



FINANCIAL STATEMENTS
Years ended March 31, 2013 and 2012

May 15, 2013

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

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

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

In discharging its responsibilities for the integrity and fairness of the 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 Board Finance and Audit Committee are composed primarily of those who are neither management nor employees of the University. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial information included in the annual report. The Board Finance and Audit Committee has the responsibility of meeting with management and external auditors to discuss the financial reporting process, auditing matters, financial reporting issues, and recommends approval of the 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 Board Finance and Audit Committee; their report follows. The external auditor has full and free access to, and meets periodically and separately with, both the Committee and management to discuss their audit findings.

On behalf of Emily Carr University of Art + Design



Michael Clifford, Vice President
Finance + Administration



Michelle Lock
Director, Financial Services



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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Governors of Emily Carr University of Art + Design, and
To the Ministry of Advanced Education, Innovation and Technology, Province of British Columbia

We have audited the accompanying financial statements of Emily Carr University of Art + Design, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statement of remeasurement gains and losses for the year ended March 31, 2013, the statements of operations, changes in net debt and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 of these 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.

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements of Emily Carr University of Art + Design as at as at March 31, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

May 16, 2013

Burnaby, Canada

Emily Carr University of Art + Design


STATEMENT OF FINANCIAL POSITION

March 31, 2013, March 31, 2012 and April 1, 2011

	2013	2012 (note 2)	2011 (note 2)
Financial assets			
Cash and cash equivalents	\$ 2,013,712	\$ 3,566,200	\$ 2,089,441
Investments (note 4)	8,576,552	6,842,268	6,169,572
Investment in GNW (note 6)	13,694,598	13,238,861	11,445,324
Accounts receivable (note 3)	2,495,464	487,362	486,368
Inventories for resale	142,050	324,744	261,579
	<u>26,922,376</u>	<u>24,459,435</u>	<u>20,452,284</u>
Liabilities			
Accounts payable and accrued liabilities (note 8)	\$ 3,689,579	\$ 3,426,113	\$ 3,221,584
Deferred revenue	1,656,835	1,239,376	1,194,526
Capital lease obligation (note 12)	258,660	254,660	97,268
Debt	54,353	79,112	103,871
Deferred contributions (note 10)	26,450,884	24,868,517	23,613,583
	<u>32,110,311</u>	<u>29,867,778</u>	<u>28,230,832</u>
Net debt	<u>(5,187,935)</u>	<u>(5,408,343)</u>	<u>(7,778,548)</u>
Non-financial assets			
Tangible capital assets (note 7)	23,069,271	21,311,197	21,760,934
Endowment investments (note 5)	4,642,521	4,591,673	4,143,292
Inventories of supplies	8,000	8,000	8,000
Prepaid expenses	234,401	235,195	272,084
	<u>27,954,193</u>	<u>26,146,065</u>	<u>26,184,310</u>
Accumulated surplus	<u>\$ 22,766,258</u>	<u>\$ 20,737,722</u>	<u>\$ 18,405,762</u>
Accumulated surplus is comprised of:			
Accumulated operating surplus	22,590,316	20,737,722	18,405,762
Accumulated remeasurement gains (losses)	175,942	-	-
	<u>\$ 22,766,258</u>	<u>\$ 20,737,722</u>	<u>\$ 18,405,762</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:


 Evaleen Jaeger Roy, Chair
 Board of Governors


 Michael Clifford, Vice-President
 Finance + Administration

Emily Carr University of Art + Design
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
Years ended March 31, 2013 and 2012

