Consolidated Financial Statements of

CAPILANO UNIVERSITY

And Independent Auditor's Report thereon

Year ended March 31, 2026

CAPILANO UNIVERSITY

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation of the annual financial statements, and has prepared the accompanying consolidated financial statements for the year ended March 31, 2026 in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which judgment is required.

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

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

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

Dr. Jason Dewling, President & Vice-Chancellor

Tally Bains, VP Finance and Administration

June 16, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of Capilano University, and

To the Minister of the Ministry of Post-Secondary Education and Future Skills,
Province of British Columbia

Opinion

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

- the consolidated statement of financial position as at March 31, 2026
- 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, 2026 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) in 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.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

June 16, 2026

CAPILANO UNIVERSITY

Consolidated Statement of Financial Position

March 31, 2026, with comparative information for 2025

	2026	2025
Financial Assets		
Cash	$ 27,036,444	$ 47,172,937
Investments (note 3)	85,398,763	89,349,503
Accounts receivable (note 4)	9,594,851	8,298,957
Other receivables (note 5)	3,052,855	4,265,452
Inventories	400,268	589,935
	125,483,181	149,676,784
Liabilities		
Accounts payable and accrued liabilities (note 6)	42,167,002	36,654,845
Employee future benefits (note 7(a))	2,199,300	1,910,400
Asset retirement obligation (note 8)	1,092,172	1,039,461
Deferred revenue	13,771,576	21,373,236
Deferred contributions (note 9)	15,296,608	20,611,732
Deferred capital contributions (note 10)	178,587,362	174,361,124
Debt (note 11)	38,221,048	38,014,223
	291,335,068	293,965,021
Net debt	(165,851,887)	(144,288,237)
Non-Financial Assets		
Endowment investments (note 3)	16,658,368	14,644,045
Tangible capital assets (note 12)	281,453,520	256,585,442
Prepaid expenses	1,439,698	1,907,101
	299,551,586	273,136,588
Accumulated surplus	$ 133,699,699	$ 128,848,351
Accumulated surplus is comprised of:		
Accumulated operating surplus (note 18)	$ 124,042,293	$ 119,970,626
Accumulated remeasurement gains	9,657,406	8,877,725
	$ 133,699,699	$ 128,848,351

Contractual obligations (note 14)
Contingent liabilities (note 19)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

RJ Wallia
Chair, Board of Governors

Louisa Lun

Louisa Lun
Chair, Audit and Risk Committee

CAPILANO UNIVERSITY

Consolidated Statement of Operations and Accumulated Operating Surplus

Year ended March 31, 2026, with comparative information for 2025

	Budget 2026 (Note 2(k))	2026	2025
Revenue:			
Province of British Columbia	$ 64,562,259	$ 73,623,970	$ 60,420,257
Tuition fees	92,760,932	79,635,776	102,403,201
Project and other revenue	11,211,391	9,950,574	10,923,274
Amortization of deferred capital contributions (note 10)	7,716,349	6,621,407	5,302,049
Sales of goods	1,276,088	928,567	1,196,218
Parking, childcare and theatre	1,718,986	1,754,099	1,292,266
Donations and gifts-in-kind	297,109	1,239,522	747,477
Investment income	4,507,339	7,146,792	7,619,847
	184,050,453	180,900,707	189,904,589
Expenses (note 15):			
Instruction and student support	107,619,515	98,362,211	109,541,668
Facilities and institutional support	66,665,950	68,543,160	62,778,907
Ancillary	16,185,674	11,847,069	9,719,000
	190,471,139	178,752,440	182,039,575
Annual operating surplus (deficit)	(6,420,686)	2,148,267	7,865,014
Endowment contributions	-	1,923,400	454,425
Annual surplus (deficit)	(6,420,686)	4,071,667	8,319,439
Accumulated operating surplus, beginning of year	119,970,626	119,970,626	111,651,187
Accumulated operating surplus, end of year	$ 113,549,940	$ 124,042,293	$ 119,970,626

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2026, with comparative information for 2025

