

Consolidated Financial Statements of

KWANTLEN POLYTECHNIC UNIVERSITY

March 31, 2024

Management's Statement of Responsibility

To the Board of Governors of Kwantlen Polytechnic University

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements for the year ended March 31, 2024, 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 (the "Board") and the Finance and Audit Committee (the "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 consolidated financial statements. The 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 Committee. 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 Kwantlen Polytechnic University



Dr. Alan Davis
President and Vice-Chancellor



Chervahun Emilien
Chief Financial Officer



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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, 2024
- 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 rereasurement 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, 2024 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.

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.

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 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 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 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
May 22, 2024

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Financial Position

As at March 31, 2024

(In thousands of dollars)

		2024 \$	2023 \$
Financial assets			
Cash and cash equivalents	(Note 4)	301,051	160,171
Accounts receivable	(Note 5, 21)	5,137	10,253
Inventories for resale		396	414
Investments and endowment investments	(Note 6)	37,029	33,856
Asset held-for-sale	(Note 7)	-	1,057
		343,613	205,751
Liabilities			
Accounts payable and accrued liabilities	(Note 8)	62,759	49,760
Deferred revenue		47,715	67,293
Deferred contributions	(Note 10)	87,438	10,271
Deferred capital contributions	(Note 11)	186,202	179,720
Obligations under capital lease	(Note 12)	2,187	-
Asset retirement obligations	(Note 13)	1,615	1,561
		387,916	308,605
Net debt		(44,303)	(102,854)
Non-financial assets			
Tangible capital assets	(Note 15)	240,411	232,450
Investments and endowment investments	(Note 6)	2,817	2,817
Prepaid expenses and deposits		3,852	2,016
		247,080	237,283
Accumulated surplus		202,777	134,429
Accumulated surplus is comprised of:			
Accumulated operating surplus		200,015	133,698
Accumulated remeasurement gains		2,762	731
	(Note 16)	202,777	134,429

Contractual obligations (Note 18)

Contingent liabilities (Note 19)

Contractual rights (Note 20)



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, 2024

(In thousands of dollars)

		Budget \$ (Note 2(n))	2024 \$	2023 \$
Revenue:				
Grants from the Province of British Columbia	(Note 21)	89,095	16,238	63,850
Revenue from deferred contributions	(Notes 10, 21)	6,572	11,455	10,540
International tuition and student fees		133,882	129,487	127,869
Domestic tuition and student fees		38,455	39,188	36,559
Ancillary services		3,049	3,343	3,301
Investment income		3,560	13,155	6,055
Gain on sale of land	(Note 7)	-	116,394	-
Other revenue		3,515	4,296	3,987
Revenue from deferred capital contributions	(Notes 11, 21)	11,649	12,052	10,518
		289,777	345,608	262,679
Expenses:				
Academic support and instruction	(Notes 21, 22, 23)	162,120	153,319	139,713
Student support		32,516	34,443	29,243
Administrative support		85,386	80,149	76,809
Research		6,460	6,957	6,127
Ancillary services		3,295	4,423	3,125
		289,777	279,291	255,017
Annual surplus		-	66,317	7,662
Accumulated operating surplus, beginning of year		133,698	133,698	126,036
Accumulated operating surplus, end of year		133,698	200,015	133,698

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2024

(In thousands of dollars)

	Budget \$ (Note 2(n))	2024 \$	2023 \$
Annual surplus	-	66,317	7,662
Acquisition of tangible capital assets, net of write-offs	(36,343)	(28,750)	(15,885)
Transfer of asset held for sale (Note 7)	-	-	1,057
Amortization of tangible capital assets	21,508	20,789	19,895
	(14,835)	(7,961)	5,067
Acquisition of prepaid expenses and deposits	-	(1,836)	(61)
Net remeasurement gains (losses)	-	2,031	(1,348)
Change in net debt	(14,835)	58,551	11,320
Net debt, beginning of year	(102,854)	(102,854)	(114,174)
Net debt, end of year	(117,689)	(44,303)	(102,854)

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Cash Flows

Year ended March 31, 2024

(In thousands of dollars)