	Budget (note 18)	2013	2012 (note 2)
Revenue			
Grants			
Province of British Columbia	\$ 13,898,798	\$ 13,963,084	\$ 14,025,540
Federal government	161,000	170,351	196,196
Tuition Fees	11,505,537	11,082,444	10,527,315
Amortization of deferred contributions	2,966,007	3,098,171	2,962,694
Income from equity accounted organizations	-	1,555,354	1,893,302
Gifts, grants and bequests	77,000	115,128	651,921
Interest	211,100	281,435	264,716
Miscellaneous	377,500	539,304	679,017
	29,196,942	30,805,271	31,200,701
Expenses			
Instruction	14,192,945	14,200,495	13,577,397
Instruction support	13,723,718	12,890,778	13,413,533
Research	830,000	929,698	1,009,944
Externally sponsored activity and trust	340,000	874,035	733,976
Loss from equity accounted organizations	100,534	-	-
	29,187,197	28,895,006	28,734,850
Annual surplus	\$ 9,745	\$ 1,910,265	\$ 2,465,851
Accumulated Surplus, Beginning of year	20,737,722	20,737,722	18,405,762
Previously unrealized losses transferred to income	-	(28,066)	(29,786)
Change in unrealized gains (losses)	-	146,337	(104,105)
Accumulated Surplus, End of year	20,747,467	22,766,258	20,737,722

See accompanying notes to financial statements.

Emily Carr University of Art + Design
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
Years ended March 31, 2013

	2013
Accumulated remeasurement gains upon transition	\$ 57,671
Unrealized losses attributable to designated fair value financial instruments	(14,413)
Amounts reclassified to the statement of operations for designated fair value financial instruments	(28,066)
Accumulated remeasurement gains for the year before other comprehensive income from government business enterprises	15,192
Other comprehensive income from government business enterprises	160,750
Accumulated remeasurement gains, end of year	\$ 175,942

See accompanying notes to financial statements.

Emily Carr University of Art + Design

STATEMENT OF CHANGES IN NET DEBT

Years ended March 31, 2013 and 2012

	Budget (note 18)	2013	2012 (note 2)
Annual surplus	\$ 9,745	\$ 1,910,265	\$ 2,465,851
Acquisition of tangible capital assets	(2,069,125)	(3,343,545)	(1,197,676)
Amortization of tangible capital assets	1,744,674	1,585,471	1,647,416
	(324,451)	(1,758,074)	449,740
Acquisition of prepaid expense	-	(234,401)	(235,195)
Use of prepaid expense	(235,195)	235,195	272,084
	(235,195)	794	36,889
Increase in endowment investments	-	(50,848)	(448,381)
Effect of other comprehensive income from government business enterprises	-	160,750	(99,765)
Effect of remeasurement losses	-	(42,479)	(34,129)
	-	67,423	(582,275)
Decrease in net debt	(549,901)	220,408	2,370,205
Net debt, beginning of year	(816,670)	(5,408,343)	(7,778,548)
Net debt, end of year	\$ (1,366,571)	\$ (5,187,935)	\$ (5,408,343)

See accompanying notes to financial statements.

Emily Carr University of Art + Design

STATEMENT OF CASH FLOW

Years ended March 31, 2013 and 2012

	2013	2012
		(note 2)
Cash flows from operating activities:		
Annual Operating Surplus	\$ 1,910,265	\$ 2,465,851
Adjustments to reconcile net cash provided by operating activities		
Income from equity accounted organizations	(1,555,354)	(1,893,302)
Amortization of tangible capital assets	1,585,471	1,647,416
Amortization of deferred contributions	(3,098,171)	(2,962,694)
Change in non-cash working capital:		
Accounts receivable	(747,735)	(994)
Inventories for resale	182,694	(63,165)
Prepaid expenses	794	36,889
Accounts payable and accrued liabilities	263,466	204,529
Deferred revenue	417,459	44,850
	<u>(1,041,111)</u>	<u>(520,620)</u>
Cash flows from capital activities:		
Purchase of tangible capital assets	(3,143,722)	(903,448)
	<u>(3,143,722)</u>	<u>(903,448)</u>
Cash flows from financing activities:		
Payments on capital lease obligations	(195,823)	(136,836)
Decrease in debt	(24,759)	(24,759)
Deferred contributions received	4,680,538	4,217,626
	<u>4,459,956</u>	<u>4,056,031</u>
Cash flows from investing activities:		
Purchase of Investments	(1,827,611)	(1,155,204)
	<u>(1,827,611)</u>	<u>(1,155,204)</u>
Increase (decrease) in cash during the year	(1,552,488)	1,476,759
Cash and cash equivalents, beginning of year	3,566,200	2,089,441
Cash and cash equivalents, end of year	<u>\$ 2,013,712</u>	<u>\$ 3,566,200</u>
Supplementary information:		
Non-cash transactions:		
Acquisition of tangible capital assets through capital lease	\$ 199,823	\$ 294,228
Distribution declared and unpaid at year end	\$ 1,260,367	\$ -

