

Financial Statements of

**KWANTLEN POLYTECHNIC UNIVERSITY**

Year ended March 31, 2012

## STATEMENT OF MANAGEMENT RESPONSIBILITY

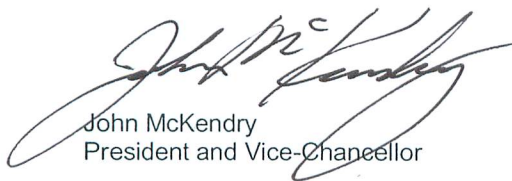
The financial statements of Kwantlen Polytechnic University ("the University") have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements present fairly the financial position of the University as at March 31, 2012, and the results of its operations and the changes in its financial position for the year then ended.

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

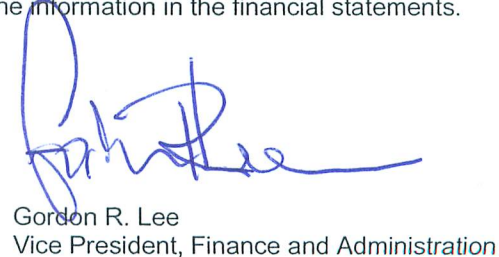
The Board of Governors is responsible for reviewing and approving the financial statements, and overseeing management's performance of its financial reporting responsibilities.

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

The financial statements for the year ended March 31, 2012 have been reported on by KPMG LLP. The Independent Auditors' Report outlines the scope of the audit and provides the audit opinion on the fairness of presentation, in all material respects, of the information in the financial statements.



John McKendry  
President and Vice-Chancellor



Gordon R. Lee  
Vice President, Finance and Administration

June 20, 2012



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**Chartered Accountants**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Governors and the Ministry of Advanced Education

We have audited the accompanying financial statements of Kwantlen Polytechnic University ("the University"), which comprise the statement of financial position as at March 31, 2012 the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kwantlen Polytechnic University as at March 31, 2012 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

June 20, 2012

Burnaby, Canada

# KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Financial Position

Statement 1

March 31, 2012, with comparative figures for 2011

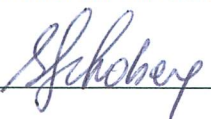
|                                | 2012                  | 2011                  |
|--------------------------------|-----------------------|-----------------------|
| <b>Assets</b>                  |                       |                       |
| Current assets:                |                       |                       |
| Cash and cash equivalents      | \$ 22,594,123         | \$ 16,322,552         |
| Short-term investments         | 3,060,941             | 1,898,410             |
| Accounts receivable            | 3,450,869             | 4,514,327             |
| Inventories                    | 1,441,026             | 1,470,519             |
| Prepaid expenses               | 1,136,492             | 1,108,354             |
|                                | <u>31,683,451</u>     | <u>25,314,162</u>     |
| Long-term investments (note 3) | 30,870,501            | 31,858,684            |
| Other assets (note 4)          | 700,000               | 800,000               |
| Capital assets (note 6)        | 177,652,686           | 180,322,074           |
|                                | <u>\$ 240,906,638</u> | <u>\$ 238,294,920</u> |

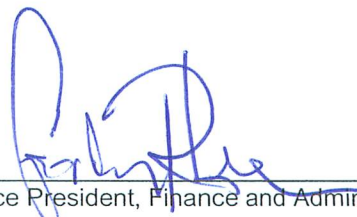
## Liabilities and Net Assets

|   |                       |                       |
|---|-----------------------|-----------------------|
| Current liabilities:  |                       |                       |
| Accounts payable and accrued liabilities                    | \$ 9,500,530          | \$ 7,463,622          |
| Current portion of obligations under capital lease (note 7) | 108,689               | 203,279               |
| Salaries and wages payable                                  | 4,255,534             | 3,733,987             |
| Accrued vacation payable                                    | 8,461,447             | 8,214,603             |
| Deferred revenue  | 9,813,540             | 10,215,869            |
|   | <u>32,139,740</u>     | <u>29,831,360</u>     |
| Obligations under capital lease (note 7)                    | 17,343                | 113,501               |
| Deferred capital contributions (note 8)                     | 134,794,462           | 140,045,935           |
|   | <u>166,951,545</u>    | <u>169,990,796</u>    |
| Net assets:   |                       |                       |
| Invested in capital assets (note 9)                         | 49,559,705            | 47,529,386            |
| Internally restricted                                       | 24,847,164            | 21,218,411            |
| Unrestricted  | (2,951,776)           | (2,943,673)           |
| Endowment   | 2,500,000             | 2,500,000             |
|   | <u>73,955,093</u>     | <u>68,304,124</u>     |
| Commitments and contingencies (note 11)                     |                       |                       |
| Employee future benefits (note 12)                          |                       |                       |
|   | <u>\$ 240,906,638</u> | <u>\$ 238,294,920</u> |

