design

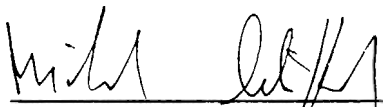
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

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

The Board of Governors and 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 Audit Committee has the responsibility of meeting with management and external auditors to discuss the financial reporting process, auditing matters, financial reporting issues, and recommends approval of the financial statements to the Board. The Committee is also responsible for recommending the appointment of the University's external auditor.

KPMG LLP, an independent firm of Chartered Accountants, is appointed by the Board to audit the financial statements and report directly to them through the 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

  
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Michael Clifford, Vice President  
Finance and Administration

  
\_\_\_\_\_  
Michelle Lock, Director of Finance

May 11, 2010



**KPMG LLP**  
**Chartered Accountants**  
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## AUDITORS' REPORT

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

We have audited the statement of financial position of Emily Carr University of Art + Design (the "University") as at March 31, 2010 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these summary financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at and for the year ended March 31, 2009 were audited by another firm of chartered accountants, except for the adjustment related to the change in the Company's accounting for deferred contributions and presentation of the statement of financial position, statement of operations, statement of changes in net assets, and statement of cash flows, as described in Note 2 to the financial statements.

Chartered Accountants

Burnaby, Canada

May 11, 2010

# Emily Carr University of Art + Design

## STATEMENT OF FINANCIAL POSITION

Year ended March 31, 2010


|                                | 2010                 | 2009<br>(restated -<br>note 2) |
|--------------------------------|----------------------|--------------------------------|
| <b>Assets</b>                  |                      |                                |
| <b>Current assets</b>          |                      |                                |
| Cash and cash equivalents      | \$ 1,538,829         | \$ 2,160,679                   |
| Short-term investments         | 513,608              | 102,411                        |
| Accounts receivable            | 932,475              | 427,785                        |
| Inventories                    | 250,244              | 21,910                         |
| Prepaid expenses               | 269,390              | 288,222                        |
|                                | <u>3,504,546</u>     | <u>3,001,007</u>               |
| Long-term investments (note 4) | 12,627,920           | 16,053,410                     |
| Capital assets (note 5)        | 34,566,190           | 33,976,789                     |
|                                | <u>\$ 50,698,656</u> | <u>\$ 53,031,206</u>           |

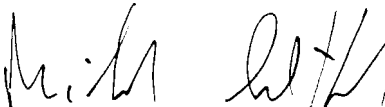
### Liabilities and Net Assets

|   |                      |                      |
|---|----------------------|----------------------|
| <b>Current liabilities</b>                        |                      |                      |
| Accounts payable and accrued liabilities (note 7) | \$ 3,532,467         | \$ 2,774,837         |
| Deferred revenue                                  | 1,078,371            | 859,975              |
| Current portion of long-term debt (note 8)        | -                    | 3,750,000            |
|   | <u>4,610,838</u>     | <u>7,384,812</u>     |
| Deferred contributions (note 9)                   | 28,482,082           | 27,952,014           |
| <b>Net assets</b>                                 |                      |                      |
| Unrestricted                                      | 366,575              | 448,646              |
| Internally restricted                             | 12,548,316           | 12,697,075           |
| Endowments  | 4,690,845            | 4,548,659            |
|   | <u>17,605,736</u>    | <u>17,694,380</u>    |
| Commitments (note 10)                             |                      |                      |
|   | <u>\$ 50,698,656</u> | <u>\$ 53,031,206</u> |

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
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 George Pedersen, Chair  
 Board of Governors

