Consolidated Financial Statements of

KWANTLEN POLYTECHNIC UNIVERSITY

March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of Kwantlen Polytechnic University, and to the Ministry of Post-Secondary Education and Future Skills, Province of British Columbia

Opinion

We have audited the consolidated financial statements of Kwantlen Polytechnic University (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2023
- the consolidated statement of operations and accumulated operating surplus 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
- the consolidated statement of remeasurement gains and losses for the year then ended
- and 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, 2023 of the Entity 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 **"*Auditor's Responsibilities for the Audit of the Financial Statements*"** section of our auditor's report.

We are independent of the Entity 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 2(a) 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2022 has been restated.

Note 3 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 Entity'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 the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Entity 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 and 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
May 24, 2023

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Financial Position

As at March 31, 2023 (In thousands of dollars)

			2023		2022
					(Restated - Note 3)
Financial assets					
Cash and cash equivalents	(Note 4)	$	160,171	$	135,836
Accounts receivable	(Note 5)		10,253		3,874
Inventories for resale			414		383
Investments and endowment investments	(Note 6)		33,856		32,999
Asset held-for-sale	(Note 7)		1,057		-
			205,751		**173,092**
Liabilities					
Accounts payable and accrued liabilities	(Note 8)		49,760		45,140
Deferred revenue			67,293		72,418
Deferred contributions	(Note 10)		10,271		11,225
Deferred capital contributions	(Note 11)		179,720		157,020
Asset retirement obligations	(Note 12)		1,561		1,463
			308,605		**287,266**
Net debt			**(102,854)**		**(114,174)**
Non-financial assets					
Tangible capital assets	(Note 14)		232,450		237,517
Investments and endowment investments	(Note 6)		2,817		2,817
Prepaid expenses and deposits			2,016		1,955
			237,283		**242,289**
Accumulated surplus		**$**	**134,429**	**$**	**128,115**
Accumulated surplus is comprised of:					
Accumulated operating surplus	(Note 15)	$	133,698	$	126,036
Accumulated remeasurement gains			731		2,079
		$	134,429	$	128,115

Contractual obligations (Note 17)
Contingent liabilities (Note 18)
Contractual rights (Note 19)

Ivy Chen
Chair, Board of Governors

Chervahun Emilien
Chief Financial Officer

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Operations and Accumulated Operating Surplus

Year ended March 31, 2023 (In thousands of dollars)

		Budget	2023	2022
				(Restated - Note 3)
Revenue:				
Grants from the Province of British Columbia		$ 82,575	$ 63,850	$ 66,978
Revenue from deferred contributions	(Note 10)	6,172	10,540	7,892
International tuition and student fees		117,506	127,869	99,830
Domestic tuition and student fees		39,077	36,559	37,196
Ancillary services		3,049	3,301	2,440
Investment income		1,500	6,055	2,302
Other revenue		3,621	3,987	4,677
Revenue from deferred capital contributions	(Note 11)	9,233	10,518	9,492
		262,733	**262,679**	**230,807**
Expenses:	(Note 21)			
Academic support and instruction		150,102	139,713	125,556
Student support		28,013	29,243	25,112
Administration support		76,260	76,809	71,662
Research		5,065	6,127	4,735
Ancillary		3,293	3,125	3,180
		262,733	**255,017**	**230,245**
Annual surplus		-	7,662	562
Accumulated operating surplus, beginning of the year as originally reported		127,328	127,328	126,706
Change in accounting policy	(Note 3)	(1,292)	(1,292)	(1,232)
Accumulated operating surplus, beginning of the year restated		126,036	126,036	125,474
Accumulated operating surplus, end of year		**$ 126,036**	**$ 133,698**	**$ 126,036**

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2023 (In thousands of dollars)