See accompanying notes to financial statements.

Emily Carr University of Art + Design

Notes to Financial Statements

Years ended March 31, 2013 and 2012

Emily Carr University of Art + Design (the "University") is a post-secondary educational university that was granted university status on September 1, 2008 and incorporated under the amended University Act. The University was formerly known as the Emily Carr Institute of Art + Design and was 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 receives significant funding from 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 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 comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

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

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

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

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

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued)

(b) Investments in Government Business Enterprises

Great Northern Way Campus Trust

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

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

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

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

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

The GNW Campus Trust has an accumulated operating deficit from significant operating losses in previous years. Accordingly, the GNW Campus Trust's continuance as a going concern, and classification as a GBE, is dependent upon continued positive earnings. If the going concern basis is not appropriate, adjustments may be necessary in the carrying amounts of the GNW Campus Trust Fund assets, liabilities and expenses in these 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 Campus Trust.

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued)

(b) Investments in Government Business Enterprises (continued)

Under the provision of the Trust Deed, Great Northern Way Campus Ltd. in its capacity as trustee of the GNW Campus Trust, and at its sole discretion, is required to distribute all net income of the GNW Campus Trust to the beneficiaries. A distribution of \$5,041,464 was declared in fiscal 2012 (2011 – nil).

(c) 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.

(d) Revenue recognition

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

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

Restricted donations, grants and contributions are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded in accordance with Regulation 198/2011 which requires that they be recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.
- (iii) Endowment contributions are recognized as revenue when received. Any related investment income earned thereon is deferred when earned in accordance with the stipulations in the endowment agreements. The income is recognized as revenue when it is spent on the purpose specified.
- (iv) Donations of capital assets that would otherwise be purchased are accounted for at fair value when a fair value can be reasonably estimated.
- (v) Land disposals by the GNW Campus Trust are recognized as revenue by GNW Campus Trust 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.

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued)

(d) Revenue recognition (continued)

(vi) The GNW Campus 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 on a straight line basis over the term of the rental period.

(e) Service contributions

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

(f) Inventories for resale

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

(g) Financial Instruments

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

Endowment investments are held in perpetuity and presented as non-financial assets as they are not available for consumption or to discharge liabilities. The investments are recorded at fair value.

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

- Guaranteed investment certificates – elected to be recorded at fair value
- Fixed income securities (Provincial and Municipal bonds) – elected to be recorded at fair value
- GNW Campus Trust – Canadian Money Market Mutual Funds – elected to be recorded at fair value
- GNW Campus Trust – Leith Wheeler Diversified Fund – elected to be recorded at fair value

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued)

(h) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Borrowing costs directly attributable to the construction of tangible capital assets are capitalized during the construction period. Contributed tangible capital assets are recorded at fair value at the date of contribution.

Amortization of tangible capital assets 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 - 20 years
Furniture and equipment	5 - 10 years
Computer equipment	3 years
Library materials	10 years

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

(ii) Leased tangible capital assets

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

(iii) Impairment of tangible capital assets

Tangible capital assets are written down when conditions indicate that they no longer contribute to University's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

(iv) Prepaid expenses

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

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued)

(i) Employee future benefits

(i) Multi-employer plans

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

(ii) Employee leave benefits

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

(j) Asset retirement obligations

The University recognizes asset retirement obligations in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset, including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is amortized over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation. The University has determined that there were no significant asset retirement obligations to be recognized.