	Budget 2026 (Note 2(k))	2026	2025
Annual surplus (deficit)	$ (6,420,686)	$ 4,071,667	$ 8,319,439
Acquisition of tangible capital assets	(58,019,274)	(35,180,491)	(101,126,044)
Amortization of tangible capital assets	13,100,402	10,312,413	9,452,252
	(44,918,872)	(24,868,078)	(91,673,792)
Acquisition of prepaid expense	-	(3,573,561)	(3,474,456)
Use of prepaid expenses	-	4,040,964	4,221,608
	-	467,403	747,152
Net remeasurement gains	-	779,681	3,718,354
Change in endowment investments	-	(2,014,323)	(478,827)
Change in net debt	(51,339,558)	(21,563,650)	(79,367,674)
Net debt, beginning of year	(144,288,237)	(144,288,237)	(64,920,563)
Net debt, end of year	$ (195,627,795)	$(165,851,887)	$(144,288,237)

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Consolidated Statement of Cash Flows

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 4,071,667	$ 8,319,439
Items not involving cash:		
Amortization of tangible capital assets	10,312,413	9,452,252
Loss on disposal of tangible capital assets	-	806,649
Revenue recognized from deferred capital contributions	(6,621,407)	(5,302,049)
Accretion expense	52,711	23,036
	7,815,384	13,299,327
Changes in non-cash operating working capital:		
Accounts receivable	(1,295,894)	(2,015,219)
Other receivables	1,212,597	-
Prepaid expenses	467,403	747,152
Inventories	189,667	222,597
Accounts payable and accrued liabilities	5,512,157	10,753,577
Employee future benefits	288,900	121,600
Deferred revenue	(7,601,660)	(22,822,847)
Deferred contributions	(5,315,124)	1,783,831
	1,273,430	2,090,018
Capital activities:		
Acquisition of tangible capital assets	(35,180,491)	(101,892,058)
Financing activities:		
Debt contributions received	206,825	38,014,223
Deferred capital contributions received	10,847,645	50,110,660
	11,054,470	88,124,883
Investing activities:		
Net disposal (purchase) of investments	2,716,098	(12,630,253)
Decrease in cash	(20,136,493)	(24,307,410)
Cash, beginning of year	47,172,937	71,480,347
Cash, end of year	$ 27,036,444	$ 47,172,937

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Accumulated remeasurement gains, beginning of year	$ 8,877,725	$ 5,159,371
Unrealized gains attributed to fair value of investments	2,078,458	4,171,968
Amounts reclassified to investment income	(1,298,777)	(453,614)
Net remeasurement gains	779,681	3,718,354
Accumulated remeasurement gains, end of year	$ 9,657,406	$ 8,877,725

See accompanying notes to consolidated financial statements.

1. Purpose of the University:

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

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

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

2. Significant accounting policies:

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

(a) Basis of accounting:

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

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

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

2. Significant accounting policies (continued):

(a) Basis of accounting (continued):

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

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

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

For British Columbia taxpayer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers that do not contain a stipulation that creates a liability be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- government transfers that do contain a stipulation that creates a liability be recognized as revenue by the recipient when the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

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

(b) Cash and cash equivalents:

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

2. Significant accounting policies (continued):

(c) Financial instruments:

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

(*i*) Fair value category:

Portfolio instruments that are quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets 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 Surplus and related balances reversed from the Consolidated Statement of Remeasurement Gains and Losses. Unrealized gains and losses on endowment investments where earnings are restricted as to use are recorded as deferred contributions and recognized in revenue as the funds are used in accordance with the restrictions and when related expenses are incurred.

These 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.

There different levels are defined as follows:

- Level 1: Quoted prices 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 or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

The University’s investments, except for the Trans-Canada Capital (“TCC”) investments, are all considered to be Level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. The TCC investments are deemed Level 3 financial instruments as the inputs for the asset are not based on observable market data. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year, there were no significant transfers of securities between the different levels.

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

(*ii*) Amortized cost category:

Investments with specified or determinable maturity dates are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments. As at March 31, 2026, the University does not hold any investments that are measured at amortized cost (2025 - nil).

Accounts receivable, other receivables, debt and accounts payable and accrued liabilities are measured at amortized cost using the effective interest rate method. Any gains, losses or interest expense are recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus.