	Budget	2023	2022
			(Restated - Note 3)
Annual surplus	$ -	$ 7,662	$ 562
Acquisition of tangible capital assets, net of write-offs	(32,137)	(15,885)	(14,371)
Transfer of asset held for sale (Note 7)	-	1,057	-
Amortization of tangible capital assets	21,347	19,895	20,136
	(10,790)	5,067	5,765
Net use (acquisition) of prepaid expenses and deposits	-	(61)	133
Net remeasurement losses	-	(1,348)	(89)
Change in net debt	(10,790)	11,320	6,371
Net debt, beginning of year	(114,174)	(114,174)	(120,545)
Net debt, end of year	**$ (124,964)**	**$ (102,854)**	**$ (114,174)**

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Cash Flows

Year ended March 31, 2023 (In thousands of dollars)

	2023	2022
		(Restated - Note 3)
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 7,662	$ 562
Items not involving cash:		
Amortization of tangible capital assets	19,895	20,136
Write-off of tangible capital assets	-	33
Asset retirement obligation accretion expense	98	45
Revenue recognized from deferred capital contributions	(10,518)	(9,492)
	17,137	11,284
Change in non-cash operating working capital:		
Accounts receivable	(6,379)	(1,946)
Prepaid expenses and deposits	(61)	133
Inventories for resale	(31)	64
Accounts payable and accrued liabilities	4,620	2,026
Deferred revenue	(5,125)	31,558
Deferred contributions	(954)	5,728
Net change from operating activities	**9,207**	**48,847**
Capital activities:		
Cash used to acquire tangible capital assets	(15,885)	(14,404)
Net change from capital activities	**(15,885)**	**(14,404)**
Financing activities:		
Contributions received for tangible capital assets	33,218	14,009
Principal payments on capital lease obligations	-	(33)
Net change from financing activities	**33,218**	**13,976**
Investing activities:		
Increase in investments	(2,205)	(1,474)
Net change from investing activities	**(2,205)**	**(1,474)**
Net change in cash and cash equivalents	24,335	46,945
Cash and cash equivalents, beginning of year	**135,836**	**88,891**
Cash and cash equivalents, end of year	**$ 160,171**	**$ 135,836**

Total interest paid during the year $37 (2022 - $52)

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2023 (In thousands of dollars)

	2023	2022
Accumulated remeasurement gains, beginning of year	**$ 2,079**	**$ 2,168**
Unrealized gains (losses) generated during the year from:		
Fixed income investments	1,027	805
Pooled investments, mortgage-backed securities and mutual funds	(2,042)	(109)
Foreign currency translation	(58)	(30)
Remeasurement (gains) losses realized and reclassified to the Statement of Operations and Accumulated Surplus from:		
Pooled investments, mortgage-backed securities and mutual funds	(345)	(797)
Foreign currency translation	70	42
Net remeasurement losses for the year	(1,348)	(89)
Accumulated remeasurement gains, end of year	**$ 731**	**$ 2,079**

See accompanying notes to consolidated financial statements.

1. Authority and purpose

Kwantlen Polytechnic University (the "University") operates under the authority of the *University Act* of British Columbia. The University is a not-for-profit entity governed by a Board of Governors, the majority of which are appointed by the Province of British Columbia. The University is a registered charity and is exempt from income taxes under section 149 of the *Income Tax Act*.

The University offers career, vocational, developmental and academic programs from its Richmond, Langley and three Surrey campuses located in southwestern British Columbia. The academic governance of the University is vested in the Senate.

2. Summary of significant accounting policies

(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 financial statements be prepared in accordance with the set of standards and guidelines that are comprised of generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that are comprised of generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Government Organization Accounting Standards Regulation 257/2010 requires all taxpayer supported organizations in the schools, universities, colleges and hospitals sectors to adopt the Canadian Public Sector Accounting Standards ("PSAS") without any public sector ("PS") 4200 elections, effective their first fiscal year commencing after January 1, 2012.

Government Organization Accounting Standards 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.

Regulation 198/2011 also requires that the 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 period when the stipulation or restriction on the contributions have been met.

2. Summary of significant accounting policies (continued)

(a) Basis of accounting (continued)

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS 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 PS 3410. Externally restricted contributions are recognized in revenue in the period when the resources are used for the purpose specified in accordance with PS 3100.

