

Consolidated Financial Statements of

CAPILANO UNIVERSITY

And Independent Auditors' Report thereon

Year ended March 31, 2022



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, 2022 in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which judgment is required.

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

The Board of Governors of the University carries out its responsibility for review of the consolidated financial statements. The Audit 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 with and without the presence of management.

A handwritten signature in black ink, appearing to read "Paul Dangerfield", is written above a horizontal line.

Paul Dangerfield, President

A handwritten signature in black ink, appearing to read "Toran Savjord", is written above a horizontal line.

Toran Savjord, Acting VP Finance and Administration

June 28, 2022



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Capilano University, and

To the Minister of the Ministry of Advanced Education and Skills Training,
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, 2022
- the consolidated statement of operations and accumulated operating surplus for the year then ended
- the consolidated statement of changes in net financial assets (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, 2022 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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
June 28, 2022

CAPILANO UNIVERSITY

Consolidated Statement of Financial Position

March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|-----------------------|----------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 40,526,126 | \$ 31,033,079 |
| Investments (note 3) | 75,047,268 | 67,930,880 |
| Accounts receivable (note 4) | 4,620,243 | 3,308,319 |
| Other receivable (note 5) | 2,000,000 | 2,000,000 |
| Inventories | 711,318 | 652,373 |
| | <u>122,904,955</u> | <u>104,924,651</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities (note 6) | 17,999,339 | 20,128,845 |
| Employee future benefits (note 7(a)) | 1,629,400 | 1,354,300 |
| Deferred revenue | 29,411,442 | 16,459,747 |
| Deferred contributions (note 8) | 10,353,440 | 7,881,655 |
| Deferred capital contributions (note 9) | 54,234,229 | 48,794,492 |
| | <u>113,627,850</u> | <u>94,619,039</u> |
| Net financial assets | 9,277,105 | 10,305,612 |
| Non-Financial Assets | | |
| Endowment investments (note 3) | 13,880,038 | 11,896,771 |
| Tangible capital assets (note 10) | 78,520,728 | 76,043,890 |
| Prepaid expenses | 1,850,489 | 1,641,647 |
| | <u>94,251,255</u> | <u>89,582,308</u> |
| Accumulated surplus | <u>\$ 103,528,360</u> | <u>\$ 99,887,920</u> |
| Accumulated surplus is comprised of: | | |
| Accumulated operating surplus (note 16) | \$ 97,870,129 | \$ 94,809,787 |
| Accumulated remeasurement gains | 5,658,231 | 5,078,133 |
| | <u>\$ 103,528,360</u> | <u>\$ 99,887,920</u> |

Contractual obligations (note 12)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Duncan Brown
Chair, Board of Governors



Rodger So
Chair, Audit and Risk Committee

CAPILANO UNIVERSITY

Consolidated Statement of Operations and Accumulated Operating Surplus

Year ended March 31, 2022, with comparative information for 2021

| | Budget 2022 (notes 2(j) and 14) | 2022 | 2021 |
|---|---------------------------------------|---------------|---------------|
| Revenue: | | | |
| Province of British Columbia | \$ 45,478,221 | \$ 46,055,147 | \$ 46,542,936 |
| Tuition fees | 65,523,775 | 59,348,326 | 64,364,751 |
| Project and other revenue | 5,498,652 | 7,483,761 | 5,064,647 |
| Amortization of deferred capital contributions (note 9) | 3,484,474 | 3,083,016 | 3,482,346 |
| Sales of goods | 1,324,318 | 1,384,178 | 1,417,667 |
| Parking, childcare and theatre | 1,025,852 | 1,406,003 | 590,742 |
| Donations and gifts-in-kind | 419,348 | 21,619 | 734,806 |
| Investment income | 2,312,304 | 3,751,470 | 3,014,189 |
| | 125,066,944 | 122,533,520 | 125,212,084 |
| Expenses: | | | |
| Instruction and student support | 79,099,837 | 73,055,078 | 69,343,206 |
| Facilities and institutional support | 45,546,389 | 41,383,206 | 44,460,735 |
| Ancillary | 5,627,694 | 6,501,331 | 5,480,966 |
| | 130,273,920 | 120,939,615 | 119,284,907 |
| Annual operating surplus (deficit) | (5,206,976) | 1,593,905 | 5,927,177 |
| Net restricted endowment contributions | - | 1,466,437 | 1,774,858 |
| Annual surplus (deficit) | (5,206,976) | 3,060,342 | 7,702,035 |
| Accumulated operating surplus, beginning of year | 94,809,787 | 94,809,787 | 87,107,752 |
| Accumulated operating surplus, end of year | \$ 89,602,811 | \$ 97,870,129 | \$ 94,809,787 |