(d) Inventories:

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

(e) Non-financial assets:

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

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

Asset	Rate
Buildings	40 years
Leasehold improvements	Lesser of lease term or 10 years
Computer equipment	4 years
Software	3 years
Office furniture and equipment	5 years
Public works	10 years
Vehicles	10 years

2. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) (continued):

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

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

(ii) *Leased tangible capital assets:* Leases that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred. As at March 31, 2026, the University did not have leased tangible capital assets (2025 - nil).

(f) Employee future benefits:

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

The University also has a defined benefit plan for retired employees and employees on long-term disability. The University accrues its obligations under this defined benefit plan as the employees render the services necessary to earn these benefits and as employees on long-term disability become eligible for such benefits. Actuarial gains (losses) incurred are deferred and recognized into the Consolidated Statement of Operations and Accumulated Surplus over the estimated average remaining service life of the employee group. The effective date of the most recent valuation is December 31, 2024 and results have been extrapolated to March 31, 2026.

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

2. Significant accounting policies (continued):

(g) Revenue recognition:

Revenues from transactions with performance obligations are recognized when (at a point in time) or as (over a period of time) the University satisfies the performance obligations, which occurs when control of the benefits associated with the promised goods or services has passed to the payor. Revenues from transactions without performance obligations are recognized at realizable value when the University has the right to claim or retain an inflow of economic resources received or receivable and there is a past transaction or event that gives rise to the economic resources.

Tuition and student fees and sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured. Fees received prior to the year-end where the course is delivered subsequent to the year-end are recorded as deferred revenue.

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

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

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 received on the Consolidated Statement of Operations and Accumulated Surplus for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.

2. Significant accounting policies (continued):

(g) Revenue recognition (continued):

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

(h) Contaminated sites:

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

(*i*) An environmental standard exists;

(*ii*) Contamination exceeds the environmental standards;

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

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

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

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

(i) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

(*i*) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;

(*ii*) The past transaction or event giving rise to the liability has occurred;

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

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

The liability for the removal of asbestos and other hazardous material in buildings owned by the University has been recognized based on estimated future expenses on retirement of buildings. Assumptions used in the subsequent calculations are revised yearly.

The liability is discounted using a present value calculation and adjusted yearly for accretion expenses. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The buildings capital assets affected by the asbestos and other hazardous materials liability are being amortized with the building following the amortization accounting policies outlined in note 2(e)(*i*).

2. Significant accounting policies (continued):

(j) Measurement uncertainty:

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of estimates include those related to employee future benefits, the determination of useful lives for purposes of amortization of tangible capital assets and deferred capital contributions, the fair value of investments, liabilities for contaminated sites and asset retirement obligations, and provisions for contingencies. Estimates are based on the best information available at the time of preparation of these consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

(k) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the consolidated budget approved by the Board of Governors of the University on February 25, 2025. This budget is reflected in the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Changes in Net Debt.

(l) Foreign currency translation:

The University's functional currency is the Canadian dollar. Foreign currency transactions are translated into Canadian dollars at the exchange rate prevailing at the date of the transactions. Any gain or loss 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.

3. Investments:

Investments are comprised of the following:

	2026	2025
Level 1:		
Fixed income investments	$ 36,496,748	$ 32,554,429
Canadian equity investments	16,201,902	14,433,664
Foreign equity investments	25,291,999	22,949,531
Guaranteed investment certificate	13,240,995	23,240,995
Real estate investments	425,487	414,929
	91,657,131	93,593,548
Level 3:		
Trans Canada Capital – alternative investments	10,400,000	10,400,000
Less: Endowment investments	(16,658,368)	(14,644,045)
Investments	$ 85,398,763	$ 89,349,503

3. Investments (continued):

The guaranteed investment certificate bears interest at 3.75% and matures on January 29, 2027. The same instrument was held in both 2026 and 2025, with a portion redeemed prior to maturity.