	2024	2023
	\$	\$
Operating activities:		
Cash received from:		
Student tuition and fees	150,593	159,969
Grants and contributions	110,555	68,215
Sale of goods and rendering of services	4,720	4,471
Interest and investment income	12,494	5,507
User fees, fines, penalties and other fees	1,900	1,614
	280,262	239,776
Less cash for:		
Employee payments	(152,616)	(137,922)
Supplier payments	(84,413)	(80,845)
Interest paid	(102)	(37)
Student awards	(5,596)	(4,600)
Transfers to the KPU Foundation	(2,029)	(7,000)
	(244,756)	(230,404)
Cash provided by operating activities	35,506	9,372
Capital activities:		
Cash used to acquire tangible capital assets	(28,750)	(15,885)
Proceeds on sale of land	117,600	-
Cash provided by (used in) capital activities	88,850	(15,885)
Financing activities:		
Contributions received for tangible capital assets	18,139	33,053
Principal payments on capital lease obligations	(473)	-
Cash provided by financing activities	17,666	33,053
Investing activities:		
Increase in investments	(1,142)	(2,205)
Cash used in investing	(1,142)	(2,205)
Net change in cash and cash equivalents	140,880	24,335
Cash and cash equivalents, beginning of year	160,171	135,836
Cash and cash equivalents, end of year	301,051	160,171

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2024

(In thousands of dollars)

	2024	2023
	\$	\$
Accumulated remeasurement gains, beginning of year	731	2,079
Unrealized gains (losses) generated during the year from:		
Fixed income pooled investments	677	1,027
Pooled equity investments	1,406	(2,042)
Foreign currency translation	1	(58)
Remeasurement (gains) losses realized and reclassified to the Statement of Operations and Accumulated Surplus from:		
Pooled investments, mortgage-backed securities and mutual funds	(50)	(345)
Foreign currency translation	(3)	70
Net remeasurement gains (losses) for the year	2,031	(1,348)
Accumulated remeasurement gains, end of year	2,762	731

See accompanying notes to consolidated financial statements.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

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

These consolidated financial statements are prepared in accordance with the *Budget Transparency and Accountability Act* ("BTAA"), which requires application of generally accepted accounting principles for senior governments in Canada, supplemented by the following Province of British Columbia Treasury Board regulations ("Regulations"):

- Regulation 257/2010 requires that all taxpayer supported organizations adhere to the Public Sector Accounting Standards ("PSAS") without any public sector 4200 elections.
- 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.
 - 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.

The Regulations result in revenue being recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus and certain related deferred capital contributions being recorded in the Consolidated Statement of Financial Position differently than with application of the PSAS alone:

- PSAS requires unrestricted government transfers to be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410. The BTAA / Regulations allow government transfers to be recognized as revenue when received or receivable.
- In contrast to Regulation 198/2011, PSAS requires externally restricted contributions to be recognized in revenue in the period when the resources are used for the purpose specified in accordance with PS 3100.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(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 the Corporation as sole 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, including endowment 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 of or when the related expenses are incurred.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

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.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

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 expensed as incurred.

(h) Employee future benefits

The University and its employees make contributions to the College Pension Plan and Municipal Pension Plan, which are multi-year 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.

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.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

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 when (or as) KPU satisfies a performance obligation by providing the promised goods or services to a payor. A performance obligation is an enforceable promise made by a public sector entity.

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.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(j) Revenue recognition (continued)

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

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.
- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as endowment donations and as deferred contributions for any unspent restricted investment income earned thereon.

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

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

2. Summary of significant accounting policies (continued)

(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, consisting of Campus and Community Planning, Campus Safety and Security, Office of Equity and Inclusive Communities, External Affairs, Facilities, Financial Services, General Counsel, Human Resources, Indigenous Leadership, Innovation and Partnerships, Information Technology, Marketing and Communications, Office of the President, Governance, and Planning & Accountability.

(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 services

Ancillary services represent the business activities that support the University's campus life. It consists of the bookstore, food services and parking and transit services.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

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 2023-2024 University Budget approved by the Board of Governors on February 1, 2023. The budget is reflected in the Consolidated Statement of Operations and Accumulated Operating Surplus and the Consolidated Statement of Changes in Net Debt.

(o) Assets held-for-sale

Assets held-for-sale are valued at the lower of cost or expected net realizable value.

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

3. Changes in accounting policy

(a) Private Public Partnerships

On April 1, 2023, the University adopted Canadian Public Sector Accounting Standard PS 3160, Public Private Partnerships (“PS 3160”). The new accounting standard addresses the recognition, measurement, presentation, and disclosure of infrastructure procured by public sector entities through certain types of public private partnership arrangements. Management has assessed that there is no impact of adopting PS 3160 on the consolidated financial statements of the University.

(b) Purchased intangibles

On April 1, 2023, the University adopted Public Sector Guideline PSG-8, Purchased Intangibles, applied on a prospective basis (“PSG-8”). PSG-8 defines purchased intangibles as identifiable non-monetary economic resources without physical substance acquired through an arm’s length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Intangibles acquired through a transfer, contribution, or inter-entity transaction, are not purchased intangibles. Management has assessed that there is no impact of adopting PSG-8 on the consolidated financial statements of the University.

