Consolidated Financial Statements of

CAPILANO UNIVERSITY

Year ended March 31, 2017

CAPILANO UNIVERSITY

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation of the annual financial statements, and has prepared the accompanying consolidated financial statements for the year ended March 31, 2017 in accordance with the financial reporting provisions 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 judgment is required.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that assets are safeguarded and that the financial records provide a reliable basis for the preparation of the financial statements.

The Board of Governors of the University carries out its responsibility for review of the consolidated financial statements. The Audit Committee of the Board meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

These consolidated financial statements have been reported on by KPMG LLP, the University's external auditors appointed by the Board of Governors. The external auditors have full access to the Board with and without the presence of management.

Paul Dangerfield, President

Jacqui Stewart, Vice-President, Finance & Administration

June 13, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Capilano University, and
To the Minister of Advanced Education

We have audited the accompanying consolidated financial statements of Capilano University, which comprise the consolidated statement of financial position as at March 31, 2017, the consolidated statements of operations and accumulated surplus, changes in net debt, cash flows and remeasurement gains and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements of Capilano University as at March 31, 2017 and for the year then ended 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 2(a) to the consolidated 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 Professional Accountants

June 13, 2017
Burnaby, Canada

CAPILANO UNIVERSITY

Consolidated Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Cash and cash equivalents	$ 19,602,500	$ 19,042,907
Investments (note 3)	38,003,751	34,942,548
Accounts receivable	1,427,161	1,860,729
Inventories	710,371	668,476
	59,743,783	56,514,660
Liabilities		
Accounts payable and accrued liabilities (note 4)	12,468,014	15,132,580
Employee future benefits (note 5(a))	1,368,300	998,100
Deferred revenue and contributions (note 6)	13,801,052	12,995,086
Deferred capital contributions (note 7)	53,628,478	55,927,159
	81,265,844	85,052,925
Net debt	(21,522,061)	(28,538,265)
Non-financial assets		
Endowment investments	9,304,766	8,898,160
Tangible capital assets (note 8)	79,343,058	82,291,407
Prepaid expenses	219,238	545,291
	88,867,062	91,734,858
Contractual obligations (note 10)		
Accumulated surplus	$ 67,345,001	$ 63,196,593
Accumulated surplus is comprised of:		
Accumulated surplus	$ 61,934,455	$ 60,261,718
Accumulated remeasurement gains	5,410,546	2,934,875
	$ 67,345,001	$ 63,196,593

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Soon Kim
Chair, Board of Governors

Cheryl Nex
Chair, Audit Committee

CAPILANO UNIVERSITY

Consolidated Statement of Operations

March 31, 2017, with comparative information for 2016

	2017 Budget (note 12)	2017	2016
Revenue:			
Province of British Columbia	$ 38,572,224	$ 39,297,963	$ 37,851,231
Tuition fees	38,832,272	39,035,490	36,312,641
Project and other revenue	4,056,453	6,324,563	5,844,460
Amortization of deferred capital contributions (note 7)	3,830,430	3,878,042	3,670,088
Sales of goods	2,366,000	2,373,839	2,523,804
Parking, childcare and theatre	2,036,620	2,086,258	1,865,592
Donations and gifts-in-kind	500,000	317,284	269,414
Investment income	1,919,000	1,843,217	1,729,983
	92,112,999	95,156,656	90,067,213
Expenses:			
Instruction and student support	55,317,410	55,964,121	53,668,393
Facilities and institutional support	32,968,970	33,510,176	29,988,424
Ancillary	3,826,619	4,061,496	4,255,561
	92,112,999	93,535,793	87,912,378
Annual operating surplus	-	1,620,863	2,154,835
Endowment donations received	-	51,874	72,604
Annual surplus	-	1,672,737	2,227,439
Accumulated surplus, beginning of year	-	60,261,718	58,034,279
Accumulated surplus, end of year	$ -	$ 61,934,455	$ 60,261,718

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2017, with comparative information for 2016