(k) Foreign currency transactions

The University's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the balance sheet date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet 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 gain or loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the Statement of operations.

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued)

(l) Use of estimates

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

(m) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2012/13 Budget Projection approved by the Board of Governors of the University on April 20, 2012. Note 18 reconciles the approved budget to the budget reflected in the statement of operations and accumulated surplus and the statement of changes in net financial debt.

2. Adoption of new financial reporting framework and prior period adjustment

Effective April 1, 2012, the University adopted the new financial reporting framework described in note 1(a). These financial statements are the first financial statements for which the University has applied this new financial reporting framework.

The impact of the adoption to this new financial reporting framework on accumulated surplus at the date of transition and the comparative annual surplus is presented below. These accounting changes have been applied retroactively with restatement of prior periods.

Key adjustments on the University's financial statements resulting from the adoption of these accounting standards are as follows:

- (a) Previously, the University has accounted for its investment in the GNW Campus Trust government business enterprises using proportionate consolidation. As stated in note 1(b), under the new framework, the University is to account for its investment in government business enterprises using the modified equity method.
- (b) Art collections are not included in the definition of a tangible capital asset under Canadian public sector accounting standards, accordingly the University's financial statements have been revised to remove art collections valued at \$983,599, previously recorded as tangible capital assets.

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Adoption of new financial reporting framework and prior period adjustment (continued)

- (c) Under the new framework, endowment contributions are recorded as revenue when received, as a result, the endowment contributions received of \$403,483 were recognized as grant revenue for the year ended March 31, 2012.

Previously the endowment distributions were presented on a net basis. As part of the transition, expenses and revenues were increased by \$166,176.

- (d) Prior period adjustment of deferred contributions

During the transition process, the University determined that certain amounts were included in deferred contributions, part of deferred contributions were being amortized, but should have been immediately recognized and included in accumulated surplus.

As a result, the following amounts were corrected retroactively:

- Deferred contributions were overstated and accumulated surplus was understated by \$808,751 at April 1, 2011.
- Revenues were understated by \$123,197 and amortization of deferred contributions was overstated by \$120,115, resulting in a net increase in income of \$3,082 for the year ended March 31, 2012.
- Deferred contributions were overstated and accumulated surplus understated at March 31, 2012 by \$811,833.

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Adoption of new financial reporting framework and prior period adjustment (continued)

(e) Summary of adjustments

Statement of Financial Position at March 31, 2012

	Previously Stated March 31, 2012	Adjustments	GNW Reclassification	Restated March 31, 2012
Financial Assets:				
Cash and cash equivalents	\$ 6,455,325	\$ -	\$ (2,889,125)	\$ 3,566,200
Investments	10,648,892	-	(3,806,624)	6,842,268
Investment in GNW	-	-	13,238,861	13,238,861
Accounts receivable	840,864	-	(353,502)	487,362
Inventories for resale	324,744	-	-	324,744
	18,269,825	-	6,935,466	24,459,435
Liabilities:				
Accounts payable and accrued liabilities	4,724,029	-	(1,297,916)	3,426,113
Deferred revenue	1,495,208	-	(255,832)	1,239,376
Capital lease obligation	254,660	-	-	254,660
Debt	59,334	-	19,778	79,112
Deferred contributions	30,759,876	(811,833)	(5,079,526)	24,868,517
	37,293,107	(811,833)	(6,613,496)	29,867,778
Net debt	(19,023,282)	811,833	12,803,106	(5,408,343)
Non-financial assets:				
Tangible Capital assets	35,090,932	(983,599)	(12,796,136)	21,311,197
Endowment investments	4,591,673	-	-	4,591,673
Inventories of supplies	8,000	-	-	8,000
Prepaid expenses	242,165	-	(6,970)	235,195
	39,932,770	(983,599)	(12,803,106)	26,146,065
	\$ 20,909,488	\$ (171,766)	\$ -	\$ 20,737,722

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Adoption of new financial reporting framework and prior period adjustment (continued)