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Consolidated Statement of Changes in Net Financial Assets (Debt)

Year ended March 31, 2022, with comparative information for 2021

| | Budget 2022 (notes 2(j) and 14) | 2022 | 2021 |
|--|---------------------------------------|--------------|---------------|
| Annual surplus (deficit) | \$ (5,206,976) | \$ 3,060,342 | \$ 7,702,035 |
| Acquisition of tangible capital assets | (33,928,138) | (10,117,641) | (8,143,456) |
| Amortization of tangible capital assets | 8,504,134 | 7,640,803 | 8,075,643 |
| | (25,424,004) | (2,476,838) | (67,813) |
| Acquisition of prepaid expense | - | (2,976,063) | (2,462,333) |
| Use of prepaid expenses | - | 2,767,221 | 2,544,364 |
| | - | (208,842) | 82,031 |
| Remeasurement gains | - | 580,098 | 5,083,882 |
| Change in endowment investments | - | (1,983,267) | (1,907,863) |
| Change in net financial assets (debt) | (30,630,980) | (1,028,507) | 10,892,272 |
| Net financial assets (debt), beginning of year | 10,305,612 | 10,305,612 | (586,660) |
| Net financial assets (debt), end of year | \$ (20,325,368) | \$ 9,277,105 | \$ 10,305,612 |

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Consolidated Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|--|---------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 3,060,342 | \$ 7,702,035 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 7,640,803 | 8,075,643 |
| Revenue recognized from deferred capital contributions | (3,083,016) | (3,482,346) |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (1,311,924) | (63,412) |
| Long term accounts receivable | - | 2,100,000 |
| Prepaid expenses | (208,842) | 82,031 |
| Inventories | (58,945) | 15,508 |
| Accounts payable and accrued liabilities | (2,129,506) | (2,050,768) |
| Employee future benefits | 275,100 | 73,500 |
| Deferred revenue | 12,951,695 | (661,205) |
| Deferred contributions | 2,471,785 | 208,627 |
| | 19,607,492 | 11,999,613 |
| Capital activities: | | |
| Cash used to acquire tangible capital assets | (10,117,641) | (8,143,456) |
| Financing activities: | | |
| Deferred capital contributions received | 8,522,753 | 5,427,055 |
| Investing activities: | | |
| Net purchase of investments | (8,519,557) | (13,621,161) |
| Increase (decrease) in cash and cash equivalents | 9,493,047 | (4,337,949) |
| Cash and cash equivalents, beginning of year | 31,033,079 | 35,371,028 |
| Cash and cash equivalents, end of year | \$ 40,526,126 | \$ 31,033,079 |

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|--------------|--------------|
| Accumulated remeasurement gains (losses), beginning of year | \$ 5,078,133 | \$ (5,749) |
| Unrealized gains attributed to fair value of investments | 1,815,563 | 5,342,743 |
| Amounts reclassified to investment income | (1,235,465) | (258,861) |
| Net remeasurement gains | 580,098 | 5,083,882 |
| Accumulated remeasurement gains, end of year | \$ 5,658,231 | \$ 5,078,133 |

See accompanying notes to consolidated financial statements.