	2017 Budget (note 12)	2017	2016
Annual surplus	$ -	$ 1,672,737	$ 2,227,439
Acquisition of tangible capital assets	(4,068,502)	(4,837,222)	(6,582,642)
Amortization of tangible capital assets	7,684,130	7,785,571	7,424,098
	3,615,628	2,948,349	841,456
Acquisition of prepaid expense	-	(206,915)	(566,030)
Use of prepaid expense	-	532,968	592,202
	-	326,053	26,172
Remeasurement gains (losses)	-	2,475,671	(615,711)
Change in endowment investments	-	(406,606)	(1,697,965)
Decrease in net debt	3,615,628	7,016,204	781,391
Net debt, beginning of year	(28,538,265)	(28,538,265)	(29,319,656)
Net debt, end of year	$ (24,922,637)	$ (21,522,061)	$ (28,538,265)

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Annual surplus	$ 1,672,737	$ 2,227,439
Items not involving cash:		
Amortization of tangible capital assets	7,785,571	7,424,098
Revenue recognized from deferred capital contributions	(3,878,042)	(3,670,088)
Change in non-cash operating working capital:		
Accounts receivable	433,568	166,476
Prepaid expenses	326,053	26,172
Inventories	(41,895)	(19,069)
Accounts payable and accrued liabilities	(2,664,566)	2,018,459
Accrued benefit liability	370,200	(236,000)
Deferred revenue	805,966	2,426,018
	4,809,592	10,363,505
Capital activities:		
Cash used to acquire tangible capital assets	(4,837,222)	(6,582,642)
Financing activities:		
Contributions received for capital assets	1,579,361	3,353,902
Investing activities:		
Net purchase of investments	(992,138)	(3,020,049)
Increase in cash and cash equivalents	559,593	4,114,716
Cash and cash equivalents, beginning of year	19,042,907	14,928,191
Cash and cash equivalents, end of year	$ 19,602,500	$ 19,042,907

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Accumulated remeasurement gains, beginning of year	$ 2,934,875	$ 3,550,586
Unrealized gains (losses) attributed to fair value of investments	2,691,181	(286,626)
Amounts reclassified to investment income	(215,510)	(329,085)
Net remeasurement gains (losses) for the year	2,475,671	(615,711)
Accumulated remeasurement gains, end of year	$ 5,410,546	$ 2,934,875

See accompanying notes to consolidated financial statements.

1. Purpose of the University:

Capilano University (the “University”) is a post-secondary educational institution funded by the Provincial Government of British Columbia. The University is incorporated under the amended University Act (Bill 34 was enacted on September 1, 2008). The University is a special purpose teaching university and has regional campuses in the Province of British Columbia in North Vancouver, Squamish and the Sunshine Coast.

The University is a registered charity under the Income Tax Act and is exempt from income tax under Section 149 of the Income Tax Act.

These consolidated financial statements incorporate the financial position and results of operations and accumulated surplus and cash flows of the University and its controlled Foundation, the Capilano University Foundation (the “Foundation”). The purpose of the Foundation is to raise funds for student financial assistance, capital needs, and program development at the University. The Foundation is a registered charity under the Income Tax Act and is exempt from income taxes under Section 149 of the Income Tax Act.

2. Summary of significant accounting policies:

The consolidated financial statements of the University are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the University are as follows:

(a) Basis of accounting:

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

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

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

2. Summary of significant accounting policies (continued):

(a) Basis of accounting (continued):

Regulation 198/2011 requires that restricted contributions received or receivable are to be 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 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.

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 that:

- government transfers that 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; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the consolidated statement of operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(b) Cash and cash equivalents:

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

2. Summary of significant accounting policies (continued):

(c) Financial instruments:

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

(i) Fair value category: Portfolio instruments that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses. Unrealized gains and losses on endowment investments where earnings are restricted as to use are recorded as deferred contributions and recognized in revenue when disposed and when related expenses are incurred.

(ii) Amortized cost category: Investments with specified or determinable maturity dates are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

Accounts receivable and accounts payable and accrued liabilities are measured at amortized cost using the effective interest rate method. Any gains, losses or interest expense is recorded in the annual surplus depending on the nature of the financial liability that gave rise to the gain, loss or expense. Valuation allowances are made when collection is in doubt.

(iii) The University's investments, except for the donated insurance policy, are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. The donated insurance policy is deemed a level 3 financial instrument as the inputs for the asset are not based on observable market data. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there were no significant transfers of securities between the different levels.

(d) Inventories:

Inventories held for resale, including books and materials, are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated selling costs less any costs to sell.