(e) Summary of adjustments (continued)

Statement of Financial Position at April 1, 2011

	Previously Stated April 1, 2011	Adjustments	GNW Reclassification	Restated April 1, 2011
Financial Assets:				
Cash and cash equivalents	\$ 2,140,045	\$ -	\$ (50,604)	\$ 2,089,441
Investments	10,425,791	-	(4,256,219)	6,169,572
Investment in GNW	-	-	11,445,324	11,445,324
Accounts receivable	689,403	-	(203,035)	486,368
Inventories for resale	261,579	-	-	261,579
	<u>12,516,818</u>	<u>-</u>	<u>6,935,466</u>	<u>20,452,284</u>
Liabilities:				
Accounts payable and accrued liabilities	3,423,928	-	(202,344)	3,221,584
Deferred revenue	1,459,988	-	(265,462)	1,194,526
Capital lease obligation	97,268	-	-	97,268
Debt	77,903	-	25,968	103,871
Deferred contributions	29,520,803	(808,751)	(5,098,469)	23,613,583
	<u>34,579,890</u>	<u>(808,751)</u>	<u>(5,540,307)</u>	<u>28,230,832</u>
Net debt	<u>(21,063,072)</u>	<u>808,751</u>	<u>12,475,773</u>	<u>(7,778,548)</u>
Non-financial assets:				
Tangible Capital assets	35,213,187	(983,599)	(12,468,654)	21,760,934
Endowment investments	4,143,292	-	-	4,143,292
Inventories of supplies	8,000	-	-	8,000
Prepaid expenses	279,203	-	(7,119)	272,084
	<u>39,643,682</u>	<u>(983,599)</u>	<u>(12,475,773)</u>	<u>26,184,310</u>
	<u>\$ 18,580,610</u>	<u>\$ (174,848)</u>	<u>\$ -</u>	<u>\$ 18,405,762</u>

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Adoption of new financial reporting framework and prior period adjustment (continued)

(e) Summary of adjustments (continued)

Statement of Operations, year ended March 31, 2012

	Previously Stated March 31, 2012	Adjustments	GNW Reclassification	Restated March 31, 2012
Revenues:				
Grants				
Province of British Columbia	\$ 13,858,291	\$ 167,249	\$ -	\$ 14,025,540
Federal government	196,196	-	-	196,196
Tuition fees	10,527,315	-	-	10,527,315
Amortization of deferred contributions	3,11,752	(120,115)	(18,943)	2,962,694
Income from equity accounted organizations	-	-	1,893,302	1,893,302
Gifts, grants and bequests	221,050	430,871	-	651,921
Interest	370,586	17,511	(123,381)	264,716
Rent	451,420	-	(451,420)	-
Gain on sale of land	1,914,970	-	(1,914,970)	-
Miscellaneous	1,132,810	77,225	(531,018)	679,017
	<u>31,774,390</u>	<u>572,741</u>	<u>(1,146,430)</u>	<u>31,200,701</u>
Expenses:				
Instruction	13,610,492	-	(33,095)	13,577,397
Instruction support	14,526,868	-	(1,113,335)	13,413,533
Research	1,009,944	-	-	1,009,944
Externally sponsored activity and trust	567,800	166,176	-	733,976
	<u>29,715,104</u>	<u>166,176</u>	<u>(1,146,430)</u>	<u>28,734,850</u>
	<u>\$ 2,059,286</u>	<u>\$ 406,565</u>	<u>\$ -</u>	<u>\$ 2,465,851</u>

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Adoption of new financial reporting framework and prior period adjustment (continued)

(e) Summary of adjustments (continued)

Accumulated surplus

	March 31, 2012	April 1, 2011
Accumulated surplus as previously reported	\$ 20,909,488	\$ 18,580,610
Removal of art collection	(983,599)	(983,599)
Prior period adjustment of deferred contributions - April 1, 2011	808,751	808,751
Net increase in revenues due to adjustment in deferred contributions	3,082	-
Accumulated surplus, adjusted	\$ 20,737,722	\$ 18,405,762