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
Chair

  
Vice President, Finance and Administration

# KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Operations

Statement 2

Year ended March 31, 2012, with comparative figures for 2011

|   | 2012               | 2011               |
|---|--------------------|--------------------|
| Revenue:  |                    |                    |
| Grants from Province of British Columbia                    | \$ 73,969,070      | \$ 74,288,484      |
| Other grants  | -                  | 1,900,536          |
| Tuition fees  | 46,488,078         | 44,320,760         |
| Access and other fees                                       | 4,694,735          | 3,879,950          |
| Contract and other services                                 | 2,068,316          | 1,918,055          |
| Interest, shop earnings and other income                    | 4,562,433          | 3,463,156          |
| Ancillary services  | 8,274,525          | 8,427,424          |
| Amortization of deferred capital contributions (note 8)     | 5,230,299          | 4,901,407          |
|   | <u>145,287,456</u> | <u>143,099,772</u> |
| Expenses:   |                    |                    |
| Salaries and benefits                                       | 101,648,577        | 99,385,976         |
| Travel and professional development                         | 3,003,340          | 2,553,831          |
| Supplies  | 3,386,664          | 4,012,841          |
| Student awards and bursaries                                | 785,710            | 767,726            |
| Fees and services   | 6,116,116          | 5,672,183          |
| Facilities  | 7,501,697          | 8,983,616          |
| Cost of sales   | 5,160,482          | 5,144,079          |
| Leases, property taxes and insurance                        | 735,059            | 681,581            |
| Amortization of capital assets                              | 10,105,114         | 9,891,286          |
| Contributions to Kwantlen Polytechnic University Foundation | 1,193,728          | 1,257,208          |
|   | <u>139,636,487</u> | <u>138,350,327</u> |
| Excess of revenue over expenses                             | \$ 5,650,969       | \$ 4,749,445       |

See accompanying notes to financial statements.

# KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Changes in Net Assets

Statement 3

Year ended March 31, 2012, with comparative figures for 2011

|   | Invested in<br>capital assets<br>(note 9) | Internally<br>restricted | Unrestricted   | Endowment    | 2012<br>Total | 2011<br>Total |
|---|---|--------------------------|----------------|--------------|---------------|---------------|
| Balance, beginning of year                                  | \$ 47,529,386                             | \$ 21,218,411            | \$ (2,943,673) | \$ 2,500,000 | \$68,304,124  | \$63,554,679  |
| Excess (deficiency) of revenue<br>over expenses (note 9(b)) | (4,874,815)                               | -                        | 10,525,784     | -            | 5,650,969     | 4,749,445     |
| Net change in invested<br>in capital assets (note 9(c))     | 6,905,134                                 | -                        | (6,905,134)    | -            | -             | -             |
| Transfer to/from internally<br>restricted net assets        | -   | 3,628,753                | (3,628,753)    | -            | -             | -             |
| Balance, end of year  | \$ 49,559,705                             | \$ 24,847,164            | \$ (2,951,776) | \$ 2,500,000 | \$73,955,093  | \$68,304,124  |

See accompanying notes to financial statements.