As a result, revenue recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus and certain related deferred capital contributions in the Consolidated Statement of Financial Position would be recorded differently under PSAS.

(b) Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by the University. On May 22, 2022, KPU Communities Corporation (the “Corporation”), a wholly-owned subsidiary of the University, was incorporated under the *Business Corporations Act* of British Columbia and on June 1, 2022 a trust deed was executed and appointed KPU Communities Corporation as trustee of KPU Communities Trust (the “Trust”). The purpose of the Trust is to create revenue generating opportunities to support academic endeavors and enhance student experience and well-being for the University. The Corporation and the Trust are fully consolidated into these statements and all inter-entity balances and transactions are eliminated on consolidation.

(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. They are subject to insignificant risk of change in value.

(d) Financial instruments

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

(i) Fair value category: The University manages and reports performance for groups of financial assets on a fair-value basis. Investments are reflected at fair value as at the reporting date. The carrying amounts are shown at fair value based on quoted prices (unadjusted) in active markets. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets except for those related to restricted endowments are recognized in the Consolidated 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 Consolidated Statement of Operations and Accumulated Operating Surplus and related balances reversed from the Consolidated Statement of Remeasurement Gains and Losses. Unrealized gains and losses on endowment investment assets, where earnings are restricted as to use, are recorded as deferred contributions and recognized in revenue when disposed or when the related expenses are incurred.

2. Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Cost category: For accounts receivable, accounts payable and accrued liabilities, the carrying amount generally approximates fair value because of the short maturity of these instruments. Valuation allowances are made when collection is in doubt.

(e) Inventories for resale

Inventories for resale, including new and used textbooks, course manuals, stationery, art supplies, clothing, and crested and non-crested giftware, 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 proceeds on sale less any costs to sell. Inventories are written down to net realizable value when the cost of inventories is estimated not to be recoverable.

When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of write-down previously recorded is reversed.

(f) Contaminated sites

A liability for contaminated sites is recognized when 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 costs directly attributable to remediation activities, including the cost of post-remediation operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(g) 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 asset acquisitions are recorded at cost, which includes amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less the residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as shown below. Land is not amortized as it is deemed to have a permanent value. Work in progress is not amortized until the asset is available for productive use.

2. Summary of significant accounting policies (continued)

(g) Non-financial assets (continued)

(i) Tangible capital assets (continued)

	Term
Buildings	40 years
Major site improvements	10 years
Major equipment	10 - 20 years
Library holdings	10 years
Technology infrastructure	8 years
Furniture and equipment	5 years
Computing equipment	4 years
Leased capital assets	lesser of 5 years or lease term

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 which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as obligations under capital lease and are reflected as part of tangible capital assets in the financial statements. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(h) Employee future benefits

The University and its employees make contributions to the College Pension Plan and the Municipal Pension Plan which are multi-employer joint trustee pension 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 defined contribution plans and any contributions of the University to the plans are expensed as incurred.

The University's sick leave benefits do not vest or accumulate and related costs are expensed as incurred. The University accrues vacation for employees as earned. The University accrues a supplemental employment benefit for maternity and parental leave upon commencement of the related leave. Retirement allowances, where applicable, are accrued upon approval.

2. Summary of significant accounting policies (continued)

(i) Asset retirement obligations

The University recognizes an asset retirement obligation, as at the financial reporting date, when there is a legal obligation to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities and is recorded as a liability and increase to the related tangible capital asset. The amount capitalized in tangible capital assets is amortized using the amortization accounting policy outlined in note 2(g)(i).

The carrying value of the liability is re-evaluated at each financial reporting date with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the asset retirement obligation liability and tangible capital assets.

(j) Revenue recognition

Tuition and student fees, ancillary revenues, and sales of other 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 and grants are recorded as revenue 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.

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 donations and as deferred contributions for any unspent restricted investment income earned thereon.

2. Summary of significant accounting policies (continued)

(j) Revenue recognition (continued)

Investment income includes interest recorded on an accrual basis, dividends recorded as declared, and realized gains and losses on the sale of investments.