4. Accounts receivable:

	2026	2025
Accounts receivable	$ 12,120,674	$ 10,837,523
Allowance for doubtful accounts	(2,525,823)	(2,538,566)
	$ 9,594,851	$ 8,298,957

5. Other receivables:

	2026	2025
The Loon Foundation (a)	$ 2,000,000	$ 2,000,000
District of North Vancouver (b)	1,052,855	2,265,452
Other receivables	$ 3,052,855	$ 4,265,452

(a) The Loon Foundation:

The Loon Foundation is a non-profit society that works to preserve and enhance the natural habitat and wildlife of the Ruby Lake Lagoon and the Sunshine Coast. The Loon Foundation operates the Pender Harbour Ocean Discovery Station (“PODS”) and envisions this facility to conduct research and to monitor the surrounding marine and freshwater ecosystems and enhance the aquatic biodiversity in the harbour area.

In fiscal 2020, the Loon Foundation received a $2.0 million donation to support educational and research efforts on the Sunshine Coast and donated these funds to the University. The University and the Loon Foundation entered into a partnership to collaborate in the development of PODS to support the University and students to participate in educational and research initiatives on the Sunshine Coast. The University provided an interest free loan of $2.0 million to the Loon Foundation that is secured by a first mortgage against the Loon Foundation’s property. The Loon Foundation commits to providing the University access to facilities, programs, services and recognition that will be used to offset the outstanding loan. The construction of the new PODS facility was to be completed in 2022 and the partnership and loan was anticipated to be fully satisfied in 2037. Construction is now estimated to be completed in 2028 and the loan anticipated to be fully satisfied in 2048.

5. Other receivables (continued):

(b) District of North Vancouver:

In fiscal 2024, the University entered into an agreement with the District of North Vancouver ("DNV") for construction related to the Children's Centre and Student Housing Building. The University paid deposits of $2,265,452 to DNV which are to be returned upon completion of the set conditions. In fiscal 2026, the DNV returned $1,212,597 of the deposits to the University.

6. Accounts payable and accrued liabilities:

	2026	2025
Accounts payable and accrued liabilities	$ 18,174,627	$ 14,896,420
Salaries and benefits payable	17,762,957	15,205,544
Accrued vacation pay	6,229,418	6,552,881
	$ 42,167,002	$ 36,654,845

7. Employee future benefits:

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

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

	2026	2025
Accrued benefit obligation balance, beginning of year	$ 2,327,400	$ 2,014,000
Current service cost	52,900	24,200
Interest cost	23,900	19,900
Employee contributions	304,400	379,600
Benefit payments	(544,400)	(410,800)
Immediate recognition of continuation of benefits for disabled employees	414,800	84,700
Actuarial loss	1,700	215,800
Plan curtailment	(63,300)	-
Accrued benefit obligation balance, end of year	$ 2,517,400	$ 2,327,400

	2026	2025
Accrued benefit obligation	$ 2,517,400	$ 2,327,400
Unamortized net actuarial loss	(318,100)	(417,000)
Accrued benefit liability	$ 2,199,300	$ 1,910,400

As the employee future benefit liability for long-term disability is an event-driven obligation, the expense recorded in the Consolidated Statement of Operations and Accumulated Surplus is comprised only of the immediate recognition of the liability.

7. Employee future benefits (continued):

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

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

	2026	2025
Obligation discount rate	3.60%	3.63%
Healthcare cost trend rates	5.38%	5.39%
Estimated average remaining service life	9 years	9 years

(b) Provincial pension plans:

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed pension plans. The Board of Trustees for these Plans represent plan members and employers and is responsible for the management of the pension plans, including investment of the assets and administration of benefits. The Plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2025, the College Pension Plan has about 17,500 active members and approximately 11,800 retired members. As at December 31, 2024, the Municipal Pension Plan has about 273,000 active members and approximately 133,000 retired members.

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, 2024, indicated a $3.8 million unfunded liability for basic pension benefits. This was covered by a transfer from the rate stabilization account leaving the basic pension account balanced at the valuation date on a going concern basis. The most recent actuarial valuation for the Municipal Pension Plan, as at December 31, 2024, indicated a $2,675 million funding surplus for basic pension benefits. The next valuation for the College Pension Plan will be as at August 31, 2027 with results available in 2028. The next valuation for the Municipal Pension Plan will be as at December 31, 2027 with results available in 2028.

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 records accrued liabilities and accrued assets for the Plans in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plans.

