EMILY CARR UNIVERSITY OF ART + DESIGN

CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2021

And Independent Auditors' Report thereon

EMILY CARR UNIVERSITY OF ART + DESIGN

520 EAST 1ST AVENUE
VANCOUVER, BC, CANADA V5T 0H2

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 consolidated 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 consolidated 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 the consolidated 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 consolidated 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 Professional Accountants, is appointed by the Board to audit the consolidated 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	Mark Douglas Executive Director, Financial Services
Date June 3, 2021	Date June 3, 2021

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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 Minister of Advanced Education, Skills & Training, Province of British Columbia

Opinion

We have audited the consolidated financial statements of Emily Carr University of Art + Design (the "University"), which comprise:

- the consolidated statement of financial position as at March 31, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2021 of the University are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' report.

We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter – Financial Reporting Framework

We draw attention to note 1 to the financial statements, which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 3, 2021

Emily Carr University of Art + Design
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2021

	2021	2020
Financial assets		
Cash and cash equivalents	$ 14,363,591	$ 9,798,379
Accounts receivable (note 2)	891,739	1,264,030
Investments (note 3)	4,365,262	5,468,672
Investment in GNW Campus Trust (note 5)	11,609,921	10,336,368
Inventories for resale	216,508	163,927
	31,447,021	27,031,376
Liabilities		
Accounts payable and accrued liabilities (note 7)	5,689,891	4,023,229
Deferred revenue	2,024,546	1,996,649
Debt (note 8)	56,035,038	57,150,996
Deferred contributions (note 10)	5,685,319	5,032,052
Deferred capital contributions (note 10)	58,995,677	61,044,759
Capital lease obligation (note 12)	928,086	866,917
	129,358,557	130,114,602
Net debt	(97,911,536)	(103,083,226)
Non-financial assets		
Tangible capital assets (note 6)	130,113,530	133,405,861
Endowment investments (note 4)	6,133,815	6,047,377
Prepaid expenses	52,375	290,072
	136,299,720	139,743,310
Accumulated surplus (note 16)	$ 38,388,184	$ 36,660,084
Accumulated surplus is comprised of:		
Accumulated operating surplus	$ 38,388,184	$ 36,658,122
Accumulated remeasurement gains	-	1,962
	$ 38,388,184	$ 36,660,084

Commitments and contingencies (note 11)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Kim Peacock, Chair
Board of Governors

Michael Clifford, Vice-President
Finance + Administration

Emily Carr University of Art + Design

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended March 31, 2021

	Budget (note 1(n))	2021	2020
Revenue:			
Grants:			
Province of British Columbia	$ 24,527,427	$ 25,302,757	$ 20,190,556
Federal government	211,600	211,627	225,023
Tuition fees	16,725,551	17,590,253	16,620,303
Amortization and recognition of deferred contributions	7,697,074	5,767,682	8,906,814
Income from equity accounted organizations	31,431	1,163,851	-
Gifts, grants and bequests	52,900	33,078	59,331
Interest	225,124	239,185	373,537
Other	899,497	1,435,149	1,339,399
	50,370,604	51,743,582	47,714,963
Expenses:			
Instruction	19,767,103	21,046,045	19,024,049
Instruction support	27,752,626	25,741,894	24,781,022
Loss from equity accounted organizations	-	-	250,288
Research	2,415,901	2,272,084	2,142,189
Externally sponsored activity and trust	1,229,570	1,039,026	1,370,229
	51,165,200	50,099,049	47,567,777
Annual operating surplus	(794,596)	1,644,533	147,186
Endowment contributions	40,000	85,529	67,002
Annual surplus	(754,596)	1,730,062	214,188
Accumulated operating surplus, beginning of year	36,658,122	36,658,122	36,443,934
Accumulated operating surplus, end of year	$ 35,903,526	$ 38,388,184	$ 36,658,122

See accompanying notes to consolidated financial statements.