  
 \_\_\_\_\_  
 Michael A. Clifford, Vice-President  
 Finance and Administration

# Emily Carr University of Art + Design

## STATEMENT OF OPERATIONS

Year ended March 31, 2010

|  | 2010                 | 2009                   |
|--|----------------------|------------------------|
|  |                      | (restated -<br>note 2) |
| <b>Revenue</b>                             |                      |                        |
| Grants                                     |                      |                        |
| Province of British Columbia               | \$ 13,824,696        | \$ 13,332,214          |
| Federal government                         | 204,683              | 214,821                |
| Tuition fees                               | 9,108,137            | 8,080,696              |
| Amortization of deferred contributions     | 2,994,704            | 2,249,701              |
| Gifts, grants and bequests                 | 149,556              | 158,735                |
| Interest                                   | 299,521              | 506,280                |
| Rent                                       | 541,107              | 478,257                |
| Miscellaneous                              | 816,925              | 867,803                |
|  | <b>27,939,329</b>    | <b>25,888,507</b>      |
| <b>Expenses</b>                            |                      |                        |
| Salaries and benefits                      | 19,063,856           | 17,366,726             |
| Other expenses                             | 6,354,228            | 6,765,235              |
| Building leases                            | 717,037              | 539,700                |
| Amortization                               | 2,154,559            | 2,030,876              |
| Student awards                             | 244,915              | 295,527                |
|  | <b>28,534,595</b>    | <b>26,998,064</b>      |
| <b>Deficiency of revenue over expenses</b> | <b>\$ ( 595,266)</b> | <b>\$ ( 1,109,557)</b> |

See accompanying notes to financial statements.

# Emily Carr University of Art + Design

## STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2010

|   | Unrestricted | Internally<br>Restricted | Endowments | 2010          | 2009<br>(restated -<br>note 2) |
|---|--------------|--------------------------|------------|---------------|--------------------------------|
| Net Assets, beginning of year as previously stated        | \$ 1,676,429 | 346,542                  | 4,548,659  | \$ 6,571,630  | \$ 5,860,321                   |
| Restatement of prior years (Note 2)                       | (1,227,783)  | 12,350,533               |            | 11,122,750    | 13,356,305                     |
| Net Assets, beginning of year, restated                   | \$ 448,646   | 12,697,075               | 4,548,659  | \$ 17,694,380 | \$19,216,626                   |
| Excess (deficiency) of revenue over expenses              | (174,810)    | (420,456)                | -          | (595,266)     | (1,109,557)                    |
| Endowments, net of disbursements                          | -            | -                        | 142,186    | 142,186       | 140,530                        |
| Change in unrealized gain (loss) on portfolio investments | (27,461)     | 455,858                  | -          | 428,397       | (553,219)                      |
| Transfer to deferred contributions                        | -            | (63,961)                 | -          | (63,961)      | -                              |
| Interfund transfers                                       | 120,200      | (120,200)                | -          |               | -                              |
| Net Assets, end of year                                   | \$ 366,575   | 12,548,316               | 4,690,845  | \$ 17,605,736 | \$17,694,380                   |

See accompanying notes to financial statements.

# Emily Carr University of Art + Design

## STATEMENT OF CASH FLOWS

Year ended March 31, 2010

|  | 2010         | 2009                   |
|--|--------------|------------------------|
|  |              | (restated -<br>note 2) |
| Cash Flows from Operating Activities                               |              |                        |
| Excess (deficiency) of revenue over expenses                       | \$ (595,266) | \$ (1,109,557)         |
| Adjustments to reconcile net cash provided by operating activities |              |                        |
| Amortization of capital assets                                     | 2,154,559    | 2,030,876              |
| Amortization of deferred contributions                             | (2,994,704)  | (2,249,701)            |
| Change in non-cash working capital:                                |              |                        |
| Accounts receivable  | (504,690)    | 2,328,765              |
| Inventory  | (228,334)    | (5,108)                |
| Prepaid expenses   | 18,832       | (47,243)               |
| Accounts payable and accrued liabilities                           | 757,630      | (342,428)              |
| Deferred revenue   | 218,396      | 30,725                 |
|  | (1,173,577)  | 636,329                |
| Cash Flows from Financing Activities                               |              |                        |
| Net addition to endowment  | 142,186      | 140,530                |
| Repayment of long term debt  | (3,750,000)  | (2,125,000)            |
| Deferred contributions   | 3,460,811    | 2,052,022              |
|  | (147,003)    | 67,552                 |
| Cash Flows from Investing Activities                               |              |                        |
| Sale (purchase) of short-term investments, net                     | (411,198)    | (102,411)              |
| Sale (purchase) of long-term investments, net                      | 3,853,888    | (292,451)              |
| Purchase of capital assets   | (2,743,960)  | (1,169,637)            |
|  | 698,730      | (1,564,499)            |
| Increase (Decrease) in Cash During the Year                        | (621,850)    | (860,618)              |
| Cash and Cash Equivalents, beginning of year                       | 2,160,679    | 3,021,297              |
| Cash and Cash Equivalents, end of year                             | \$ 1,538,829 | \$ 2,160,679           |
| Cash and Cash Equivalents is Comprised of                          |              |                        |
| Unrestricted cash  | \$ 1,409,396 | \$ 2,018,185           |
| Restricted cash  | 129,433      | 142,494                |
|  | \$ 1,538,829 | \$ 2,160,679           |