7. Employee future benefits (continued):

(b) Provincial pension plans (continued):

The University records pension expense on an accrual basis, representing employer contributions to the Plans as they are earned during the period. During the year, the University recorded $8,505,557 (2025 - $8,559,198) for employer contributions to the above plans.

8. Asset retirement obligation:

The University owns and operates buildings that are known to have asbestos and other hazardous materials, which represents a health hazard upon retirement of the building and there is a legal obligation to remove it. The buildings have an average estimated useful life of 21-years. Post-closure care is estimated to extend for up to a year post the closure of the building, while demolition and construction continues. Estimated costs have been discounted at the present value using a discount rate of 3.66% per annum (2025 - 3.75%).

Changes to the asset retirement obligation in the year are as follows:

	2026	2025
Beginning of year	$ 1,039,461	$ 975,790
Addition to asset retirement obligation	-	40,635
Accretion expense	52,711	23,036
	$ 1,092,172	$ 1,039,461

9. Deferred contributions:

Deferred contributions consist of deferred government contributions, Province of British Columbia Revenue, and project and other revenue, deferred restricted donations and deferred restricted investment income as follows:

	2026	2025
Deferred government contributions, Province of British Columbia revenue, and project and other revenue (a) and (b)	$ 4,068,694	$ 9,947,521
Restricted donations and investment income (c)	11,227,914	10,664,211
	$ 15,296,608	$ 20,611,732

(a) Included in deferred government contributions and Province of British Columbia revenue is the following:

	2026	2025
Provincial contributions:		
Beginning of year	$ 8,457,421	$ 9,455,773
Amounts received during the year	3,615,882	3,791,523
Recognized as revenue	(9,132,043)	(4,789,875)
	$ 2,941,260	$ 8,457,421

9. Deferred contributions (continued):

(a) Included in deferred government contributions and Province of British Columbia revenue is the following (continued):

Operating grants from the Province of British Columbia of $70,156,081 (2025 - $56,966,228) were immediately recognized as revenue in the Consolidated Statement of Operations and Accumulated Operating Surplus when received. Amounts recognized as revenue are included in Province of British Columbia revenue in the Consolidated Statement of Operations and Accumulated Operating Surplus.

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

	2026	2025
Non-provincial contributions:		
Beginning of year	$ 1,490,100	$ 942,778
Amounts received during the year	1,915,214	3,377,213
Recognized as revenue	(2,277,880)	(2,829,891)
	$ 1,127,434	$ 1,490,100

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

	2026	2025
Beginning of year	$ 10,664,211	$ 8,429,350
Amounts received during the year	1,624,476	1,755,142
Adjustment to (recognized as) revenue	(1,060,773)	479,719
	$ 11,227,914	$ 10,664,211

10. Deferred capital contributions:

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

	2026	2025
Balance, beginning of year	$ 174,361,124	$ 129,552,513
Contributions received during the year	10,847,645	50,110,660
Revenue recognized from deferred capital contributions	(6,621,407)	(5,302,049)
Balance, end of year	$ 178,587,362	$ 174,361,124

10. Deferred capital contributions (continued):

Included in the above is the following related to government and non-government organizations:

	2026	2025
Provincial contributions:		
Beginning of year	$ 159,341,553	$ 114,681,681
Amounts received during the year	10,325,645	49,540,326
Recognized as revenue	(6,199,812)	(4,880,454)
	$ 163,467,386	$ 159,341,553

At March 31, 2026, no receivable was due as a provincial contribution for capital expenditures (2025 - $241,205).

	2026	2025
Federal contributions:		
Beginning of year	$ 11,287,954	$ 11,709,549
Recognized as revenue	(421,595)	(421,595)
	$ 10,866,359	$ 11,287,954

	2026	2025
Other contributions:		
Beginning of year	$ 3,731,617	$ 3,161,283
Amounts received during the year	522,000	570,334
Recognized as revenue	-	-
	$ 4,253,617	$ 3,731,617

Revenue is recognized as amortization of deferred capital contributions on the Consolidated Statement of Operations and Accumulated Operating Surplus. The deferred capital contributions balance at March 31, 2026 includes operating grant restrictions totaling $15,000,000 related to multiple capital projects (2025 - $15,000,000).