Emily Carr University of Art + Design
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

Year ended March 31, 2021

		2021		2020
Accumulated remeasurement gains, beginning of year	$	1,962	$	61,623
Unrealized gains (losses) attributable to designated fair value financial instruments		(1,002)		1,818
Amounts reclassified to the statement of operations for designated fair value financial instruments		(960)		1,638
Accumulated remeasurement gains for the year before other comprehensive income from government business enterprises		-		65,079
Other comprehensive income (losses) from government business enterprises		-		(63,117)
Accumulated remeasurement gains, end of year	$	-	$	1,962

See accompanying notes to consolidated financial statements.

Emily Carr University of Art + Design
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

Year ended March 31, 2021

	Budget (note 1(n))	2021	2020
Annual surplus	$ (754,596)	$ 1,730,062	$ 214,188
Acquisition of tangible capital assets	(1,177,050)	(1,135,089)	(1,929,052)
Amortization of tangible capital assets	4,333,846	4,427,420	4,248,477
	3,156,796	3,292,331	2,319,425
Acquisition of prepaid expense	-	(3,489)	(250,572)
Use of prepaid expense	241,186	241,186	71,224
	241,186	237,697	(179,348)
Increase in endowment investments	(40,000)	(86,438)	(38,844)
Effect of remeasurement losses	-	(1,962)	(59,661)
	(40,000)	(88,400)	(98,505)
Decrease in net debt	2,603,386	5,171,690	2,255,760
Net debt, beginning of year	(103,083,226)	(103,083,226)	(105,338,986)
Net debt, end of year	$ (100,479,840)	$ (97,911,536)	$ (103,083,226)

See accompanying notes to consolidated financial statements.

Emily Carr University of Art + Design
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2021

	2021	2020
Cash flows from operating activities:		
Annual surplus	$ 1,730,062	$ 214,188
Adjustments to reconcile net cash provided by operating activities		
Loss (Income) from equity accounted organizations	(1,163,851)	250,288
Amortization of tangible capital assets	4,427,420	4,248,477
Amortization of deferred contributions	(5,767,682)	(8,906,814)
Change in non-cash working capital:		
Accounts receivable	542,556	(248,063)
Inventories for resale	(52,581)	20,378
Prepaid expenses	237,697	(179,348)
Accounts payable and accrued liabilities	1,666,662	104,831
Deferred revenue	27,897	(4,831)
	1,648,180	(4,500,894)
Cash flows from capital activities:		
Purchase of tangible capital assets	(507,366)	(1,425,620)
Cash flows from financing activities:		
Payments on capital lease obligations	(566,554)	(496,699)
Payments on debt	(1,115,958)	(1,067,015)
Deferred contributions received	4,371,867	5,837,050
	2,689,355	4,273,336
Cash flows from investing activities:		
Contribution to GNW	(279,967)	(194,821)
Disposal of investments	1,015,010	1,485,037
	735,043	1,290,216
Increase (decrease) in cash and cash equivalents during the year	4,565,212	(362,962)
Cash and cash equivalents, beginning of year	9,798,379	10,161,341
Cash and cash equivalents, end of year	$ 14,363,591	$ 9,798,379
Cash and cash equivalents is comprised of:		
Unrestricted cash	$ 13,815,568	$ 8,417,928
Restricted cash	548,023	1,380,451
	$ 14,363,591	$ 9,798,379
Supplementary information:		
Non-cash transactions:		
Acquisition of tangible capital assets through capital lease	$ 627,723	$ 503,432
Distribution declared by GNWCT and unpaid and included in accounts receivable at year end	170,265	279,967

See accompanying notes to consolidated financial statements.

Emily Carr University of Art + Design (the “University") is a special purpose teaching University that operates under the authority of the University Act (Bill 34, enacted September 1, 2008). 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.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian federal and provincial governments enacting emergency measures to combat the spread of the virus. The University’s response to the pandemic had a considerable impact on operations in 2020/2021 with instruction moving to a primarily remote (online) delivery model and the implementation of a remote working from home model for most employees. Access to the campus was restricted to essential personnel and safety measures were implemented for those required to remain on campus.