(k) Functional classification of expenses

The University has identified the following functions and associated groups of activities based upon the functional areas of service provided by various departments:

(i) Academic support and instruction

Academic support and instruction includes the activities related to the support and delivery of education including cost of instructors, academic management, support staff and related support costs.

(ii) Student support

Student support includes direct supports for students including Student Affairs, Alumni Relations, International Education, The Learning Centre, Library Resources and the Office of the Registrar.

(iii) Administrative support

Administrative support includes expenses that relate to the activities that support the University. This includes Financial Services, Procurement, Business Performance (Internal Audit) and Advisory Services, Human Resources, Information Technology, Office of Planning and Analysis, the Office of Advancement, Campus Security and Safety, Facilities, and External Affairs.

(iv) Research

Research consists of the Office of Research Services which assists researchers with proposal preparation, administration of sponsored projects and active research activities.

(v) Ancillary

Ancillary represents the business activities that support the Universities campus life. It consists of Bookstore, Food Services and Parking and Transit Services.

2. Summary of significant accounting policies (continued)

(l) Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures, and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas where management has made estimates and assumptions include those related to the determination of useful lives of tangible capital assets for amortization and the amortization of related deferred capital contributions, accrued liabilities, valuation of accounts receivable, provisions for contingencies, and discount rate and future cash flows associated with asset retirement obligations. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(m) Foreign currency translation

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 are 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 Consolidated Statement of Financial Position date.

Any gains or losses resulting from a change in rates between the transaction date and the settlement date or Consolidated Statement of Financial Position date is recognized in the Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the Consolidated Statement of Remeasurement Gains and Losses and the exchange gains or losses in relation to the exchange rate at the date of the item's initial recognition is recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus.

(n) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2022-2023 University Budget approved by the Board of Governors on March 30, 2022. The budget is reflected in the Consolidated Statement of Operations and Accumulated Operating Surplus and the Consolidated Statement of Changes in Net Debt.

(o) Asset held-for-sale

Asset held-for-sale includes land which is ready and available to be sold and for which there is a market. It is valued at the lower of cost or expected net realizable value.

Year ended March 31, 2023 (All figures in thousands of dollars)

3. Change in accounting policy

On April 1, 2022, the University adopted PS 3280 *Asset retirement obligations* using the modified retroactive transitional provisions as at the date of adoption. This new standard requires that the University record the legal obligations associated with the retirement of tangible capital assets. The March 31, 2022 consolidated financial statements have therefore been restated as follows:

	Previously stated 2022	Adjustment	Restated 2022
Asset retirement obligations	$ -	$ 1,463	$ 1,463
Cost of tangible capital assets	467,683	595	468,278
Accumulated amortization of tangible capital assets	(230,337)	(424)	(230,761)
Accumulated operating surplus	127,328	(1,292)	126,036
Amortization	20,121	15	20,136
Accretion expense	-	45	45
Annual surplus	622	(60)	562
Net debt, beginning of year	(119,127)	(1,418)	(120,545)

4. Cash and cash equivalents

	2023	2022
Cash	$ 157,182	$ 132,860
Cash equivalents	2,989	2,976
	$ 160,171	**$ 135,836**

5. Accounts receivable

	2023	2022
Student	$ 3,004	$ 3,033
Trade and other	8,584	1,999
Allowance for doubtful accounts	(1,335)	(1,158)
	$ 10,253	**$ 3,874**

Year ended March 31, 2023 (All figures in thousands of dollars)

6. Investments and endowment investments

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

		2023		2022
Designated to the fair value category (Level 1)				
Fixed income pooled investments	$	20,996	$	19,970
Canadian equities pooled investments		7,087		8,723
International equities pooled investments		6,375		6,381
Guaranteed investment certificate		1,000		-
Total Level 1 category investments		35,458		35,074
Designated to the fair value category (Level 3)				
Infrastructure pooled investments		82		294
Real estate pooled investments		1,133		448
Total Level 3 category investments		1,215		742
Total investments		36,673		35,816
Less endowment investments		(2,817)		(2,817)
Investments	**$**	**33,856**	**$**	**32,999**

The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table reconciles the changes in the fair value of investments classified as Level 3 during the year.