See accompanying notes to financial statements.

# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

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Emily Carr University of Art + Design (the "University") is a post-secondary educational university formerly known as Emily Carr Institute of Art + Design. On September 1, 2008, Emily Carr Institute was granted university status and incorporated under the amended University Act as Emily Carr University of Art + Design (formerly incorporated under the College and Institute Act). The University is a learning community devoted to excellence and innovation in Visual Arts, Media Arts and Design and is funded by the British Columbia Provincial Government. The University is exempt from income taxation under Section 149 of the Income Tax Act.

### 1. Significant Accounting Policies

#### (a) Basis of presentation

The University's operations include activities from various funds and are classified for accounting and reporting purposes as the Unrestricted Fund, Internally Restricted Fund and Endowment Fund.

The Unrestricted Fund accounts for the instructional, administrative and other operational costs financed by grants, tuition fees and other general income. It also records the related assets, liabilities and surplus.

The Internally Restricted Fund includes amounts reserved for specific purposes including Contingency, Special Purpose, and the GNW Campus Trust Funds.

The Endowment Fund accounts for bursary and scholarship awards distributed by the University in accordance with donor requests, management of endowed funds, and the administration of the art collection maintained for educational and research purposes.

The GNW Campus Trust Fund accounts for the University's 25% interest in the Great Northern Way Campus Trust presented on the proportionate consolidated basis. GNW Campus Trust is an equal share joint venture between the University, British Columbia Institute of Technology, University of British Columbia, and Simon Fraser University. The purpose of the joint venture is to develop an integrated, learning-centered campus with a high-technology focus, supported by new media and telecommunications technologies.



# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

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### 1. Significant Accounting Policies (continued)

#### (b) Revenue recognition

The University follows the deferral method of recognizing contributions. Under this method, restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred, and unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions received which are restricted to the acquisition of capital assets are deferred and recognized as revenue on the same basis as the amortization is calculated on the cost of the capital assets. Contributions for capital assets that will not be amortized, such as land, are recorded as direct increases in net assets in the period the asset is acquired. Donations of capital assets that would otherwise be purchased are accounted for at fair value when a fair value can be reasonably estimated.

Sales of land by the GNW Trust are recognized as revenue when the agreement for sale has been entered into, an appropriate down payment has been received and all conditions of the agreement have been met including the passage of the risks and rewards of ownership.

The GNW Trust has retained substantially all of the risks and benefits of ownership of its revenue-producing properties and therefore accounts for its leases with its tenants as operating leases. Rental revenue is recorded when services are rendered.

Tuition fee revenue is recorded when services are rendered.

#### (c) Asset and service contributions

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

#### (d) Cash and cash equivalents

Cash and cash equivalents are defined to include highly liquid securities with original terms to maturity of three months or less when purchased.

#### (e) Short-term investments

Short-term investments include securities with original terms to maturity of greater than three months and less than one year when purchased.

#### (f) Inventory

Inventories for resale are valued at the lower of cost or net realizable value.

# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

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### 1. Significant Accounting Policies (continued)

#### (g) Capital assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on the straight-line basis over the estimated useful lives of the assets as follows:

| Asset                               | Period       |
|-------------------------------------|--------------|
| Emily Carr Campus Buildings         | 40 years     |
| Great Northern Way Campus Buildings | 10 years     |
| Furniture and equipment             | 5 - 10 years |
| Computer equipment                  | 3 years      |
| Library materials                   | 10 years     |

#### (h) Impairment of long-lived assets

The University monitors the recoverability of revenue generating long-lived assets, 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.