Annual surplus for 2012:

Annual surplus, as previously reported	\$ 2,059,286
Net increase in revenues due to adjustment in deferred capital contributions	3,082
Reclassification of endowment contributions received	403,483
Annual surplus, as adjusted	\$ 2,465,851

3. Accounts receivable

	2013	2012
Tuition and trade receivables	\$ 626,919	\$ 127,126
Due from government agencies	300,000	59,924
Sales tax rebates receivable	214,870	137,650
Other	1,353,675	162,662
	\$ 2,495,464	\$ 487,362

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

4. Financial instruments

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

Investments are comprised primarily of fixed income securities and mutual funds with the fixed income securities having maturities greater than one year at time of purchase.

All fixed income securities held at March 31, 2013 mature at various dates to February 2018 (2012 – various dates to March 2017) and bear interest at rates ranging from 2.000% to 5.125% per annum (2012 – 2.250% to 5.125%).

5. Endowment investments

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

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

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

	March 31, 2012	Amounts Received/ Earned	Amounts spent	March 31, 2013
Trust Fund Endowment				
Principal contribution	\$ 4,591,673	\$ 50,848	\$ -	\$ 4,642,521
Investment income earned	82,388	117,223	(112,570)	87,041
Total	\$ 4,674,061	\$ 168,071	\$ (112,570)	\$ 4,729,562

	April 1, 2011	Amounts Received/ Earned	Amounts spent	March 31, 2012
Trust Fund Endowment				
Principal contribution	\$ 4,143,292	\$ 448,381	\$ -	\$ 4,591,673
Investment income earned	130,288	118,276	(166,176)	82,388
Total	\$ 4,273,580	\$ 566,657	\$ (166,176)	\$ 4,674,061

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

6. Investments in Government Business Enterprises

The University has a 25% share of GNW Campus Trust. The investment is composed of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Investment in GNW Campus Trust	\$ 13,527,486	\$ 13,232,499	\$ 11,339,194
Other comprehensive income	167,112	6,362	106,130
	\$ 13,694,598	\$ 13,238,861	\$ 11,445,324

	March 31, 2013	March 31, 2012	April 1, 2011
Investment at beginning of year	\$ 13,238,861	\$ 11,445,324	\$ 11,227,194
Distributions declared	(1,260,367)	-	-
Net earnings/(loss)	1,555,354	1,893,302	(79,160)
Other comprehensive income/(loss)	160,750	(99,765)	297,290
Investment at end of year	\$ 13,694,598	\$ 13,238,861	\$ 11,445,324

The University's 25% investment is comprised as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Financial assets	\$ 10,402,375	\$ 7,069,029	\$ 4,535,824
Liabilities	7,840,334	6,633,274	5,566,275
Net assets (debt)	2,562,041	435,755	(1,030,451)
Non-financial assets	11,132,557	12,803,106	12,475,775
Accumulated surplus	\$ 13,694,598	\$ 13,238,861	\$ 11,445,324

	2013	2012
Revenue	\$ 4,759,967	\$ 3,039,734
Expenses	3,204,613	1,146,432
Surplus for the year	\$ 1,555,354	\$ 1,893,302

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

7. Tangible capital assets

Cost	Balance at March 31, 2012	Additions	Disposals	Balance at March 31, 2013
Buildings	\$ 34,647,156	\$ 374,867	\$ (7,315,735)	\$ 27,706,288
Buildings – work in progress	-	1,824,584	-	1,824,584
Equipment – general	1,126,679	186,170	(259,164)	1,053,685
Equipment – computer	959,312	703,045	(486,365)	1,175,992
Library collection	790,007	55,056	(120,540)	724,523
Leasehold improvements	261,479	-	-	261,479
Leases – digital equipment	444,748	199,823	-	644,571
Total	\$ 38,229,381	\$ 3,343,545	\$ (8,181,804)	\$ 33,391,122