# KWANTLEN POLYTECHNIC UNIVERSITY

Statement of Cash Flows

Statement 4

Year ended March 31, 2012, with comparative figures for 2011

|   | 2012          | 2011          |
|---|---------------|---------------|
| Cash provided by (used in):                     |               |               |
| Operations:                                     |               |               |
| Excess of revenue over expenses                 | \$ 5,650,969  | \$ 4,749,445  |
| Items not involving cash:                       |               |               |
| Loss on disposal of capital assets              | 3,656         | 2,874         |
| Amortization of capital assets                  | 10,105,114    | 9,891,286     |
| Amortization of deferred capital contributions  | (5,230,299)   | (4,901,407)   |
| Changes in non-cash operating working capital:  |               |               |
| Accounts receivable                             | 1,063,458     | (3,557,619)   |
| Inventories                                     | 29,493        | (110,990)     |
| Prepaid expenses                                | (28,138)      | (46,532)      |
| Accounts payable and accrued liabilities        | 2,036,907     | (1,165,447)   |
| Salaries and wages payable                      | 521,547       | 605,664       |
| Accrued vacation payable                        | 246,844       | 83,816        |
| Deferred revenue                                | (402,329)     | 772,493       |
|   | 13,997,222    | 6,323,583     |
| Investing:                                      |               |               |
| Other assets                                    | 100,000       | 100,000       |
| Acquisition of capital assets                   | (7,439,381)   | (10,243,868)  |
| Proceeds from disposal of assets held-for- sale | -             | 4,576,507     |
| Decrease (increase) in short-term investments   | (1,162,531)   | 331,059       |
| Decrease (increase) in long-term investments    | 988,183       | (1,522,325)   |
|   | (7,513,729)   | (6,758,627)   |
| Financing:                                      |               |               |
| Contributions received for capital assets       | 402,531       | 4,042,963     |
| Adjustment in contributions                     | (423,705)     | -             |
| Repayment of obligations under capital lease    | (190,748)     | (373,532)     |
|   | (211,922)     | 3,669,431     |
| Increase in cash and cash equivalents           | 6,271,571     | 3,234,387     |
| Cash and cash equivalents, beginning of year    | 16,322,552    | 13,088,165    |
| Cash and cash equivalents, end of year          | \$ 22,594,123 | \$ 16,322,552 |

See note 6 for supplementary information on cash flows.

See accompanying notes to financial statements.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2012

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## 1. Authority and purpose:

Kwantlen Polytechnic University (the “University”) is a special purpose, teaching university funded by the provincial government and operates under the authority of the University Act of British Columbia. It offers career, vocational, developmental and academic programs from its Richmond, Langley and two Surrey campuses located in southwestern British Columbia. The University is exempt from income tax under the Income Tax Act.

The University is governed by a Board of Governors, the majority of whom are appointed by the provincial government of British Columbia (the “Province”).

## 2. Significant accounting policies:

### (a) Basis of accounting and presentation:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

### (b) Cash and cash equivalents:

Cash and cash equivalents are defined to include cash and highly liquid securities with original terms to maturity of three months or less when purchased and have been classified as held for trading and are carried at fair value, with any changes in fair value being recorded in the statement of operations.

### (c) Short-term investments:

Short-term investments are defined to include short-term investments, with terms to maturity of greater than three months and less than one year when purchased, and have been classified as held for trading and are carried at fair value, with any changes in fair value being recorded in the statement of operations.

### (d) Inventories:

Inventory of merchandise held-for-resale is stated at the lower of cost and replacement cost, with cost defined as weighted average cost.

### (e) Long-term investments:

Long-term investments are defined to include investments, with terms to maturity of greater than one year, and have been classified as held for trading and are carried at fair value, with any changes in fair value being recorded in the statement of operations.

### (f) Capital assets:

Capital assets purchased by the University are recorded at cost. Donated capital assets are recorded at their fair market value on the date of donation. Capital assets are amortized on a straight-line basis over their estimated useful lives as shown in the schedule below.



# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

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## 2. Significant accounting policies (continued):

(f) Capital assets (continued):

| Asset                   | Years    |
|-------------------------|----------|
| Buildings               | 40 years |
| Major renovations       | 10 years |
| Site improvements       | 10 years |
| Furniture and equipment | 5 years  |
| Library holdings        | 10 years |
| Vehicles                | 5 years  |

(g) Capital funding:

Capital funding from the Province, in the form of prepaid capital advances, is recorded by post-secondary institutions as deferred capital contributions and are amortized to revenue in order to match the expense generated through amortization of the capital assets acquired with the funds. Any debt obligations are the responsibility of the Province and are reported at the provincial level.