#### (i) Long-term investments

Long-term investments consist primarily of fixed income securities with terms to maturity of greater than one year. They are considered as available for sale and are recorded at market value initially and are re-measured at fair value at year end.

#### (j) Tuition fees

The portion of tuition fees received for terms subsequent to the year end are recorded as deferred revenue.

#### (k) Vacation pay, accumulated gratuity days and banked time

Vacation pay, gratuity days and banked time pay entitlements are accrued as they are earned by the employee.

# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

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### 1. Significant Accounting Policies (continued)

(l) Employee future benefits

The University is a participating employer of the College Pension and Municipal Pension Plans (the "Plans") which provide for pension benefits to the University's employees. The Plans are multi-employer plans and as a result, required contributions to the Plans are expensed as incurred (note 12).

(m) Asset retirement obligations

A liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. This liability is initially recorded at its estimated fair value, based on a discounted value of the expected costs to be paid when the assets are retired. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the life of the asset. The liability increases each period as the amount of the discount decreases over time. The resulting expense is referred to as accretion expense and is included in operating expenses. As at March 31, 2010, the University determined there were no significant asset retirement obligations associated with its assets.

(n) Foreign currency transactions

Monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the year-end. Revenues and expenses are translated throughout the year at the exchange rate prevailing at the date of receipt of payment. Any exchange gains and losses are included in the determination of operating revenues or expenditures for the year.

(o) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management's estimates relate to the useful lives of capital assets for the purposes of amortization, valuation of revenue producing properties, property under development, net realizable value of inventories, collectability of accounts receivable, provisions for employee benefit obligations, and provisions for contingent liabilities. Actual results could differ from those estimates.

# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

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### 1. Significant Accounting Policies (continued)

#### (p) Financial instruments

The University classifies all financial instruments as held-to-maturity, available-for-sale, held for trading, loans and receivables, or other financial liabilities. All instruments are initially recorded at fair value. Subsequent measurement depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

- (i) Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net earnings. The University's cash and cash equivalents have been classified as held-for-trading.
- (ii) Financial assets held to maturity, loans and receivables other than those held for trading are measured at amortized cost. Accounts payable, bank loans and long-term debt are classified as other financial liabilities, which are measured at amortized cost, using the effective interest rate method.
- (iii) Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in Statement of Changes in Net Assets. The University's portfolio investments, short-term investments, and long-term investments have been classified as available-for-sale.
- (iv) Derivative instruments are recorded on the balance sheet at fair value and changes in fair value of derivative financial instruments are recognized in the statement of operations. As at March 31, 2010, the University did not have any derivative instruments outstanding that would require recognition at their fair value.

During the University's 2009 fiscal year, the CICA announced that not-for-profit organizations could elect to continue to apply Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, in place of Handbook Sections 3862, *Financial Instruments – Disclosure* and 3863, *Financial Instruments – Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The University has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

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### 1. Significant Accounting Policies (continued)

#### (q) Changes in accounting standards

##### (i) Revisions to Not-for-Profit accounting standards

Effective April 1, 2009, the University adopted the amendments to CICA Handbook Sections 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The amendments removed the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, expand interim financial statement requirements to not-for-profit organizations that prepare interim financial statements, and added a requirements for disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and a requirement to follow Handbook Section 1540, *Cash Flow Statements*. The application of these amendments did not have any impact on the University's financial statements.

##### (ii) Amendments to Section 1000, Financial Statement Concepts

Effective April 1, 2009, the University adopted the amendments in Section 1000 Financial Statement Concepts. The amendments clarify the relationship between incurring expenditures and creating assets and clarify that items which do not meet the definition of assets or liabilities, are not eligible for recognition. The implementation of the amendments did not have an impact on the financial statements.