Accumulated amortization	Balance at March 31, 2012	Disposals	Amortization expense	Balance at March 31, 2013
Buildings	\$ 15,169,643	\$ (7,315,735)	\$ 687,972	\$ 8,541,880
Buildings – work in progress	-	-	-	-
Equipment – general	532,858	(259,164)	243,953	517,647
Equipment – computer	591,464	(486,365)	345,537	450,636
Library collection	406,707	(120,540)	81,753	367,920
Leasehold improvements	97,513	-	52,296	149,809
Leases – digital equipment	119,999	-	173,960	293,959
Total	\$ 16,918,184	\$ (8,181,804)	\$ 1,585,471	\$ 10,321,851

	Net book value March 31, 2012	Net book value March 31, 2013
Buildings	\$ 19,477,513	\$ 19,164,408
Buildings – work in progress	-	1,824,584
Equipment – general	593,821	536,038
Equipment – computer	367,848	725,356
Library collection	383,300	356,603
Leasehold improvements	163,966	111,670
Leases – digital equipment	324,749	350,612
Total	\$ 21,311,197	\$ 23,069,271

(a) Works of art and historical treasures

The University manages and controls various works of art including drawings, prints, lithographs and etchings located on site in public display areas. These assets have an appraised value of \$983,599, but are not recorded as tangible capital assets on these financial statements.

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

8. Accounts payable and accrued liabilities

	2013	2012
Trade accounts payable and accrued liabilities	\$ 1,809,867	\$ 1,414,463
Accrued payroll benefits:		
Holiday pay	1,018,793	1,004,783
Banked overtime	14,775	14,116
Gratuity days	155,377	139,287
Early retirement incentives	690,767	853,464
	\$ 3,689,579	\$ 3,426,113

9. Employee future benefits

(a) Multi-employer pension plans

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 based on a formula. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has approximately 176,000 active members, with approximately 5,700 from colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2009 indicated a \$1 million funding surplus for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. The University's employer contributions to the plans amounted to \$1,194,394 in 2013 (2012 - \$1,145,566).

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

10. Deferred contributions

	March 31, 2012 (note 2)	Amounts Received	Amortized as revenue	March 31, 2013
Provincial Operating	\$ 691,766	\$ 349,718	\$ (579,116)	\$ 462,368
Federal Operating	380,777	963,486	(739,243)	605,020
Other Operating	1,122,021	709,679	(651,118)	1,180,582
Subtotal	2,194,564	2,022,883	(1,969,477)	2,247,970
Provincial Capital	18,879,086	1,977,580	(724,075)	20,132,591
Federal Capital	1,811,296	300,000	(222,657)	1,888,639
Other Capital	1,983,571	380,075	(181,962)	2,181,684
Subtotal	22,673,953	2,657,655	(1,128,694)	24,202,914
Total	\$ 24,868,517	\$ 4,680,538	\$ (3,098,171)	\$ 26,450,884

	April 1, 2011 (note 2)	Amounts Received	Amortized as revenue	March 31, 2012 (note 2)
Total	\$ 23,613,583	\$ 4,217,628	\$ (2,962,694)	\$ 24,868,517

11. Commitments

(a) Operating and building 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:

2014	\$ 791,372
2015	668,638
2016	391,485
2017	276,578
2018	267,407
	\$ 2,395,480