2. Summary of significant accounting policies (continued):

(e) Non-financial assets:

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

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Donated assets are recorded at fair value at the date of donation. In unusual circumstances where fair value cannot be reasonably determined, the tangible capital asset would be recognized at nominal value. Land is not amortized as it is deemed to have a permanent value. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a basis over their estimated useful lives shown below:

Asset	Rate
Buildings, concrete/steel	40 years
Buildings, wood frame	20 years
Computer equipment	4 years
Furniture, fixtures and equipment	5 years
Library books	10 years
Public works	10 years
Software	3 years
Vehicles	10 years

Assets under construction are not amortized until the asset is available for productive use. Borrowing costs, if any, attributable to the construction of tangible capital assets are capitalized during the construction period.

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

(ii) Leased tangible capital assets:

Leases that 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. As at March 31, 2017, the University did not have leased tangible capital assets (2016 - nil).

2. Summary of significant accounting policies (continued):

(f) Employee future benefits:

The University and its employees make contributions to the College Pension Plan and Municipal Pension Plan, which are multi-employer joint trusteed plans. These plans are a defined benefit plan, 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 plan are not segregated by institution, the plan is accounted for as a defined contribution plan and any contributions of the University to the plan are expensed as incurred.

The University also has a defined benefit plan for employees on long-term disability. The University accrues its obligations under this defined benefit plan as the employees render the services necessary to earn these benefits. The effective date of the most recent valuation is December 31, 2016, and the next required valuation will be as of December 31, 2017. This actuarial valuation has been extrapolated to March 31, 2017.

The University accrues vacation for employees as earned. However, revenue for funding for these is not accrued, as the Province does not provide special funding for vacations and retiring allowances. As the majority of employees are paid salaries, management anticipates that vacation accruals will be reversed when these employees take their standard vacations and that no additional funding will be required above authorized salaries.

(g) 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. Fees received prior to the year-end where the course is delivered subsequent to the year-end are recorded as deferred revenue.

Project revenue and expenses are recognized as the related activities are performed. The zero profit margin method is used when a contract's financial outcome is not reasonably determinable. This method of accounting requires that equal amounts of revenue and expense be recognized until the financial outcome of a contract can be reasonably estimated. Provision for anticipated losses is made in the period in which they become evident.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the University or the transfer of property is completed.

2. Summary of significant accounting policies (continued):

(g) Revenue recognition (continued):

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

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

(ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.

(iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as endowment contributions on the statement of operations and accumulated surplus for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investment and write downs on investments where the loss in value is determined to be other-than-temporary.

(h) Contaminated sites:

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

(i) An environmental standard exists;

(ii) Contamination exceeds the environmental standards;

(iii) The University is directly responsible or accepts responsibility;

(iv) It is expected that future economic benefits will be given up; and

(v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

2. Summary of significant accounting policies (continued):

(i) Use of estimates:

The preparation of the financial statements in accordance with the accounting framework described in Note 2(a) requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the useful lives of tangible capital assets, accrued losses on contracts and employee future benefits payable. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

3. Financial instruments:

Financial assets, non-financial assets and liabilities recorded at fair value are comprised of the following:

	2017	2016
Level 1:		
Fixed income investments	$ 21,735,828	$ 20,564,814
Canadian equity investments	14,295,760	13,595,008
Foreign equity investments	10,993,939	9,403,446
	47,025,527	43,563,268
Less endowment investments	9,304,766	8,898,160
	37,720,761	34,665,108
Level 3:		
Donated insurance policy	282,990	277,440
Investments	$ 38,003,751	$ 34,942,548

4. Accounts payable and accrued liabilities:

	2017	2016
Accounts payable and accrued liabilities	$ 3,329,271	$ 5,251,041
Salaries and benefits payable	6,053,287	6,777,506
Accrued vacation pay	3,085,456	3,104,033
	$ 12,468,014	$ 15,132,580

5. Employee future benefits:

(a) Benefits for employees on long-term disability and faculty retirees:

Information about liabilities for the University's employee benefit plans is as follows:

	2017	2016
Balance, beginning of year	$ 935,200	$ 1,300,200
Service cost	-	7,600
Interest cost	3,400	7,400
Employee contributions	230,400	314,600
Expected benefit payments	(230,700)	(319,600)
Immediate recognition of continuation of benefits for disabled employees	374,300	(252,400)
Actuarial loss (gain)	1,700	(122,600)
Balance, end of year	$ 1,314,300	$ 935,200

	2017	2016
Accrued benefit obligation	$ 1,314,300	$ 935,200
Unamortized actuarial gain	54,000	62,900
Accrued benefit liability	$ 1,368,300	$ 998,100

As the employee future benefit liability for long-term disability is an event-driven obligation, the expense recorded in the statement of operations is comprised only of the immediate recognition of the liability.