The University faced additional costs as systems and processes were required to accommodate distance learning and working from home; however, was not significantly impacted from a financial perspective in fiscal 2021. Student registration remained strong throughout the academic year and the University experienced reduced expenses related to the operation of the campus.

The situation is still dynamic and the ultimate duration and magnitude of the pandemic could affect future student registration and the University’s ability to achieve planned revenue generation initiatives. At this time, these factors present uncertainty over future cash flows, may cause changes to the assets or liabilities and may have impact on future operations. The University will continue to monitor the on-going financial impact on its cash and budget forecasts and will adjust its operations, including actively reviewing potential sources of revenue and working to reduce costs as required, to ensure it fulfills its obligations and continues its operations. The future financial effect on the University is not known at this time and the impact could be material.

1. Significant accounting policies:

(a) Basis of presentation:

These 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.

1. Significant accounting policies (continued):

(a) Basis of presentation (continued):

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.

(b) Controlled entity:

The University controls the Emily Carr Foundation by virtue of its ability to appoint a majority of the Foundation's Board of Directors. The Foundation's net assets and operating activity as at and for the years ended March 31, 2021 and 2020 were insignificant.

(c) Investments in Government Business Enterprises:

Great Northern Way Campus Trust ("GNW 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. The 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.

1. Significant accounting policies (continued):

(c) Investments in Government Business Enterprises (continued):

Great Northern Way Campus Trust ("GNW Campus Trust") (continued):

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. 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 these consolidated financial statements.

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

On an annual basis, the University reviews the GNW Campus Trust's continuance as a going concern and classification as a GBE, which 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 consolidated financial statements and the adjustments could be material.

(d) 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.

(e) 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.

1. Significant accounting policies (continued):

(e) Revenue recognition (continued):

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.

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.

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.

(f) Supplies and services contributions:

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

(g) 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.

1. Significant accounting policies (continued)

(h) 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:

- Investments elected to be recorded at fair value.
- Accounts receivable and accounts payable and accrual liabilities are measured at amortized cost using the effective interest method.

(i) 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, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Period
Buildings	60 years
Furniture and equipment	5 to 10 years
Computer equipment	3 to 4 years
Library materials	10 years

1. Significant accounting policies (continued)

(i) Non-financial assets (continued):

(*i*) Tangible capital assets (continued):

Assets under development or 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 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.

(*iv*) Prepaid expenses:

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

(j) 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 the 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.

1. Significant accounting policies (continued):

(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 consolidated financial statements in equivalent Canadian dollars at the exchange rate in effect on the statement of financial position date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or the statement of financial position date is recognized in the statement of remeasurement gains and losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the statement of remeasurement gains and losses and the exchange 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.

(l) Capitalization of public-private partnership projects:

Public-private partnership ("P3") projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction is estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred directly by the University.

The asset cost includes development and financing fees estimated at fair value, which require the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return.

When available for operations, the Project's assets are amortized over their estimated useful lives.

Correspondingly, an obligation for the cost of capital and financing received to date, net of the contributions received, is recorded as a liability and included as debt on the statement of financial position.

Upon substantial completion, the private sector partner receives monthly payments to cover the partner's operating costs, financing costs and a return of their capital over the term of their project agreement. These monthly payments are expensed by the University as incurred.

1. Significant accounting policies (continued):

(m) Use of estimates:

The preparation of these consolidated 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 consolidated financial statements, and revenue and expenses for the periods reported. 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.

(n) Budget information:

Budget information has been provided for comparative purposes and have been derived from the 2020/2021 Budget, approved by the Board of Governors of the University on October 15, 2020.

(o) 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 standard;

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

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

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

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. The University has determined that there was no contaminated sites liability to be recognized at March 31, 2021.