#### (r) Future accounting changes

The University is currently classified as a government not-for-profit organization. Under the direction of the Public Sector Accounting Standards Board ("PSAB"), the University adheres to the standards for not-for-profit ("NPO") organizations in the Canadian Institute of Chartered Accountants ("CICA") Handbook.

PSAB proposes to incorporate into the PSA Handbook, the current NPO Sections (4400 Standards) of the CICA Handbook to deal with areas not currently addressed by the PSAB framework. PSAB has decided not to make any further substantive changes to the Sections at this time. The exposure draft proposes to amend the introduction so that the PSAB standards will be applicable to all government not-for-profit organizations, for fiscal periods beginning on or after January 1, 2012.

The University intends to continue applying the existing NPOs standards and is awaiting the finalization of the new standards. Once the new standards are finalized, the University will determine the impact to the financial statements.

# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

### 2. Restatement of Comparative Financial Statements

During the year, the University underwent a review of its deferred contributions and unrestricted net assets and determined that certain amounts would be more appropriately classified as internally restricted funds.

As a result of this review, the following adjustments were made on a retroactive basis:

- (i) \$11,527,341 of deferred contributions at March 31, 2008 were reclassified to internally restricted equity
- (ii) \$1,400,016 of transfers from deferred contributions to internally restricted equity were reversed for the fiscal year ended March 31, 2009
- (iii) \$833,539 of amortization of deferred contributions was reversed for the year ended March 31, 2009
- (iv) \$1,227,783 of unrestricted net assets at March 31, 2009, should be presented as internally restricted equity

In addition, the University changed its presentation of its statement of financial position to a consolidated presentation, which required certain consolidation adjustments to eliminate intercompany balances. This resulted in a reduction of working capital of \$533,221, a reduction in long term liabilities of \$128,630, and a reduction in opening net assets of \$404,591.

The 2009 financial statements have been retroactively restated, as follows:

|  | As previously stated | Adjustments       | Consolidation<br>Eliminations | Restated          |
|--|----------------------|-------------------|-------------------------------|-------------------|
| Assets   | \$ 56,421,363        | \$ -              | \$ (3,390,157)                | \$ 53,031,206     |
| Current liabilities                                | (10,241,748)         | -                 | 2,856,936                     | (7,384,812)       |
| Deferred contributions (i)                         | (39,607,985)         | 11,527,341        | 128,630                       | (27,952,014)      |
|  | <u>6,571,630</u>     | <u>11,527,341</u> | <u>(404,591)</u>              | <u>17,694,380</u> |
| Opening net assets (i), (ii), (iii)                | 5,860,321            | 13,760,896        | (404,591)                     | 19,216,626        |
| Revenues (iii)                                     | 26,722,046           | (833,539)         | -                             | 25,888,507        |
| Expenses   | (26,998,064)         | -                 | -                             | (26,998,064)      |
| Deficiency of revenues over expenses               | (276,018)            | (833,539)         | -                             | (1,109,557)       |
| Transfers to deferred contributions (ii)           | 1,400,016            | (1,400,016)       | -                             | -                 |
| Endowments   | 140,530              | -                 | -                             | 140,530           |
| Change in unrealized loss on portfolio investments | (553,219)            | -                 | -                             | (553,219)         |
| Closing net assets                                 | \$ 6,571,630         | \$ 11,527,341     | \$ (404,591)                  | \$ 17,694,380     |

# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

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### 3. GNW Campus Trust

In fiscal year 2002, Emily Carr University of Art + Design entered into a Joint Venture with British Columbia Institute of Technology, University of British Columbia and Simon Fraser University. Joint Venture members participated equally in the control of the Joint Venture.

On November 15, 2001 the members of the Joint Venture or their foundations each acquired by way of gift from Finning International Inc., an undivided 1/5 legal and beneficial interest in the lands and premises located at 555 and 577 Great Northern Way and 375 East 1<sup>st</sup> Avenue, Vancouver, British Columbia.

On March 15, 2002, the remaining 1/5 legal and beneficial interest in the Property was sold to the members of the Joint Venture or their foundations in equal undivided interests. Consequently, as at March 31, 2002, each of the four institutions or their foundations held a 25% undivided legal and beneficial interest in the lands and premises described generally as the Great Northern Way Campus. The University held its interest In Great Northern Way Campus directly.