(h) Revenue recognition:

The University follows the deferral method of accounting for contributions. Unrestricted grants and contributions are recorded as revenue when received or receivable if the amounts can be estimated and collection is reasonably assured. Other unrestricted revenue, including tuition fees and sales of services and products, is reported as revenue at the time the services are provided or the products are delivered. Tuition fees received in advance of courses being delivered are deferred and are recognized to the extent the courses have been delivered.

Externally restricted contributions are reported as revenue when the restrictions imposed by the contributors on the use of the monies are satisfied as follows:

- (i) Non-capital contributions for specific purposes are recognized as revenue in the year in which the related expense is incurred.
- (ii) Contributions of or for the purchase of capital assets having a limited life are recognized as revenue on the same basis as the amortization expense related to the capital asset purchased is recorded. Where the capital asset involved is land to be held for use by the University, the contribution is reported as a direct increase in net assets invested in capital assets rather than as revenue.
- (iii) Endowment contributions are recorded as direct increases in endowment net assets in the period the contribution is received.

Investment income is recognized as revenue when it is earned.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

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## 2. Significant accounting policies (continued):

(i) Pledges and contributed services:

Pledges from donors are recorded when payment is received by the University or the transfer of property is completed. The University acknowledges the substantial and significant services provided by its many volunteers. The value of these services is not recorded in the financial statements.

(j) Employee future benefits:

The University accrues its future obligations under employee benefit plans related to the supplemental employment benefit for faculty on maternity or parental leave. Vacation pay is accrued as it is earned by employees.

The University is a member of multi-employer pension plans and applies defined contribution plan accounting where expenses relating to the plans are recorded as the amounts are paid in accordance with the plan requirements.

(k) Financial instruments:

The University has classified cash and cash equivalents, short-term investments and long-term investments as held for trading, accounts receivable as loans and receivables and accounts payable and accrued liabilities as other financial liabilities. The University has not identified any embedded derivatives that are not closely related to the host contract and currently the University does not have any financial instruments that would qualify for hedge accounting.

The University has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861 in place of Handbook Sections 3862, *Financial Instruments – Disclosure*, and 3863, *Financial Instruments – Presentation*.

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of useful lives of capital assets for amortization and the amortization of related deferred capital contributions, accrued liabilities, valuation of accounts receivable, and provisions for contingencies. Actual results may differ from these estimates.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 2. Significant accounting policies (continued):

(m) Future changes in accounting standards:

Effective April 1, 2012, the University will transition to a new accounting framework which will include Public Sector Accounting Standards supplemented by directives from the Government of British Columbia's Treasury Board.

The transition to the new accounting framework will be applied on a retrospective basis. The University is reviewing the impact of these changes on the financial statements.

(n) Adoption of new accounting standards:

During the University's 2010 fiscal year, the Canadian Institute of Chartered Accountants ("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*. The University has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

## 3. Long-term investments:

Long-term investments are comprised of various federal, provincial and municipal government and corporate bonds, with varying coupon rates ranging from 2.19% – 7.90% and maturity dates to December 2105.

|                                 | 2012          | 2011          |
|---------------------------------|---------------|---------------|
| Government and corporate bonds: |               |               |
| 1 to 5 years                    | \$ 11,172,229 | \$ 12,974,606 |
| Greater than 5 years            | 17,605,815    | 15,957,505    |
|                                 | 28,778,044    | 28,932,111    |
| Securities                      | 2,092,457     | 2,926,573     |
|                                 | \$ 30,870,501 | \$ 31,858,684 |

## 4. Other assets:

During fiscal 2010, the University entered into an agreement with the City of Surrey sharing the costs of developing an artificial turf field at Newton Athletic Park. Kwantlen agreed to pay \$1,000,000 towards the total estimated cost. As part of the agreement, the University has, at no cost, unrestricted use of the turf at scheduled times and priority booking rights at other times. The turf is expected to have a life span of approximately ten years before the turf surface will need to be replaced. As at March 31, 2012, \$100,000 (2011 - \$100,000) has been included as prepaid expenses and \$700,000 (2011 - \$800,000) has been included as other assets.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 5. Capital management:

The University receives its principal source of capital funds from the Ministry of Advanced Education ("AVED"). The University defines capital to be net assets and deferred capital contributions.

The University's objective when managing capital is to fund its operations and capital asset additions. The University manages the capital structure in conjunction with the AVED making adjustments based on available government funding and economic conditions. Currently, the University's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the AVED.