		2023		2022
Balance, beginning of year	$	742	$	382
Purchases		727		520
Dispositions		(302)		(198)
Income distribution		34		19
Unrealized gain		14		19
Balance, end of year	**$**	**1,215**	**$**	**742**

Year ended March 31, 2023 (All figures in thousands of dollars)

7. Asset held-for-sale

The Board of Governors approved to sell a portion of land at the Cloverdale campus and the sale is expected to be completed in one year. Accordingly, land with a cost of $1,057 has been classified as asset held-for-sale.

8. Accounts payable and accrued liabilities

		2023		2022
Accounts payable and accrued liabilities	$	24,822	$	25,137
Salaries, benefits and wages payable		12,410		7,788
Accrued vacation payable		12,528		12,215
	$	**49,760**	**$**	**45,140**

9. Employee future benefits

(a) Pension 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, 2022, the College Pension Plan has about 16,600 active members, and approximately 10,100 retired members. As at December 31, 2022, the Municipal Pension Plan has about 240,000 active members, including approximately 7,000 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, 2021, indicated a $202,000 surplus for basic pension benefits on a going concern basis.

Year ended March 31, 2023 (All figures in thousands of dollars)

9. Employee future benefits (continued)

(a) Pension benefits (continued)

The most recent valuation for the Municipal Pension Plan as at December 31, 2021, indicated a $3,761,000 funding surplus for basic pension benefits on a going concern basis. The University paid $11,932 for employer contributions to the plans in the fiscal year 2023 (2022 – $11,286).

The next valuation for the College Pension Plan will be as at August 31, 2024. The next valuation for the Municipal Pension Plan will be December 31, 2024, with results available in 2025.

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.

(b) Maternity or parental leave

The University provides supplemental employee benefits for faculty, staff and administration on maternity or parental leave. For the duration of the leave, employees on maternity or parental leave receive a supplemental payment added to employment insurance benefits. Employer-paid benefits also continue to be paid on the employees' behalf. The University has expensed $982 in the current year (2022 – $798). As at March 31, 2023, the University has an obligation of $452 (2022 – $710) which has been included in salaries, benefits and wages payable.

10. Deferred contributions

Deferred contributions represent the unspent externally restricted grants and contributions that will be used in future periods primarily for academic programming, as specified by the contributor.

	2022	Amounts received	Recognized as revenue	2023
Provincial	$ 7,784	$ 5,062	$ (6,799)	$ 6,047
Federal	1,717	1,764	(1,458)	2,023
Other sources	1,724	2,760	(2,283)	2,201
	$ 11,225	**$ 9,586**	**$ (10,540)**	**$ 10,271**

Year ended March 31, 2023 (All figures in thousands of dollars)

11. Deferred capital contributions

Contributions that are restricted for the purpose of acquiring capital are recorded as deferred capital contributions. Amounts are recognized into revenue as the same rate that amortization of the tangible capital asset is recorded.

Changes in deferred capital contributions balance are as follows:

		2022		Amounts received		Recognized as revenue		2023
Provincial	$	134,853	$	31,095	$	(9,145)	$	156,803
Federal		9,126		72		(781)		8,417
Other sources		13,041		2,051		(592)		14,500
	$	**157,020**	**$**	**33,218**	**$**	**(10,518)**	**$**	**179,720**

12. Asset retirement obligations

The University has recorded asset retirement obligations for the removal of hazardous material from some of the University's buildings.

The following is a reconciliation of the changes in the asset retirement obligations during the year:

		2023		2022
				(Restated – Note 3)
Balance, beginning of year	$	1,463	$	1,418
Accretion expense		98		45
Balance, end of year	**$**	**1,561**	**$**	**1,463**

The undiscounted estimated cash flows required to settle the obligations are approximately $2,169 to be paid during the fiscal years 2032 to 2034. The estimated cash flows were discounted using the credit-adjusted risk-free rate of 3.2% per annum.