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation are as follows:

	2017	2016
Obligation discount rate	2.15%	2.42%
Estimated average remaining service life	9 years	9 years

(b) Provincial pension plans:

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (the "Plan"), jointly trusteed pension plans. The Board 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 14,000 active members from college senior administration and instructional staff and approximately 7,000 retired members. The Municipal Pension Plan has about 189,000 active members, with approximately 5,800 from colleges.

5. Employee future benefits (continued):

(b) Provincial pension plans (continued):

The actuarial valuation for the College Pension Plan as at August 31, 2015 indicated a $67 million funding surplus for basic pension benefits. The actuarial valuation for the Municipal Pension Plan as at December 31, 2015 indicated a $2,224 million funding surplus for basic pension benefits.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

The actuary does not attribute portions of the unfunded liability to individual employers.

The University records pension expense as cash contributions to the plans are made. During the year, the University contributed $4,448,614 (2016 - $4,407,246) to the above plans.

6. Deferred revenue and contributions:

Deferred revenue and contributions consists of deferred tuition fees, deferred government contributions and project and other revenue, deferred restricted donations and deferred restricted investment income as follows:

	2017	2016
Tuition fees	$ 7,090,242	$ 5,826,337
Deferred government contributions and project and other revenue (a) and (b)	1,865,802	2,361,311
Restricted donations and investment income (c)	4,845,008	4,807,438
	$ 13,801,052	$ 12,995,086

(a) Included in deferred government contributions and project and other revenue is the following related to government organizations:

	2017	2016
Provincial contributions:		
Beginning of year	$ 951,566	$ 1,173,663
Amounts received during the year	1,257,396	2,151,681
Recognized as revenue	(1,826,255)	(2,373,778)
	$ 382,707	$ 951,566

6. Deferred revenue and contributions:

(a) (continued):

Operating grants from the Province of British Columbia of $36,681,855 (2016 - $36,275,776) were immediately recognized as revenue in the statements of operations when received. Amounts recognized as revenue are included in the Province of British Columbia revenue in the statement of operations and accumulated surplus.

(b) Included in deferred government contributions and project and other revenue is the following related to contributions revenue:

	2017	2016
Non-provincial contributions:		
Beginning of year	$ 1,409,745	$ 1,120,120
Amounts received during the year	6,397,913	5,675,710
Recognized as revenue	(6,324,563)	(5,386,085)
	$ 1,483,095	$ 1,409,745

(c) Restricted donations and investment income is comprised of the following amounts from non-government organizations:

	2017	2016
Beginning of year	$ 4,807,438	$ 3,469,290
Amounts received during the year	712,975	1,892,038
Recognized as revenue	(675,405)	(553,890)
	$ 4,845,008	$ 4,807,438

7. Deferred capital contributions:

Contributions for capital are referred to as deferred capital contributions. Amounts are recognized as revenue as the liability is extinguished over the useful life of the asset. Treasury Board provided direction on accounting treatment as disclosed in note 2(a). Changes in the deferred capital contributions balance are as follows:

	2017	2016
Balance, beginning of year	$ 55,927,159	$ 56,243,345
Contributions received during the year	1,579,361	3,353,902
Revenue recognized from deferred capital contributions	(3,878,042)	(3,670,088)
Balance, end of year	$ 53,628,478	$ 55,927,159

7. Deferred capital contributions (continued):

Included in the above is the following related to government organizations:

	2017	2016
Provincial contributions:		
Beginning of year	$ 39,123,397	$ 37,965,900
Amounts received during the year	1,579,361	3,353,902
Recognized as revenue	(2,725,482)	(2,196,405)
	$ 37,977,276	$ 39,123,397

	2017	2016
Federal contributions:		
Beginning of year	$ 15,082,311	$ 15,625,029
Recognized as revenue	(421,596)	(542,718)
	$ 14,660,715	$ 15,082,311

	2017	2016
Other contributions:		
Beginning of year	$ 1,721,451	$ 2,652,416
Recognized as revenue	(730,964)	(930,965)
	$ 990,487	$ 1,721,451

Revenue is recognized as amortization of deferred capital contributions on the statement of operations and accumulated surplus.