The University is not subject to debt covenants or any other capital requirements.

## 6. Capital assets:

|                          |                |                          | 2012           | 2011           |
|--------------------------|----------------|--------------------------|----------------|----------------|
|                          | Cost           | Accumulated amortization | Net book value | Net book value |
| Land                     | \$ 20,039,845  | \$ -                     | \$ 20,039,845  | \$ 20,039,845  |
| Buildings                | 195,204,665    | 52,997,707               | 142,206,958    | 146,700,269    |
| Major renovations        | 1,587,942      | 158,794                  | 1,429,148      | 1,131,850      |
| Site improvements        | 941,195        | 763,745                  | 177,450        | 217,844        |
| Furniture and equipment  | 41,600,726     | 33,442,061               | 8,158,665      | 9,815,796      |
| Library holdings         | 5,906,096      | 3,160,127                | 2,745,969      | 2,393,881      |
| Vehicles                 | 45,176         | 31,624                   | 13,552         | 22,589         |
| Construction in progress | 2,881,099      | -                        | 2,881,099      | -              |
|                          | \$ 268,206,744 | \$ 90,554,058            | \$ 177,652,686 | \$ 180,322,074 |

During the year, capital assets were acquired at an aggregate cost of \$7,439,381 (2011 - \$10,243,868), of which nil (2011 - nil) was acquired by means of capital leases.

Assets with a net book value of \$3,656 (2011 - \$2,874) were disposed of during the year.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 7. Obligations under capital lease:

The University has entered into capital leases to finance computing equipment at an estimated cost of borrowing of 3.71% per annum. The principal and interest payments are as follows:

|  | 2012       | 2011       |
|--|------------|------------|
| Total minimum lease payments                       | \$ 130,433 | \$ 333,712 |
| Imputed interest                                   | (4,401)    | (16,932)   |
|  | 126,032    | 316,780    |
| Current portion of obligations under capital lease | 108,689    | 203,279    |
|  | \$ 17,343  | \$ 113,501 |

As at March 31, 2012, the University was committed to payments under capital leases, including imputed interest as follows:

|      | 2012       | 2011       |
|------|------------|------------|
| 2012 | \$ -       | \$ 203,279 |
| 2013 | 112,874    | 112,874    |
| 2014 | 17,559     | 17,559     |
|      | \$ 130,433 | \$ 333,712 |

## 8. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount used to purchase capital assets and the unspent amount of donations and grants received for the purchase and improvements of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

|  | 2012           | 2011           |
|--|----------------|----------------|
| Balance, beginning of year                                 | \$ 140,045,935 | \$ 137,302,162 |
| Contributions received                                     | 402,531        | 4,042,963      |
| Adjustment in contributions                                | (423,705)      | -              |
| Net increase from disposal of assets held-for- sale        | -              | 3,602,217      |
| Amortization of deferred capital contributions (note 9(b)) | (5,230,299)    | (4,901,407)    |
| Balance, end of year                                       | \$ 134,794,462 | \$ 140,045,935 |

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 8. Deferred capital contributions (continued):

The balance of deferred capital contributions is comprised of the following:

|   | 2012           | 2011           |
|---|----------------|----------------|
| Unamortized capital contributions (note 9(a)) | \$ 127,966,949 | \$ 132,475,908 |
| Unspent contributions                         | 6,827,513      | 7,570,027      |
| Balance, end of year                          | \$ 134,794,462 | \$ 140,045,935 |

## 9. Invested in capital assets:

(a) Net assets invested in capital assets are calculated as follows:

|  | 2012           | 2011           |
|--|----------------|----------------|
| Capital assets                             | \$ 177,652,686 | \$ 180,322,074 |
| Amounts financed by:                       |                |                |
| Unamortized capital contributions (note 8) | (127,966,949)  | (132,475,908)  |
| Obligations under capital lease (note 7)   | (126,032)      | (316,780)      |
|  | \$ 49,559,705  | \$ 47,529,386  |

(b) Deficiency of revenue over expenses:

|   | 2012           | 2011           |
|---|----------------|----------------|
| Amortization of deferred capital contributions (note 8) | \$ 5,230,299   | \$ 4,901,407   |
| Less amortization of capital assets                     | (10,105,114)   | (9,891,286)    |
| Deficiency of revenue over expenses                     | \$ (4,874,815) | \$ (4,989,879) |