13. Line of credit

The University has the ability to draw on a line of credit with a commercial bank for $7,500 (2022 - $7,500). As at March 31, 2023, the University has not utilized the available line of credit.

Year ended March 31, 2023 (All figures in thousands of dollars)

14. Tangible capital assets

	Land	Buildings	Major site improvements	Major equipment	Library holdings	Technology infrastructure	Furniture & equipment	Computing Equipment	Work in progress (WIP)	2023	2022
											(Restated - Note 3)
Cost											
Opening balance	$ 21,485	$ 267,414	$ 47,274	$ 15,604	$ 9,739	$ 3,866	$ 82,429	$ 14,772	$ 5,695	$ 468,278	$ 453,965
Additions	-	-	684	619	197	-	5,406	1,485	7,494	15,885	14,404
Dispositions	-	-	-	-	-	-	-	-	-	-	(91)
Transfer to asset held for sale	(1,057)	-	-	-	-	-	-	-	-	(1,057)	
Transfer to/(from) WIP	-	-	1,083	2,361	-	-	732	-	(4,176)	-	-
Closing balance	20,428	267,414	49,041	18,584	9,936	3,866	88,567	16,257	9,013	483,106	468,278
Accumulated amortization											
Opening balance	-	(109,584)	(26,204)	(3,090)	(7,953)	(2,614)	(70,688)	(10,628)	-	(230,761)	(210,683)
Amortization	-	(6,685)	(4,105)	(1,220)	(380)	(483)	(5,107)	(1,915)	-	(19,895)	(20,136)
Dispositions	-	-	-	-	-	-	-	-	-	-	58
Closing balance	-	(116,269)	(30,309)	(4,310)	(8,333)	(3,097)	(75,795)	(12,543)	-	(250,656)	(230,761)
Net book value	**$ 20,428**	**$ 151,145**	**$ 18,732**	**$ 14,274**	**$ 1,603**	**$ 769**	**$ 12,772**	**$ 3,714**	**$ 9,013**	**$ 232,450**	**$ 237,517**

Year ended March 31, 2023 (All figures in thousands of dollars)

15. Accumulated surplus

The accumulated surplus is comprised of the following:

		2023		2022
				(Restated – Note 3)
Investment in tangible capital assets	$	88,984	$	94,003
Endowments (Note 6)		2,817		2,817
Internally restricted		6,170		6,170
Unrestricted		35,727		23,046
Accumulated remeasurement gains		731		2,079
	$	**134,429**	**$**	**128,115**

16. Financial risk management

The University has exposure to certain risks from its financial instruments.

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 and cash equivalents and accounts receivable.

Credit risk associated with cash and cash equivalents is minimized by ensuring that these assets are held at financial institutions with a high credit quality. The University holds the majority of its cash and cash equivalents in a Canadian Chartered bank.

Management believes the credit risk associated with accounts receivable is limited as the balance largely consists of receivables from the Province of British Columbia and student accounts receivable that are closely monitored and managed to limit further enrollment until payment is made.

(b) Market risk and interest rate risk

Market risk is the risk that changes in the 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.

The University manages its market risk and interest rate risk on investments with established investment guidelines for its investment management companies to follow in managing its investment portfolios. The guidelines limit investments to those with BBB- or greater credit rating. The University does not invest in any derivatives.

Year ended March 31, 2023 (All figures in thousands of dollars)

16. Financial risk management (continued)

(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.

(d) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. The University is exposed to foreign exchange risk on investments that are dominated in foreign currencies.

The functional currency of the University is the Canadian dollar. The University is also exposed to risk at it conducts some transactions in foreign currencies, particularly the U.S. dollar. The University maintains a U.S. dollar denominated bank account to minimize foreign exchange risk on these transactions.

17. Contractual obligations

The nature of the University's activities can result in multi-year contracts and obligations whereby the University will be committed to make future payments. Significant contractual obligations related to operations that can be reasonably estimated are as follows:

	2024	2025	2026	2027	2028
Capital commitments	$ 4,120	$ -	$ -	$ -	$ -
Operational commitments	13,832	4,139	1,411	966	123
	$ 17,952	**$ 4,139**	**$ 1,411**	**$ 966**	**$ 123**

18. Contingent liabilities

(a) The University may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of operations.