(c) Revenue

On April 1, 2023, the University adopted Canadian Public Sector Accounting Standard PS 3400, Revenue (“PS 3400”). Under the new accounting standard, there are two categories of revenue – exchange and unilateral. If the transaction gives rise to one or more performance obligations, it is an exchange transaction. If no performance obligations are present, it is unilateral revenue. Management has assessed that there is no impact of adopting PS 3400 on the consolidated financial statements of the University.

4. Cash and cash equivalents

	2024	2023
	\$	\$
Cash	297,978	157,182
Cash equivalents	3,073	2,989
	301,051	160,171

5. Accounts receivable

	2024	2023
	\$	\$
Student	2,987	3,004
Trade and other	3,719	8,584
Allowance for doubtful accounts	(1,569)	(1,335)
	5,137	10,253

KWANTLEN POLYTECHNIC UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

(All figures in thousands of dollars)

6. Investments and endowment investments

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

	2024	2023
	\$	\$
Designated to the fair value category (Level 2)		
Fixed income pooled investments	21,674	20,996
Canadian equities pooled investments	7,788	7,087
International equities pooled investments	7,796	6,375
Guaranteed investment certificate	1,049	1,000
Total Level 2 category investments	38,307	35,458
Designated to the fair value category (Level 3)		
Infrastructure pooled investments	26	82
Real estate pooled investments	1,513	1,133
Total Level 3 category investments	1,539	1,215
Total investments	39,846	36,673
Less endowment investments	(2,817)	(2,817)
Investments	37,029	33,856

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 (KPU has no Level 1 investments)
- 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.

	2024	2023
	\$	\$
Balance, beginning of year	1,215	742
Purchases	246	727
Dispositions	-	(302)
Income distribution	-	34
Unrealized gain	78	14
Balance, end of year	1,539	1,215

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(All figures in thousands of dollars)

7. Asset held-for-sale

The Board of Governors previously approved the sale of a portion of land at the Cloverdale (Tech) campus to Fraser Health Authority. The sale was completed during the year for proceeds of \$117,600 and resulted in a gain on sale of land in the amount of \$116,394. In the comparative period, land with a cost of \$1,057 was classified as asset held-for-sale.

8. Accounts payable and accrued liabilities

	2024	2023
	\$	\$
Accounts payable and accrued liabilities	27,830	24,822
Salaries, benefits and wages payable	20,298	12,410
Accrued vacation payable	14,631	12,528
	62,759	49,760

9. Employee future benefits

(a) Pension benefits

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the plans, including investment of assets and administration of benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2023, the College Pension Plan has about 17,200 active members, and approximately 10,700 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.

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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 \$13,217 for employer contributions to the plans in fiscal year 2024 (2023 – \$11,932).

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.

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 \$1,215 in the current year (2023 – \$982). As at March 31, 2024, the University has an obligation of \$977 (2023 – \$452) 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.

	2023	Amounts received	Recognized as revenue	2024
	\$	\$	\$	\$
Provincial	6,047	83,094	(6,308)	82,833
Federal	2,023	1,524	(1,640)	1,907
Other sources	2,201	4,004	(3,507)	2,698
	10,271	88,622	(11,455)	87,438

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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 at the same rate that amortization of the tangible capital asset is recorded.

Changes in deferred capital contributions balance are as follows:

	2023	Amounts received	Recognized as revenue	2024
	\$	\$	\$	\$
Provincial	156,803	18,498	(10,781)	164,520
Federal	8,417	36	(771)	7,682
Other sources	14,500	-	(500)	14,000
	179,720	18,534	(12,052)	186,202

12. Obligations under capital lease

The University entered into a capital lease on September 1, 2023 to finance technology infrastructure at an estimated cost of borrowing of 7.36% per annum (2023 - nil). The principal and interest payments are as follows:

	2024	2023
	\$	\$
2025	984	-
2026	984	-
2027	411	-
Total minimum capital lease payments	2,379	-
Less amounts representing interest	(192)	-
Present value of net minimum capital lease payments	2,187	-

Total interest payment on capital leases for the year was \$102 (2023 - nil).

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13. 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:

	2024	2023
	\$	\$
Balance, beginning of year	1,561	1,463
Accretion expense	54	98
Balance, end of year	1,615	1,561

The undiscounted estimated cash flows required to settle the obligations are approximately \$2,169 (2023 - \$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 3.5% (2023 - 3.2%) per annum.

14. Line of credit

The University has the ability to draw on a line of credit with a commercial bank for \$7,500 (2023 - \$7,500). As at March 31, 2024, the University has not utilized the available line of credit.