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2022

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

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

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 tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

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

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

As a result, revenue recognized in the Consolidated Statement of Operations and 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.

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

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 when disposed 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.

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

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

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 Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

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

(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, concrete/steel | 40 years |
| Buildings, wood frame | 20 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 |

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

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, 2022, the University did not have leased tangible capital assets (2021 - 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 trustee 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 of 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, 2021 and results have been extrapolated to March 31, 2022.

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

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(g) Revenue recognition:

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

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

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

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.

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

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(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) Use of estimates:

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

(j) 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 23, 2021. This budget is reflected in the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Changes in Net Financial Assets (Debt).

(k) 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 currency are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the year-end date.

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

3. Financial instruments:

Financial assets and non-financial assets recorded are comprised of the following:

| | 2022 | 2021 |
|------------------------------------|----------------------|----------------------|
| Level 1: | | |
| Fixed income investments | \$ 30,597,813 | \$ 25,437,001 |
| Canadian equity investments | 20,867,970 | 18,896,636 |
| Foreign equity investments | 15,916,973 | 14,522,608 |
| Guaranteed investment certificate | 20,780,050 | 20,243,439 |
| Real estate investments | 373,500 | 336,967 |
| Total Level 1 investments | 88,536,306 | 79,436,651 |
| | | |
| Less: Endowment investments | (13,880,038) | (11,896,771) |
| | 74,656,268 | 67,539,880 |
| | | |
| Level 3: | | |
| Donated insurance policy | 391,000 | 391,000 |
| | | |
| Investments | \$ 75,047,268 | \$ 67,930,880 |

4. Accounts receivable:

| | 2022 | 2021 |
|---------------------------------|---------------------|---------------------|
| Accounts receivable | \$ 5,955,276 | \$ 4,692,154 |
| Allowance for doubtful accounts | (1,335,033) | (1,383,835) |
| | \$ 4,620,243 | \$ 3,308,319 |

5. Other receivables:

| | 2022 | 2021 |
|---------------------|---------------------|---------------------|
| The Loon Foundation | \$ 2,000,000 | \$ 2,000,000 |
| | \$ 2,000,000 | \$ 2,000,000 |

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.

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

5. Other receivables (continued):

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. Due to the pandemic, the construction of the new PODS facility has been delayed which has had a corresponding impact on the recognition of the partnership and loan.

6. Accounts payable and accrued liabilities:

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Accounts payable and accrued liabilities | \$ 4,497,657 | \$ 6,985,849 |
| Salaries and benefits payable | 8,597,363 | 8,423,457 |
| Accrued vacation pay | 4,904,319 | 4,719,539 |
| | <u>\$ 17,999,339</u> | <u>\$ 20,128,845</u> |

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:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Accrued benefit obligation balance, beginning of year | \$ 1,277,000 | \$ 1,194,200 |
| Interest cost | 1,800 | 1,700 |
| Employee contributions | 487,700 | 401,100 |
| Benefit payments | (481,600) | (396,500) |
| Immediate recognition of continuation of benefits for disabled employees | 281,500 | 81,000 |
| Actuarial loss (gain) | 406,800 | (4,500) |
| Accrued benefit obligation balance, end of year | <u>\$ 1,973,200</u> | <u>\$ 1,277,000</u> |

| | 2022 | 2021 |
|-----------------------------------|---------------------|---------------------|
| Accrued benefit obligation | \$ 1,973,200 | \$ 1,277,000 |
| Unamortized actuarial gain (loss) | (343,800) | 77,300 |
| Accrued benefit liability | <u>\$ 1,629,400</u> | <u>\$ 1,354,300</u> |

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

7. Employee future benefits (continued):

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

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

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

| | 2022 | 2021 |
|--|---------|---------|
| Obligation discount rate | 2.53% | 1.78% |
| Healthcare cost trend rates | 5.78% | 5.98% |
| 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 trustee pension plans. The Board of Trustees for these Plans represent plan members and employers and are responsible for the management of the pension plan, including investment of the assets and administration of benefits. The pension plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2021, the College Pension Plan has about 16,500 active members and approximately 9,500 retired members. As at December 31, 2020, the Municipal Pension Plan has about 220,000 active members.