There are several lawsuits pending in which the University is involved. It is considered that the potential claims against the University resulting from such litigation would not materially affect the financial statements of the University.

Year ended March 31, 2023 (All figures in thousands of dollars)

18. Contingent liabilities (continued)

(b) As at March 31, 2023, the University does not have any letters of credit outstanding (2022 - $189).

19. Contractual rights

The University may, from time to time, enter into contracts or agreements in its normal course of operations that will result in the realization of assets and revenues in future fiscal years. The University is a recipient of research grants from various federal, provincial and municipal funding agencies.

The University enters into various multi-year research funding agreements whereby the University has the opportunity to earn revenue in future years by incurring qualified expenditures. These research funding agreements do not abnormally impact the University's financial position.

20. Related party transactions

The University has entered into certain transactions and agreements in the normal course of business with certain of its related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant related party transactions with the provincial government entities are as follows:

Revenue and expenses:

Included in revenue		**2023**		**2022**
Ministry of Post-Secondary Education and Future Skills grants	$	63,850	$	66,978
Other provincial government entity – grants and revenue recognized from deferred contributions		6,799		5,518
Other provincial government entity – grants and revenue recognized from deferred capital contributions		9,145		8,080
	$	**79,794**	**$**	**80,576**

Included in expenses		**2023**		**2022**
Ministry of Post-Secondary Education and Future Skills	$	318	$	261
Other provincial government entity		1,408		1,327
Other provincial universities		384		397
	$	**2,110**	**$**	**1,985**

Receivables and payables:

Included in accounts receivable		**2023**		**2022**
Ministry of Post-Secondary Education and Future Skills	**$**	**6,098**	**$**	**700**

Year ended March 31, 2023 (All figures in thousands of dollars)

20. Related party transactions (continued)

Related party transactions with key management personnel:

During the year, the key management personnel, comprised of the Board and the University's Executives, have nil (2022 – nil) related party transactions with the University with respect to the delivery of goods and services, and payment of fees that were transacted at non-arms' length.

21. Expense by object

The following is a summary of expenses by object:

		2023		2022
				(Restated – Note 3)
Salaries and benefits	$	173,175	$	151,358
Travel and professional development		3,334		1,967
Supplies		5,121		4,802
Student awards, bursaries and donations		11,600		9,246
Fees and services		25,326		28,469
Facilities		14,524		11,990
Cost of sales		1,475		1,502
Leases, property taxes, insurance		469		730
Accretion		98		45
Amortization of tangible capital assets		19,895		20,136
	$	**255,017**	**$**	**230,245**

22. Kwantlen Polytechnic University Foundation

The Kwantlen Polytechnic University Foundation (the "Foundation") was established on July 14, 2000 and is registered under the Societies Act (British Columbia). The Foundation is a registered charity under the Income Tax Act of Canada. The purpose of the Foundation, is the solicitation and management of donations and endowments for the purpose of providing awards and grants to students of the University and to advance the University's engagement with and within communities it serves. The Foundation is governed by an independent board of directors, the voting members of which can include employees and officers of the University. The University does not exercise control over the Foundation.

Year ended March 31, 2023 (All figures in thousands of dollars)

22. Kwantlen Polytechnic University Foundation (continued)

During the year, as part of its ordinary course of business, the University transferred certain funds to the Foundation.

		2023		2022
KPU Research Endowment	$	4,000	$	-
KPU Food Endowment		1,000		-
KPU Financial Aid Endowment		-		3,300
KPU Financial Barrier Reduction Fund		2,000		3,700
	$	**7,000**	**$**	**7,000**

The University also provides administrative, management and staff resources to the Foundation at no charge.

23. Comparative information

Certain comparative figures have been reclassified to conform to the current year consolidated financial statement presentation. These changes do not affect prior year's annual surplus.