(c) Net change in invested in capital assets:

|  | 2012         | 2011          |
|--|--------------|---------------|
| Acquisition of capital assets                    | \$ 7,439,381 | \$ 10,243,868 |
| Disposal of capital assets                       | (3,656)      | (2,874)       |
| Amounts funded by deferred capital contributions | (721,339)    | (3,271,180)   |
| Repayment of obligations under capital lease     | 190,748      | 373,532       |
| Increase in invested in capital assets           | \$ 6,905,134 | \$ 7,343,346  |

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 10. Kwantlen Polytechnic University Foundation:

The Kwantlen Polytechnic University Foundation (the "Foundation") was incorporated in 2000 under the Society Act (British Columbia). The purpose of the Foundation is to administer the University's endowment funds, help raise funds for the benefit of the University, and provide financial support to the University and its students. The University has an economic interest in the Foundation. The University also has significant influence over the Foundation by virtue of its representation on the Board of the Foundation, sharing of managerial personnel and the University paying for the operating expenses of the Foundation.

The net assets and results of operations of the Foundation are not included in the financial statements of the University. A financial summary as at and for the year ended March 31, 2012, based on unaudited financial statements of the Foundation, is as follows:

|                             | 2012                 | 2011                 |
|-----------------------------|----------------------|----------------------|
| <b>Financial position</b>   |                      |                      |
| Total assets                | \$ 13,447,314        | \$ 11,447,813        |
| Total liabilities           | 95,302               | 300                  |
| <b>Total net assets</b>     | <b>\$ 13,352,012</b> | <b>\$ 11,447,513</b> |
| <b>Result of operations</b> |                      |                      |
| Total revenue               | \$ 3,669,336         | \$ 3,832,967         |
| Total expenses              | 1,764,837            | 1,795,787            |
|                             | <b>\$ 1,904,499</b>  | <b>\$ 2,037,180</b>  |

During the year ended March 31, 2012, the Foundation paid awards to students of the University in the amount of \$1,275,321 (2011 - \$1,514,151). Included in accounts payable on the statement of financial position of the University is \$94,405 (2011 - \$200,170 payable) due to the Foundation relating to these awards.

# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

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## 11. Commitments and contingencies:

- (a) 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 has committed to the renovation of the former Trades building at the Langley campus to relocate the Faculty of Community and Health Studies. The University will be funding the project budgeted at \$7 million. The project is expected to be completed by the end of June 2012.
- (c) As at March 31, 2012, the University had \$10,000 (2011 - \$10,000) in letters of credit outstanding, which are secured by term deposits as required by the financial institution.
- (d) The University has the ability to draw on a line of credit of \$7,000,000 (2011 - \$7,000,000). As at March 31, 2012, the University has not utilized the available line of credit.

## 12. Employee future benefits:

- (a) The University and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusted 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 about 13,000 active members from college and special purpose, teaching university senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has about 173,000 active members, with approximately 5,600 from colleges and special purpose, teaching universities.

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, 2009 indicated an unfunded liability of \$28 million for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent valuation for the Municipal Pension Plan as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The University has expensed \$7,066,293 for employer contributions to the plans in fiscal 2011/2012 (2010/11 - \$6,752,757).

- (b) Maternity or parental leave:

The University provides supplemental employee benefits for faculty, staff, or 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 \$422,744 in fiscal 2011/2012 (2011 - \$506,847). As at March 31, 2012, the University has in obligations \$223,068 (2011 - \$329,992), which has been included in salaries and wages payable.



# KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

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## **13. Related parties:**

The University is related through common ownership to all Province of British Columbia ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## **14. Financial instruments:**

The University's financial instruments, including cash and cash equivalents, short-term investments and long-term investments have been recorded at their fair value.

Accounts receivable have been classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, salaries and wages payable and accrued vacation payable have been classified as other financial liabilities and are measured at amortized cost. Accounts receivable, accounts payable and accrued liabilities, salaries and wages payable and accrued vacation payable, approximate their fair values due to their immediate or short term to maturity.

## **15. Comparative figures:**

Certain comparative figures have been reclassified to conform with the current period presentation.