The actuarial valuation for the College Pension Plan, as at August 31, 2018, indicated a \$303 million funding surplus for basic pension benefits. The actuarial valuation for the Municipal Pension Plan, as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits. The next valuation for the College Pension Plan will be as at August 31, 2021 with results available in 2022. The next valuation for the Municipal Pension Plan will be as at December 31, 2021 with results available in 2022.

Employers participating in the Plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plans 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.

The University records pension expense as cash contributions to the Plans are made. During the year, the University paid \$6,199,204 (2021 - \$6,031,843) for employer contributions to the above plans.

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

8. Deferred contributions:

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

| | 2022 | 2021 |
|---|----------------------|---------------------|
| Deferred government contributions and project and other revenue (a) and (b) | \$ 3,850,181 | \$ 2,530,300 |
| Restricted donations and investment income (c) | 6,503,259 | 5,351,355 |
| | <u>\$ 10,353,440</u> | <u>\$ 7,881,655</u> |

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

| | 2022 | 2021 |
|----------------------------------|---------------------|---------------------|
| Provincial contributions: | | |
| Beginning of year | \$ 2,185,159 | \$ 1,797,702 |
| Amounts received during the year | 3,833,413 | 2,729,079 |
| Recognized as revenue | (2,806,302) | (2,341,622) |
| | <u>\$ 3,212,270</u> | <u>\$ 2,185,159</u> |

Operating grants from the Province of British Columbia of \$43,248,845 (2021 - \$44,201,314) were immediately recognized as revenue in the Consolidated Statement of Operations and Accumulated Surplus when received. Amounts recognized as revenue are included in the Province of British Columbia revenue in the Consolidated Statement of Operations and Accumulated Surplus.

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

| | 2022 | 2021 |
|----------------------------------|-------------------|-------------------|
| Non-provincial contributions: | | |
| Beginning of year | \$ 345,141 | \$ 612,643 |
| Amounts received during the year | 2,037,586 | 572,992 |
| Recognized as revenue | (1,744,816) | (840,494) |
| | <u>\$ 637,911</u> | <u>\$ 345,141</u> |

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

8. Deferred contributions (continued):

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

| | 2022 | 2021 |
|----------------------------------|---------------------|---------------------|
| Beginning of year | \$ 5,351,355 | \$ 5,262,683 |
| Amounts received during the year | 1,795,319 | 772,386 |
| Recognized as revenue | (643,415) | (683,714) |
| | <u>\$ 6,503,259</u> | <u>\$ 5,351,355</u> |

9. 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:

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Balance, beginning of year | \$ 48,794,492 | \$ 46,849,783 |
| Contributions received during the year | 8,522,753 | 5,427,055 |
| Revenue recognized from deferred capital contributions | (3,083,016) | (3,482,346) |
| Balance, end of year | <u>\$ 54,234,229</u> | <u>\$ 48,794,492</u> |

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

| | 2022 | 2021 |
|----------------------------------|----------------------|----------------------|
| Provincial contributions: | | |
| Beginning of year | \$ 35,785,003 | \$ 33,453,854 |
| Amounts received during the year | 7,271,726 | 5,391,900 |
| Recognized as revenue | (2,661,421) | (3,060,751) |
| | <u>\$ 40,395,308</u> | <u>\$ 35,785,003</u> |

| | 2022 | 2021 |
|------------------------|----------------------|----------------------|
| Federal contributions: | | |
| Beginning of year | \$ 12,974,334 | \$ 13,395,929 |
| Recognized as revenue | (421,595) | (421,595) |
| | <u>\$ 12,552,739</u> | <u>\$ 12,974,334</u> |

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

9. Deferred capital contributions (continued):

| | 2022 | 2021 |
|----------------------------------|---------------------|------------------|
| Other contributions: | | |
| Beginning of year | \$ 35,155 | \$ - |
| Amounts received during the year | 1,251,027 | 35,155 |
| Recognized as revenue | - | - |
| | <u>\$ 1,286,182</u> | <u>\$ 35,155</u> |

Revenue is recognized as amortization of deferred capital contributions on the Consolidated Statement of Operations and Accumulated Surplus.