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

11. Commitments (continued)

(b) GNW Campus Trust Commitments

- (i) The GNW site is currently zoned pursuant to CD-1 (401) *Comprehensive Development Zone*. A condition of the CD-1 zoning is related to servicing and engineering obligations both on and off the site. When the site was partially gifted, these obligations were assumed by the Trust when it and the partner institutions entered into an Assignment and Assumptions Agreement with the City of Vancouver in 2002. This agreement pertains to the entire land area under CD-1 (402) zoning, including land not owned by the Trust. This agreement obligates the Trust to reimburse the City of Vancouver for certain costs in addition to carrying out certain on-site and off-site servicing works, if the Trust executes development projects. The timing of payments is largely contingent on activities that may be performed by the GNW Campus Trust in the coming years as part of its site development plan.
- (ii) The GNW Campus Trust has provided letters of guarantee totaling \$540,446 in favor of the City of Vancouver for future sewer connection upgrades, street works and services.
- (iii) The GNW Campus Trust leases certain computer and printing equipment under operating leases. Minimum annual lease payments to the end of the lease terms in 2013 are \$9,840.
- (iv) Effective September 1, 2010, the GNW Campus Trust entered into a Management Services Agreement with SFU whereby SFU will provide certain budget and financial services, student services, and academic and administrative services relating to the Masters in Digital Media program. The Trust agrees to pay SFU five percent (5%) of the gross tuition and mandatory fees in return for these services.

12. Capital lease obligation

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

	2013		2012	
2014	\$	160,999	\$	155,237
2015		93,466		101,985
2016		29,111		34,452
2017		1,844		9,271
Total minimum lease payments		285,420		300,945
Amount representing interest		(26,760)		(46,285)
Capital lease obligations	\$	258,660	\$	254,660

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

13. 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, 2013, the balance of the loan amounted to \$1,341 (March 31, 2012 - \$3,487).

14. Expenses by object

The following is a summary of expenses by object:

	2013	2012
Salaries and benefits	\$ 20,455,016	\$ 20,319,599
HR programs and professional development	361,868	492,104
Library services	103,799	103,910
Scholarships, bursaries and awards	396,077	538,328
Student recruitment and development	812,333	543,831
Counselling and interpreting	105,646	86,350
Communications	402,067	428,526
Advertising and promotions	425,037	390,907
University memberships	95,595	84,445
Information technology	347,266	348,436
Facility services	637,301	698,683
Leases and rentals	1,043,160	1,151,552
Guest artists and speakers	135,210	129,109
Professional services	452,932	512,278
Supplies	439,966	428,929
Repairs and maintenance	166,732	119,560
Utilities	340,167	377,682
Cost of goods sold	96,480	133,527
Amortization	1,585,471	1,647,416
Other	492,883	199,678
	\$ 28,895,006	\$ 28,734,850

15. Funds held by Vancouver Foundation

The University has endowment funds of \$570,992 (2012 - \$548,511) with the Vancouver Foundation. These funds are permanent funds with the Foundation which provides income for scholarships, bursaries and other student aid at the University. The funds are not under University ownership or control. The University has recorded its contributions to the funds as donation expenses. The University received amounts totaling \$19,371 (2012 - \$19,035) as income from the funds during the year.

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

16. Financial risk management

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

(a) Fair values

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

All of the University's financial instruments are measured at fair value based on the Level 2 method, using inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

(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) Market risk

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

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.

(d) Credit risk

Credit risk is the risk of financial loss to the University if a student or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the University consisting of cash and cash equivalents, amounts receivable and investments. The risk is mitigated by ensuring the majority of receivables are collected prior to delivery of programs.

Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

16. Financial risk management (continued)

(d) Credit risk (continued)

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 and ability to withhold transcripts.

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

17. Accumulated surplus

Accumulated surplus is comprised of the following:

	2013	2012
Equity of GNW Campus Trust	\$ 13,694,598	\$ 13,238,861
Invested in tangible capital assets	857,954	895,679
Internally restricted for special projects	582,004	597,007
Internally restricted for student awards	397,765	382,061
Endowments	4,642,521	4,591,673
Unappropriated surplus	2,591,416	1,032,441
	<u>\$ 22,766,258</u>	<u>\$ 20,737,722</u>

18. Budget

2012/13 Budget Projection was approved by the Board of Governors of the University on April 20, 2012. The following is reconciliation between the University's original approved budget and the amounts presented in these financial statements:

	Original approved budget	GNW Budget	Total budget presented
Revenues	\$ 30,427,509	\$ (1,230,567)	\$ 29,196,942
Expenditures	30,417,764	(1,230,567)	29,187,197
	<u>\$ 9,745</u>	<u>\$ -</u>	<u>\$ 9,745</u>