2. Accounts receivable:

	2021	2020
Tuition and trade receivables	$ 519,191	$ 580,939
Due from government agencies	-	112,393
Sales tax rebates receivable	100,358	56,419
Dividend receivable	170,265	279,967
Other	101,925	234,312
	$ 891,739	$ 1,264,030

3. Investments:

Investments and endowment investments recorded at fair value are comprised 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, 2021, mature at various dates to March 2026 (2020 - various dates to December 2024) and bear interest at rates ranging from 1.05% to 3.60% per annum (2020 - 1.85% to 3.60%).

4. Endowment investments:

Endowment 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 reinvested to maintain the capital.

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

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.

	2020	Contributed / earned	Transfer	Amounts received / spent	2021
Trust fund endowment:					
Principal contribution	$ 6,047,377	$ 85,529	$ -	$ 909	$ 6,133,815
Investment income earned	113,852	126,727	-	(136,994)	103,585
Total	$ 6,161,229	$ 212,256	$ -	$ (136,085)	$ 6,237,400

5. Investment in GNW Campus Trust:

The University has a 25% share of the GNW Campus Trust.

	2021	2020
Investment, at beginning of year	$ 10,336,368	$ 10,671,802
Distributions declared	(170,265)	(279,967)
Contributions from Emily Carr	279,967	194,821
Net earnings (loss)	1,163,851	(250,288)
Investment, at end of year	$ 11,609,921	$ 10,336,368

5. Investment in GNW Campus Trust (continued):

The University's 25% share of the GNW Campus Trust is of the following:

	2021	2020
Financial assets	$ 9,565,007	$ 8,290,424
Liabilities	3,884,517	4,200,061
Net assets	5,680,490	4,090,363
Non-financial assets	5,929,431	6,246,005
Accumulated surplus	$ 11,609,921	$ 10,336,368

	2021	2020
Revenue	$ 2,709,905	$ 1,345,138
Expenses	(1,546,054)	(1,595,426)
Surplus (deficit), at end of year	$ 1,163,851	$ (250,288)

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 $681,060 was declared in fiscal 2021 (2020 - $1,119,868) with $170,265 (2020 - $279,967) as the University's 25% share.

6. Tangible capital assets:

Cost	2020	Additions	Disposals	2021
Land (a)	$ 14,400,000	$ -	$ -	$ 14,400,000
Buildings	118,899,329	20,870	-	118,920,199
Equipment - general	4,114,064	196,708	(49,702)	4,261,070
Equipment - computer	3,949,781	234,840	-	4,184,621
Library collection	493,461	54,948	(48,408)	500,001
Leases - digital equipment	1,969,159	627,723	(366,887)	2,229,995
Total	$ 143,825,794	$ 1,135,089	$ (464,997)	$ 144,495,886

6. Tangible capital assets (continued):

Accumulated amortization	2020	Disposals	Amortization expense	2021
Land	$ -	$ -	$ -	$ -
Building	5,262,229	-	1,982,164	7,244,393
Equipment - general	1,954,801	(49,702)	842,233	2,747,332
Equipment - computer	2,091,544	-	1,016,800	3,108,344
Library collection	254,016	(48,408)	49,673	255,281
Leases - digital equipment	857,343	(366,887)	536,550	1,027,006
Total	$ 10,419,933	$ (464,997)	$ 4,427,420	$ 14,382,356

	2021 Net book Value	2020 Net book value
Land	$ 14,400,000	$ 14,400,000
Buildings	111,675,806	113,637,100
Equipment - general	1,513,738	2,159,263
Equipment - computer	1,076,277	1,858,237
Library collection	244,720	239,445
Leases - digital equipment	1,202,989	1,111,816
Total	$ 130,113,530	$ 133,405,861

(a) Land acquisition:

In 2017, the University purchased from Great Northern Way Campus Ltd. the lands described as Lot Q situated on the Great Northern Way Campus site, Vancouver, British Columbia for $14.4 million. On May 12, 2017, Great Northern Way Campus Ltd. declared a capital dividend of $14.4 million to each of its shareholders and correspondingly, issued promissory notes payable to each shareholder. The promissory note payable to the University was fully settled by transfer of the lands pursuant to the terms of the land purchase agreement.