10. Tangible capital assets:

| Cost | Balance, March 31, 2021 | Additions net of Transfers | Disposals | Balance, March 31, 2022 |
|--------------------------------------|-------------------------------|----------------------------------|-----------------|-------------------------------|
| Land | \$ 10,000,370 | \$ - | \$ - | \$ 10,000,370 |
| Buildings | 120,033,597 | 5,504,505 | - | 125,538,102 |
| Leasehold improvements | 3,515,511 | - | - | 3,515,511 |
| Computer equipment | 17,546,698 | 2,334,849 | - | 19,881,547 |
| Other furniture and equipment | 16,570,551 | 943,030 | 6,000 | 17,507,581 |
| Public works | 2,192,949 | (10,642) | - | 2,182,307 |
| Software | 2,090,226 | 446,553 | - | 2,536,779 |
| Vehicles | 595,231 | - | - | 595,231 |
| Assets under construction/renovation | 2,950,567 | 899,346 | - | 3,849,913 |
| Total | \$ 175,495,700 | \$ 10,117,641 | \$ 6,000 | \$ 185,607,341 |

| Accumulated amortization | Balance, March 31, 2021 | Additions | Disposals | Balance, March 31, 2022 |
|-------------------------------|-------------------------------|---------------------|-----------------|-------------------------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Buildings | 70,228,065 | 3,033,121 | - | 73,261,186 |
| Leasehold improvements | 467,641 | 351,551 | - | 819,192 |
| Computer equipment | 12,924,201 | 2,359,795 | - | 15,283,996 |
| Other furniture and equipment | 12,221,416 | 1,508,271 | 6,000 | 13,723,687 |
| Public works | 1,299,059 | 148,594 | - | 1,447,653 |
| Software | 1,977,721 | 188,007 | - | 2,165,728 |
| Vehicles | 333,707 | 51,464 | - | 385,171 |
| Total | \$ 99,451,810 | \$ 7,640,803 | \$ 6,000 | \$ 107,086,613 |

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

10. Tangible capital assets (continued):

| Net book value | March 31, 2021 | March 31, 2022 |
|--------------------------------------|----------------------|----------------------|
| Land | \$ 10,000,370 | \$ 10,000,370 |
| Buildings | 49,805,532 | 52,276,916 |
| Leasehold improvements | 3,047,870 | 2,696,319 |
| Computer equipment | 4,622,497 | 4,597,551 |
| Other furniture and equipment | 4,349,135 | 3,783,894 |
| Public works | 893,890 | 734,654 |
| Software | 112,505 | 371,051 |
| Vehicles | 261,524 | 210,060 |
| Assets under construction/renovation | 2,950,567 | 3,849,913 |
| Total | \$ 76,043,890 | \$ 78,520,728 |

11. 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 and cash equivalents, investments, accounts receivable and endowment investments. The University assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable.