On September 15, 2002, the respective beneficial ownership interests in the lands and premises comprising Great Northern Way Campus were transferred to Great Northern Way Campus Ltd. as trustee for Great Northern Way Campus Trust (the "GNW Trust"). Great Northern Way Campus Trust is a trust established for Emily Carr University of Art + Design, British Columbia Institute of Technology, Simon Fraser University and University of British Columbia as equal beneficiaries. Each of the four institutions (the "Owners") is an equal shareholder in Great Northern Way Campus Ltd. and each of them appoints one director to its board of directors.

The GNW Trust has incurred significant annual operating losses over the last five years. Accordingly, the GNW Trust's continuance as a going concern is dependent upon the continued support of its Owners and its lenders. The University uses proportionate consolidation for certain financial instruments of GNW Trust and accordingly is subject to risk and uncertainties in the financial instruments of GNW Trust as disclosed in their statements.

If the going concern basis is not appropriate, adjustments may be necessary in the carrying amounts of the Great Northern Way Campus Trust Fund assets, liabilities and expenses in these financial statements and the adjustments could be material. In this regard, the University annually reviews its continued interest in, and obligations relating to, the GNW Trust.

These financial statements include the University's 25% interest in the financial position and net operating results of the GNW Trust, for the year ended December 31, 2009 (2009 - year ended December 31, 2008).

Under the provision of the Trust Deed, Great Northern Way Campus Ltd. in its capacity as trustee of the GNW Trust, and at its sole discretion, is required to distribute all net income of the GNW Trust to the beneficiaries. During the year, as the GNW Trust did not generate net income, no distribution was made to the beneficiaries (2009 - nil).

# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

### 4. Long Term Investments

|  | 2010                | 2009                |
|--|---------------------|---------------------|
| Fixed income securities                        | \$ 8,360,659        | \$ 7,640,122        |
| GNW Trust – Canadian Money Market Mutual Funds | 615,430             | 4,998,154           |
| GNW Trust – Canadian Diversified Mutual Funds  | 3,651,831           | 3,415,134           |
|  | <u>\$12,627,920</u> | <u>\$16,053,410</u> |

Long-term investments are comprised primarily of fixed income securities with maturities greater than one year at time of purchase.

All of the long-term investments held at March 31, 2010 mature at various dates to April 2016 (2009 – various dates to April 2016) and bear interest at rates ranging from 2.350% to 5.750% per annum (2009 – 3.490% to 5.750%).

### 5. Capital Assets

|  | Cost                 | Accumulated amortization | 2010 Net book value  |
|--|----------------------|--------------------------|----------------------|
| <i>GNW Trust</i>                       |                      |                          |                      |
| Land                                   | \$ 10,529,892        | \$ -                     | \$ 10,529,892        |
| Property held for development (Note 6) | 971,646              |                          | 971,646              |
| Buildings                              | 1,410,092            | 812,342                  | 597,750              |
| Equipment                              | 533,522              | 362,180                  | 171,342              |
|  | <u>13,445,152</u>    | <u>1,174,522</u>         | <u>12,270,630</u>    |
| <i>Capital Fund</i>                    |                      |                          |                      |
| Building                               | 32,776,297           | 13,472,860               | 19,303,437           |
| Equipment – general                    | 878,139              | 289,380                  | 588,759              |
| Equipment – computer                   | 1,664,452            | 881,239                  | 783,213              |
| Library collection                     | 918,203              | 452,719                  | 465,484              |
| Leasehold improvements                 | 132,591              | 13,259                   | 119,332              |
|  | <u>36,369,682</u>    | <u>15,109,457</u>        | <u>21,260,225</u>    |
| <i>Special Purpose Fund</i>            |                      |                          |                      |
| Equipment – computer                   | 62,083               | 10,347                   | 51,736               |
| <i>Trust Fund</i>                      |                      |                          |                      |
| Art collection                         | 983,599              | -                        | 983,599              |
|  | <u>\$ 50,860,516</u> | <u>\$ 16,294,326</u>     | <u>\$ 34,566,190</u> |



# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

### 5. Capital Assets (continued)

|                               | Cost          | Accumulated<br>amortization | 2009 Net<br>book value |
|-------------------------------|---------------|-----------------------------|------------------------|
| <i>GNW Trust</i>              |               |                             |                        |
| Land                          | \$ 10,529,892 | \$ -                        | \$ 10,529,892          |
| Property held for development | 336,013       |                             | 336,013                |
| Buildings                     | 1,410,092     | 671,333                     | 738,759                |
| Equipment                     | 491,189       | 221,359                     | 269,830                |
|                               | 12,767,186    | 892,692                     | 11,874,494             |
| <i>Capital Fund</i>           |               |                             |                        |
| Building                      | 31,807,405    | 12,665,564                  | 19,141,841             |
| Equipment - general           | 928,098       | 469,441                     | 458,657                |
| Equipment - computer          | 1,928,430     | 907,712                     | 1,020,718              |
| Library collection            | 939,932       | 442,452                     | 497,480                |
|                               | 35,603,865    | 14,485,169                  | 21,118,696             |
| <i>Trust Fund</i>             |               |                             |                        |
| Art collection                | 983,599       | -                           | 983,599                |
|                               | \$ 49,354,650 | \$ 15,377,861               | \$33,976,789           |

### 6. Property Under Development

In 2007, the GNW Trust entered into a letter of intent to sell a portion of the westerly site that was expected to close in fiscal 2008. However, the sale was not concluded and the letter of intent was rendered void. Subsequently, negotiations began with an alternate party with whom a letter of intent was expected to be signed in fiscal 2009. The sale transaction was not completed and accordingly the land has been reclassified from land held for sale to property under development. The GNW Trust purchased the remaining interest in the parcel of land from a third party and this transaction closed on December 16, 2009.

### 7. Accounts Payable and Accrued Liabilities

|  | 2010         | 2009         |
|--|--------------|--------------|
| Trade accounts payable and accrued liabilities | \$ 2,521,202 | \$ 2,104,171 |
| Accrued payroll benefits:                      |              |              |
| Holiday pay                                    | 895,415      | 581,854      |
| Bank time                                      | 23,762       | 7,277        |
| Gratuity days                                  | 92,088       | 81,535       |
|  | \$ 3,532,467 | \$ 2,774,837 |

# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

### 8. Long Term Debt

|                               | 2010 | 2009         |
|-------------------------------|------|--------------|
| GNW Campus Trust loan payable | \$ - | \$ 3,750,000 |
|                               | \$ - | \$ 3,750,000 |

The GNW Campus Trust loan payable was fully repaid as of March 31, 2010.

### 9. Deferred Contributions

Deferred contributions represent externally restricted contributions and other funding received for the purchase of capital assets.

|   | 2010          | 2009<br>(restated – note 2) |
|---|---------------|-----------------------------|
| Deferred contributions, beginning of year     | \$ 27,952,014 | \$ 28,149,694               |
| Contributions:                                |               |                             |
| Province of BC                                | 1,479,080     | 1,398,594                   |
| Federal government                            | 1,542,299     | 442,920                     |
| Other   | 439,432       | 260,507                     |
|   | 3,460,811     | 2,052,021                   |
| Less:   |               |                             |
| Amounts recognized to revenue during the year | (2,994,704)   | (2,249,702)                 |
| Transfer to (from) deferred contributions     | 63,961        | -                           |
| Deferred contributions, end of year           | \$ 28,482,082 | \$ 27,952,014               |

# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

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### 10. Commitments

#### (a) Leases

The University has entered into operating leases with respect to land, premises and operating equipment. The University is obligated to make the following minimum lease payments in each of the next five fiscal years ending March 31:

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|      |              |
|------|--------------|
| 2011 | \$ 884,653   |
| 2012 | 639,517      |
| 2013 | 491,652      |
| 2014 | 482,952      |
| 2015 | 480,110      |
|      | <hr/>        |
|      | \$ 2,978,884 |