(b) Works of art and historical treasures:

The University manages and controls various works of art including paintings, drawings, prints, lithographs and etchings located on site in public display areas. These assets have an appraised value of $3,163,236 (2020 - $3,133,236), but are not recorded as tangible capital assets on these consolidated financial statements.

7. Accounts payable and accrued liabilities:

	2021	2020
Trade accounts payable and accrued liabilities	$ 3,118,086	$ 2,022,005
Accrued payroll benefits:		
Vacation pay	2,264,905	1,793,595
Banked overtime	16,820	10,446
Gratuity days	250,489	180,183
Early retirement incentives	39,591	17,000
	$ 5,689,891	$ 4,023,229

8. Debt:

	2021	2020
Concessionaire payable - Great Northern Way Campus Project with AAP Partnership, payable in monthly payments commencing August 4, 2017 including annual interest of 4.59%, in accordance with the project agreement terms. Required principal repayments on P3 debt for the years ending March 31, 2047.	$ 56,035,038	$ 57,150,996

Principal and interest payments for the next five years and thereafter are as follows:

	Principal	Interest	Total payments
2022	$ 1,167,146	$ 2,569,882	$ 3,737,028
2023	1,220,682	2,516,346	3,737,028
2024	1,276,673	2,460,355	3,737,028
2025	1,335,233	2,401,795	3,737,028
2026	1,396,479	2,340,549	3,737,028
Thereafter	49,638,825	28,650,121	78,288,946
	$ 56,035,038	$ 40,939,048	$ 96,974,086

The debt related payments as well as the facility maintenance and lifecycle costs under the P3 contracts (note 11(c)) are funded by the Ministry of Advanced Education, Skills and Training (the “Ministry”).

9. Employee future benefits:

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed pension plans. The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2019, the College Pension Plan has about 15,000 active members, and approximately 9,000 retired members. As at December 31, 2019, the Municipal Pension Plan has about 213,000 active members, including approximately 6,000 from colleges.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry- age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

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

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a $2,866 million funding surplus for basic pension benefits on a going concern basis.

The University paid $2,337,350 (2020 - $2,063,880) for employer contributions to the plans in fiscal 2021.

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

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

10. Deferred contributions:

	2020	Amounts received	Amortized as revenue	2021
Provincial Operating	$ 2,239,053	$ 1,107,095	$ (666,332)	$ 2,679,816
Federal Operating	677,682	1,349,926	(968,392)	1,059,216
Other Operating	2,115,317	1,353,230	(1,522,260)	1,946,287
Deferred contributions	5,032,052	3,810,251	(3,156,984)	5,685,319
Provincial Capital	42,410,641	199,926	(1,070,516)	41,540,051
Other Capital	18,634,118	361,690	(1,540,182)	17,455,626
Deferred capital contributions	61,044,759	561,616	(2,610,698)	58,995,677
Total	$ 66,076,811	$ 4,371,867	$ (5,767,682)	$ 64,680,996

Included in deferred capital contributions are unspent funds of $2,152,166 (2020 - $2,003,212).

11. Commitments and contingencies:

(a) Operating and building leases:

(*i*) The University commissioned the new facility at its Great Northern Way Campus on August 4, 2017. Prior to this date, the University's operations were carried out at two leased properties at its Granville Island location under long term leases with CMHC expiring in 2043. In negotiations with CMHC amendments to the operating leases were agreed and executed and the leases were terminated in fiscals 2018 and 2019.

(*ii*) At March 31, 2021, the University is obligated to make the following minimum lease payments with respect to leased studio space in each of the next five fiscal years ending March 31:

2022	$ 132,593
2023	137,566
2024	142,724
2025	148,077
2026	153,629
	$ 714,589

11. Commitments and contingencies (continued):

(b) GNW Campus Trust commitments:

(*i*) The GNW Campus Trust has provided letters of guarantee totaling nil (2020 - $125,650) for various on-site and off-site servicing and street works projects.