11. Debt:

Debt reported on the Consolidated Statement of Financial Position is recorded at amortized cost and is comprised of the following:

	2026	2025
Province of British Columbia – BCCD 44 (a)	$ 9,069,528	$ 9,061,793
Province of British Columbia – BCCD 42 (b)	29,151,520	28,952,430
	$ 38,221,048	$ 38,014,223

11. Debt (continued):

(a) On April 26, 2024, the University entered a bond instrument with the Province of British Columbia, Series BCCD-44, with a face value on maturity of $9,728,000. The University received cash proceeds from the bond of $9,052,630. This bond has a thirty-year term maturing on December 18, 2053. It carries a coupon rate of 4.25% with interest-only payments of $206,720 due on June 18th and December 18th of each year. Interest expense of $421,174 (2025 - $378,711) is included in operating expenses. Accretion recognized for the year was $7,734 (2025 - $9,163) and is reflected in interest expense.

(b) On January 16, 2025, the University entered a bond instrument with the Province of British Columbia, Series BCCD-42, with a face value on maturity of $40,000,000. The University received discounted cash proceeds from the bond of $28,904,030. This bond has a 30-year term maturing on June 18, 2053. It carries a coupon rate of 2.75% with interest-only payments of $550,000 due on June 18th and December 18th of each year. Interest expense of $1,299,090 (2025 - $236,002) is included in operating expenses. Accretion recognized for the year was $199,091 (2025 - $48,400) and is reflected in interest expense. The University will contribute an annual payment of $732,000 to a sinking fund investment beginning in June 2026 and continuing until the maturity date, which will provide for the retirement of the debt at maturity.

12. Tangible capital assets:

Cost	Balance, March 31, 2025	Additions net of transfers	Disposals	Balance, March 31, 2026
Land	$ 27,968,044	$ -	$ -	$ 27,968,044
Buildings	224,987,867	24,783,972	-	249,771,839
Leasehold improvements	3,515,511	-	-	3,515,511
Computer equipment	25,562,546	936,247	-	26,498,793
Other furniture and equipment	25,496,952	270,204	-	25,767,156
Public works	2,182,307	-	-	2,182,307
Software	2,825,405	20,030	-	2,845,435
Vehicles	569,674	-	-	569,674
Assets under construction/renovation	75,530,131	9,170,038	-	84,700,169
	$ 388,638,437	$ 35,180,491	$ -	$ 423,818,928

Accumulated amortization	Balance, March 31, 2025	Additions	Disposals	Balance, March 31, 2026
Land	$ -	$ -	$ -	$ -
Buildings	85,136,873	6,023,745	-	91,160,618
Leasehold improvements	1,873,845	351,551	-	2,225,396
Computer equipment	21,682,408	1,707,517	-	23,389,925
Other furniture and equipment	18,170,248	2,026,394	-	20,196,642
Public works	1,900,884	151,077	-	2,051,961
Software	2,757,533	33,151	-	2,790,684
Vehicles	531,204	18,978	-	550,182
	$ 132,052,995	$ 10,312,413	$ -	$ 142,365,408

12. Tangible capital assets (continued):

Net book value	March 31, 2025	March 31, 2026
Land	$ 27,968,044	$ 27,968,044
Buildings	139,850,994	158,611,221
Leasehold improvements	1,641,666	1,290,115
Computer equipment	3,880,138	3,108,868
Other furniture and equipment	7,326,704	5,570,514
Public works	281,423	130,346
Software	67,872	54,751
Vehicles	38,470	19,492
Assets under construction/renovation	75,530,131	84,700,169
Total	$ 256,585,442	$ 281,453,520

13. Financial risk management:

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

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

(a) Credit risk:

Credit risk is the risk of financial loss to the University if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the University consisting of cash, investments, accounts receivable, other receivables, and endowment investments. The University assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable. Cash, investments and endowment investments are held with reputable financial institutions and counterparties that have strong credit ratings; accordingly, management considers the related credit risk to be low.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

(*i*) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates.

(*ii*) Interest rate risk:

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

13. Financial risk management (continued):

(b) Market risk (continued):

(*iii*) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk. The University manages market risk by adoption of an investment policy and adherence to this policy by an investment manager. Investments are in pooled funds and alternative investments in diversified portfolios in accordance with the University's investment policy.