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15. Tangible capital assets

	Land	Buildings	Major site improvements	Major equipment	Library holdings	Technology infrastructure	Furniture & equipment	Computing equipment	Leased capital assets	Work in progress (WIP)	2024	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost												
Opening balance	20,428	267,414	49,041	18,584	9,936	3,866	88,567	16,257	-	9,013	483,106	468,278
Additions	-	-	6,609	642	228	1,005	5,526	2,018	2,660	10,062	28,750	15,885
Transfer to asset held for sale	-	-	-	-	-	-	-	-	-	-	-	(1,057)
Transfer to/(from) WIP	-	-	7,078	328	-	270	-	-	-	(7,676)	-	-
Closing balance	20,428	267,414	62,728	19,554	10,164	5,141	94,093	18,275	2,660	11,399	511,856	483,106
Accumulated amortization												
Opening balance	-	(116,269)	(30,309)	(4,310)	(8,333)	(3,097)	(75,795)	(12,543)	-	-	(250,656)	(230,761)
Amortization	-	(6,687)	(4,254)	(1,361)	(354)	(524)	(5,304)	(1,788)	(517)	-	(20,789)	(19,895)
Closing balance	-	(122,956)	(34,563)	(5,671)	(8,687)	(3,621)	(81,099)	(14,331)	(517)	-	(271,445)	(250,656)
Net book value	20,428	144,458	28,165	13,883	1,477	1,520	12,994	3,944	2,143	11,399	240,411	232,450

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16. Accumulated surplus

The accumulated surplus is comprised of the following:

	2024	2023
	\$	\$
Investment in tangible capital assets	84,479	88,984
Endowments (Note 6)	2,817	2,817
Internally restricted reserves	68,071	6,170
Unrestricted reserves	44,648	35,727
Accumulated remeasurement gains	2,762	731
	202,777	134,429

During the year ended March 31, 2024, the Board of Governors approved \$61,901 in internal restrictions of the University's total accumulated surplus, for the establishment of the Indigenous Fund of \$16,901, Student Award Fund of \$20,000 and Capital Reserve Fund of \$25,000 (2023 – nil).

17. 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.

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17. Financial risk management (continued)

(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.

(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.

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Notes to Consolidated Financial Statements

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(All figures in thousands of dollars)

18. 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:

	2025	2026	2027	2028	2029	There- after
	\$	\$	\$	\$	\$	\$
Capital commitments	7,372	31	-	-	-	-
Operational commitments	21,892	11,184	6,866	4,120	3,335	9,067
	29,264	11,215	6,866	4,120	3,335	9,067

19. Contingent liabilities

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.

20. 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 enters into multi-year research funding agreements with various federal, provincial and municipal funding agencies whereby it 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.

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Notes to Consolidated Financial Statements

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21. 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 not disclosed elsewhere in the consolidated financial statements, are as follows:

Revenue and expenses:

Included in revenue	2024 \$	2023 \$
Ministry of Post-Secondary Education and Future Skills grants	16,238	63,850
Other provincial government entities – grants and revenue recognized from deferred contributions (Note 10)	6,308	6,799
Other provincial government entities – grants and revenue recognized from deferred capital contributions (Note 11)	10,781	9,145
	33,327	79,794

Included in expenses	2024 \$	2023 \$
Ministry of Post-Secondary Education and Future Skills	347	318
Other provincial government entities	1,718	1,408
Other provincial universities	485	384
	2,550	2,110

Receivables and payables:

Included in accounts receivable	2024 \$	2023 \$
Ministry of Post-Secondary Education and Future Skills	798	6,098

Related party transactions with key management personnel:

During the year, key management personnel, comprised of the Board and the University's Executives, have nil (2023 – nil) related party transactions with the University.

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22. Expense by object

The following is a summary of expenses by object:

	2024	2023
	\$	\$
Salaries and benefits	194,744	173,175
Travel and professional development	4,159	3,334
Supplies	4,971	5,121
Student awards, bursaries and donations	8,685	11,600
Fees and services	27,255	25,326
Facilities	15,834	14,524
Cost of sales	2,184	1,475
Leases, property taxes, insurance	616	469
Accretion	54	98
Amortization of tangible capital assets	20,789	19,895
	279,291	255,017

23. 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.

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

	2024	2023
	\$	\$
KPU Research Endowment	2,000	4,000
KPU Food Endowment	-	1,000
KPU Financial Aid Endowment	1,000	-
KPU Financial Barrier Reduction Fund	60	2,000
KPU Other Transfers	29	-
	3,089	7,000

The University also provides administrative, management and staff resources to the Foundation at no charge. As at March 31, 2024 the University has a payable of \$1,060 (2023 - nil) to the Foundation.

24. 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.