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The requirements under CICA Handbook Section 3065, *Leases* was not applied on a retroactive basis to those leases in existence at the beginning of the first fiscal year beginning on or after January 1, 1979. The following information pertain to those leases that meet the definition of a capital lease, as set out in this Section, but which are accounted for as operating leases:

- (i) As of March 31, 2010, the amounts of the leased asset would have been \$897,700 and the lease obligation would have been \$2,631,900 and would have been included in the statement of financial position had such leases been accounted for as capital leases; and
- (ii) The effect on net income (loss) for the year ended March 31, 2010 would be an increase of \$37,578 had such leases been accounted for as capital leases.

#### (b) Early retirement

The University has committed to the following payments as part of early retirement agreements with retiring employees. This total of \$615,016 has been accrued on the statement of financial position.

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|      |            |
|------|------------|
| 2011 | \$ 176,408 |
| 2012 | 176,408    |
| 2013 | 123,381    |
| 2014 | 82,623     |
| 2015 | 56,196     |
|      | <hr/>      |
|      | \$ 615,016 |

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# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

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### 10. Commitments (continued)

(c) GNW Trust Commitments

- (i) The GNW Trust has provided a letter of guarantee in the amount of \$60,000 (2009 - \$246,000) in favor of the City of Vancouver.
- (ii) The GNW Trust leases certain computer and printing equipment under operating leases. Minimum annual lease payments to the end of the lease terms in 2010 is \$23,594.
- (iii) In June 2001, the GNW Trust entered into a Services and Open Space Agreement with the City of Vancouver. This agreement obligates the Trust to reimburse the City of Vancouver for certain costs in addition to carrying out certain on- and off-site servicing works.

### 11. Related Party Transactions

During the year ended March 31, 2008, an employee of the University was granted an interest free loan in the amount of \$13,410 for the purchase of pensionable service with the Municipal Pension Plan. The loan is repayable over five years. At March 31, 2010, the balance of the loan amounted to \$7,464 (2009 – \$9,655).

The financial statements include the following amounts recovered from related parties during the year, representing the University's portion of the transactions:

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|                                  | 2010      | 2009      |
|----------------------------------|-----------|-----------|
| Base rent and amounts recovered: |           |           |
| UBC                              | \$ 41,850 | \$ 40,536 |
| UBC Properties Trust             | 37,055    | 33,205    |
| BCIT                             | 268,543   | 267,915   |

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At March 31, 2010 the University had amounts payable to Simon Fraser University and University of British Columbia totaling \$2,614 (2009 – \$7,301). The amounts are non-interest bearing and unsecured with no fixed terms of repayment.

# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

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### 12. Pension

The University and its employees contribute to the College Pension Plan and Municipal Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has over 12,000 active members from college senior administration and instructional staff and approximately 3,900 retired members. The Municipal Pension Plan has approximately 158,000 active contributors, with approximately 5,400 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2006 indicated an unfunded liability of \$ 54 million for basic pension benefits. The next valuation will be as at August 31, 2009 with results available in 2010. The most recent valuation for the Municipal Pension Plan as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of an unfunded liability to individual employers. The University's employer contributions amounted to \$ 1,018,432 in 2010 (2009 - \$967,653).

### 13. Funds Held by Vancouver Foundation

The University has an endowment fund of \$342,042 (2009 - \$ 307,443) with the Vancouver Foundation. This fund is a permanent fund with the Foundation which provides income for scholarships, bursaries and other student aid at the University. The fund is not under University ownership or control. The University has recorded its contributions to the fund as donation expenditures. The University received amounts totaling \$ 12,294 (2009 - \$19,211) as income from the fund during the year.

### 14. Financial Instruments

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 principal risks to which the University is exposed, and the action taken to manage them, are described below.

#### (a) Fair values

The carrying values of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

# Emily Carr University of Art + Design

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2010

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### 14. Financial Instruments (continued)

(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, including access to a bank operating line of credit to fulfill its obligations when due.

(c) 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.

The University's exposure to credit risk is influenced mainly by the individual characteristics of each student. 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.

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

### 15. Comparative Figures

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