8. Tangible capital assets:

Cost	Balance at March 31, 2016	Additions	Disposals	Balance at March 31, 2017
Land	$ 10,000,370	$ -	$ -	$ 10,000,370
Buildings	115,446,426	-	(5,292)	115,441,134
Computer equipment	18,243,326	2,366,091	(7,703,904)	12,905,513
Library books	1,278,585	-	(993,919)	284,666
Other furniture and equipment	17,811,966	673,228	(4,257,842)	14,227,352
Public works	4,148,537	1,503,193	(3,322,766)	2,328,964
Software	3,228,832	230,464	(1,701,662)	1,757,634
Vehicles	200,972	64,246	-	265,218
Total	$ 170,359,014	$ 4,837,222	$ (17,985,385)	$ 157,210,851

8. Tangible capital assets (continued):

Accumulated amortization		Balance at March 31, 2016		Additions		Disposals		Balance at March 31, 2017
Land	$	-	$	-	$	-	$	-
Buildings		54,962,320		3,072,577		(5,292)		58,029,605
Computer equipment		13,922,499		2,080,183		(7,703,904)		8,298,778
Library books		1,261,203		12,110		(993,919)		279,394
Other furniture and equipment		11,325,523		2,144,902		(4,257,842)		9,212,583
Public works		3,900,085		96,481		(3,322,766)		673,800
Software		2,639,729		360,974		(1,701,662)		1,299,041
Vehicles		56,248		18,344		-		74,592
Total	$	88,067,607	$	7,785,571	$	(17,985,385)	$	77,867,793

		Net book value March 31, 2016		Net book value March 31, 2017
Land	$	10,000,370	$	10,000,370
Buildings		60,484,106		57,411,529
Computer equipment		4,320,827		4,606,735
Library books		17,382		5,272
Other furniture and equipment		6,486,443		5,014,769
Public works		248,452		1,655,164
Software		589,103		458,593
Vehicles		144,724		190,626
Total	$	82,291,407	$	79,343,058

9. Financial risk management:

The University has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

The Board of Governors ensures that the University has identified its major risks and ensures that management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to the University if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the University consisting of cash, investments, accounts receivable and restricted investments. The University assesses these financial assets, on a continuous basis for any amounts that are not collectible or realizable.

9. Financial risk management (continued):

(b) Market risk:

Market risk is the risk that changes in market prices, including interest rates, will affect University's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk. The University manages market risk by adoption of an investment policy and adherence to this policy by an investment manager. Investments are in pooled funds in a diversified portfolio in accordance with the University's investment policy.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

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

(c) Liquidity risk:

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

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

10. Contractual obligations:

The nature of the University's activities results in multi-year contracts and obligations whereby the University is committed to make future payments. Significant contractual obligations related to security, parking and janitorial services that can be reasonably estimated are as follows:

2018	$ 1,778,418
2019	1,550,608
2020	1,441,353
2021	496,068
2022	3,718
Total	$ 5,270,165

11. Expenses by object:

The following is a summary of expenses by object:

	2017	2016
Amortization of tangible capital assets	$ 7,785,571	$ 7,424,098
Buildings and grounds maintenance	6,013,817	5,262,525
Cost of goods sold	1,719,693	1,767,035
Other operating expenses	13,927,451	12,862,720
Salaries and benefits	62,111,947	58,910,802
Student support activities	1,977,314	1,685,198
	$ 93,535,793	$ 87,912,378

12. Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the consolidated budget approved by the Board of Governors of the University on March 15, 2016. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Financial Assets and is reconciled to the Statement of Operations as follows:

	Approved budget	Reallocation	Statement of operations
Expenses by object:			
Amortization of tangible capital assets	$ 7,684,130	$ (7,684,130)	$ -
Expenses	21,047,554	(21,047,554)	-
Salaries and benefits	63,381,315	(63,381,315)	-
	92,112,999	(92,112,999)	-
Expenses by function:			
Instruction and student support	-	55,317,410	55,317,410
Facility and institutional support	-	32,968,970	32,968,970
Ancillary	-	3,826,619	3,826,619
	-	92,112,999	92,112,999
	$ 92,112,999	$ -	$ 92,112,999

13. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.