(*ii*) The GNW site is currently zoned pursuant to CD-1 (402) Comprehensive Development Zone. A condition of the CD-1 zoning is related to servicing and engineering commitments both on and off the site. When the site was partially gifted, these commitments were assumed by GNW 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 the CD-1 (402) zoning, including land not owned by GNW. This agreement obligates GNW to reimburse the City of Vancouver for certain costs in addition to carrying out certain on-site and off-site servicing works. The timing of payments is largely contingent on activities that may be performed by GNW in the coming years as part of its site development plan.

(*iii*) Effective September 1, 2010, GNW 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 Master of Digital Media ("MDM") Program. The agreement was amended on December 2, 2014 to include an allocation of space in buildings 685 and 577 for the MDM Program, and the appointment of a principal contact by SFU to oversee the terms of the agreement. GNW agrees to pay SFU six percent (6%) of the gross tuition and mandatory fees in return for these services.

(*iii*)(continued):

A new agreement was negotiated with SFU in 2020 and was executed effective January 1, 2021. With an increase in services that SFU will provide to MDM students, GNW agrees to pay SFU eight percent ("8%") of the gross tuition and mandatory fees.

(c) Public-private partnership commitments:

The University entered into multiple-year P3 contracts to design, build, finance, and maintain the Great Northern Way Campus. The information presented below shows the anticipated cash outflow for future obligations under these contracts for the facility maintenance and the lifecycle costs. Facilities maintenance and life cycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable and payable to March 31, 2047.

2022	$ 2,598,428
2023	2,875,164
2024	2,764,055
2025	3,192,813
2026	3,128,012
Thereafter	90,718,848
	$ 105,277,320

12. Capital lease obligation:

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

	2021	2020
2021	$ -	$ 461,560
2022	565,374	397,676
2023	269,782	102,085
2024	167,697	-
Total minimum lease payments	1,002,853	961,321
Amount representing interest at rates ranging from 3.00% to 7.50%	(74,767)	(94,404)
Capital lease obligations	$ 928,086	$ 866,917

13. Expenses by object:

The following is a summary of expenses by object:

	2021	2020
Salaries and benefits	$ 33,660,373	$ 30,195,027
HR programs and professional development	747,073	814,096
Library services	213,255	201,504
Scholarships, bursaries and awards	1,133,892	914,788
Student recruitment and development	361,551	401,665
Counselling and interpreting	41,449	144,510
Communications	297,697	428,458
Advertising and promotions	285,198	504,102
University memberships	112,636	105,726
Information technology	1,200,595	1,098,673
Facility services	2,381,538	2,442,367
Leases and rentals	130,841	157,845
Guest artists and speakers	347,617	418,153
Professional services	789,719	840,849
Supplies	389,387	673,754
Repairs and maintenance	64,692	149,270
Utilities	444,972	485,230
Interest	2,678,083	2,738,583
Cost of goods sold	10,517	80,334
Amortization	4,427,420	4,248,477
Loss from equity accounted organizations	-	250,288
Other	380,544	274,078
	$ 50,099,049	$ 47,567,777

14. Funds held by Vancouver Foundation:

The University has endowment funds of $942,395 (2020 - $864,191) with the Vancouver Foundation. These are permanent funds with the Foundation and provide 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 $25,859 (2020 - $23,746) as income from the funds during the year.

15. 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:

Fair value of a financial instrument is 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.

Fixed interest rate instruments are subject to fair value risk. The University is exposed to this risk with respect to the P3 debt as disclosed in note 8.

15. Financial risk management (continued):

(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.

The University's exposure to credit risk is influenced mainly by the individual characteristics of each student and hence is not subject to concentration of credit risk. 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.

There have been no significant changes to the risk exposures from 2020.

16. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2021	2020
Equity of GNW Campus Trust	$ 11,609,921	$ 10,336,368
Invested in tangible capital assets	16,147,432	16,107,345
Internally restricted for special projects	1,404,504	1,482,412
Internally restricted for student awards	331,210	332,402
Endowments	6,133,815	6,047,377
Unappropriated surplus	2,761,302	2,354,180
	$ 38,388,184	$ 36,660,084