It is management's opinion that the University is exposed to some market risk associated with its investments. The University monitors these investments on a continuous basis and ensures investments are within the parameters of the applicable investment policies.

(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.

There has been no change to any of the risk exposure from the prior period.

14. Contractual obligations:

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

2027	$ 6,485,600
2028	5,897,900
2029	4,869,500
2030	3,017,900
2031	2,161,600
	$ 22,432,500

15. Expenses by object:

The following is a summary of expenses by object:

	2026	2025
Amortization of tangible capital assets	$ 10,312,413	$ 9,452,252
Buildings and grounds maintenance	8,981,288	8,716,582
Cost of goods sold	720,775	1,056,905
Other operating expenses	28,972,190	35,883,285
Salaries and benefits	127,133,466	123,846,271
Student support activities	2,632,308	3,084,280
	$ 178,752,440	$ 182,039,575

16. Budget information:

Budget information has been provided for comparative purposes and have been derived from the consolidated budget approved by the Board of Governors of the University on February 25, 2025. The budget is reflected in the Consolidated Statement of Operations and Accumulated Operating Surplus and the Consolidated Statement of Changes in Net Debt and is reconciled to the Consolidated Statement of Operations and Accumulated Operating Surplus as follows:

	Approved Budget	Reallocation	Statement of Operations and Accumulated Surplus
Expenses by object:			
Amortization of tangible capital assets	$ 13,100,402	$ (13,100,402)	$ -
Expenses	48,707,446	(48,707,446)	-
Salaries and benefits	128,663,291	(128,663,291)	-
	190,471,139	(190,471,139)	-
Expenses by function:			
Instruction and student support	-	107,619,515	107,619,515
Facility and institutional support	-	66,665,950	66,665,950
Ancillary	-	16,185,674	16,185,674
	-	190,471,139	190,471,139
	$ 190,471,139	$ -	$ 190,471,139

17. Related party transactions:

The University is related through common control to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities and Crown corporations. Transactions with these related parties, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at their exchange amounts, which is the amount of consideration established and agreed to between the University and the related parties.

18. Accumulated operating surplus:

Accumulated operating surplus is comprised of the following:

	2026	2025
Unrestricted	$ 38,187,313	$ 56,884,661
Invested in tangible capital assets (a)	64,645,110	44,210,095
Endowments (b)	16,658,368	14,644,045
Internally restricted (c)	4,551,502	4,231,825
	$ 124,042,293	$ 119,970,626

(a) Invested in tangible capital assets:

	2026	2025
Tangible capital assets	$ 281,453,520	$ 256,585,442
Amounts financed by deferred capital contributions	(178,587,362)	(174,361,124)
Amounts financed by debt	(38,221,048)	(38,014,223)
	$ 64,645,110	$ 44,210,095

(b) Endowment investments:

	2026	2025
Balance beginning of year	$ 14,644,045	$ 14,165,218
Contributions received during the year	370,372	454,425
Interfund transfers	90,923	24,402
Investment income capitalized	1,553,028	-
	$ 16,658,368	$ 14,644,045

(c) Internally restricted:

	2026	2025
Student success support (*i*)	$ 4,522,020	$ 4,175,556
Creative activity, research and scholarship (*ii*)	29,482	56,269
	$ 4,551,502	$ 4,231,825

(*i*) The student success support fee is a targeted fee that focuses on services in three areas: successful transitions, student development, and student health and well-being.

(*ii*) The Creative Activity, Research and Scholarship (“CARS”) restriction are funds set aside to advance and support faculty CARS activity aligned with both the CARS plan/framework and Illuminating 203.

19. Contingent liabilities:

The University is involved, from time to time, in claims which arise in the ordinary course of business. Liabilities on any claims are recognized in these consolidated financial statements when the outcome becomes reasonably determinable. Management has determined that there are no significant claims against the University resulting from such litigation that would materially affect the consolidated financial statements of the University. Any difference between the liability accrued by the University related to the claims and the amounts ultimately settled will be recorded in the period in which the claim is resolved.