(b) Market risk:

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

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

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

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

11. Financial risk management (continued):

(c) Liquidity risk:

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

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

12. 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:

| | | |
|------|----|-----------|
| 2023 | \$ | 3,719,400 |
| 2024 | | 1,604,100 |
| 2025 | | 972,600 |
| 2026 | | 541,400 |
| 2027 | | 498,500 |
| | \$ | 7,336,000 |

13. Expenses by object:

The following is a summary of expenses by object:

| | 2022 | 2021 |
|---|----------------|----------------|
| Amortization of tangible capital assets | \$ 7,640,803 | \$ 8,075,643 |
| Buildings and grounds maintenance | 5,183,043 | 7,417,732 |
| Cost of goods sold | 1,088,314 | 1,126,789 |
| Other operating expenses | 18,221,084 | 18,101,522 |
| Salaries and benefits | 86,950,607 | 82,264,865 |
| Student support activities | 1,855,764 | 2,298,356 |
| | \$ 120,939,615 | \$ 119,284,907 |

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

14. 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 23, 2021. The budget is reflected in the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Changes in Net Financial Assets (Debt) and is reconciled to the Consolidated Statement of Operations as follows:

| | Approved Budget | Reallocation | Statement of Operations and Accumulated Surplus |
|---|--------------------|----------------|--|
| Expenses by object: | | | |
| Amortization of tangible capital assets | \$ 8,504,134 | \$ (8,504,134) | \$ - |
| Expenses | 31,966,934 | (31,966,934) | - |
| Salaries and benefits | 89,802,852 | (89,802,852) | - |
| | 130,273,920 | (130,273,920) | - |
| Expenses by function: | | | |
| Instruction and student support | - | 79,099,837 | 79,099,837 |
| Facility and institutional support | - | 45,546,389 | 45,546,389 |
| Ancillary | - | 5,627,694 | 5,627,694 |
| | - | 130,273,920 | 130,273,920 |
| | \$ 130,273,920 | \$ - | \$ 130,273,920 |

15. 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.

16. Accumulated operating surplus:

Accumulated operating surplus is comprised of the following:

| | 2022 | 2021 |
|--------------------------------|---------------|---------------|
| Unrestricted | \$ 58,422,191 | \$ 55,663,618 |
| Invested in capital assets (a) | 24,286,499 | 27,249,398 |
| Endowments (b) | 13,880,038 | 11,896,771 |
| Internally restricted (c) | 1,281,401 | - |
| | \$ 97,870,129 | \$ 94,809,787 |

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

16. Accumulated operating surplus (continued):

(a) Invested in capital assets:

| | 2022 | 2021 |
|--|---------------|---------------|
| Tangible capital assets | \$ 78,520,728 | \$ 76,043,890 |
| Amounts financed by deferred capital contributions | (54,234,229) | (48,794,492) |
| | \$ 24,286,499 | \$ 27,249,398 |

(b) Endowments:

| | 2022 | 2021 |
|--|---------------|---------------|
| Balance beginning of year | \$ 11,896,771 | \$ 8,024,749 |
| Contributions received during the year | 1,416,016 | 2,239,691 |
| Capitalized interest | 567,251 | 1,632,331 |
| | \$ 13,880,038 | \$ 11,896,771 |

(c) Internally restricted:

| | 2022 | 2021 |
|--|--------------|------|
| Student success support (i) | \$ 1,005,023 | \$ - |
| Creative activity, research and scholarship (ii) | 276,378 | - |
| | \$ 1,281,401 | \$ - |

(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. The fee was approved by the Board of Governors with an original commencement date of Fall 2020; however, due to the pandemic, the start date was delayed to Fall 2021.

(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 2030.

CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

17. COVID-19 pandemic

The University continued operating primarily in a remote education delivery and working model for the majority of the year with a transition to an in-person learning model occurring on January 31, 2022 as per the advice from the provincial health officer and the ministry.

The University experienced declines in student enrollment due to online mode of delivery, international travel restrictions and challenges with obtaining study permits. In addition, reduced campus activity and closure of operations resulted in a decline in revenue from ancillary operations. However, the University continued to manage risk through ongoing tracking of enrolment statistics, adapting its services and reducing discretionary expenditures.

Management will continue to monitor the ongoing financial impacts and adjust operations as required with a focus on pandemic recovery initiatives.

18. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year. There was no impact on the prior year annual surplus as a result of these reclassifications.