

Consolidated Financial Statements of

**CAPILANO UNIVERSITY**

And Independent Auditors' Report thereon

Year ended March 31, 2021



## 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, 2021 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 Finance and Audit 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 blue ink, appearing to read "Paul Dangerfield", is positioned above a horizontal line.

Paul Dangerfield, President

A handwritten signature in blue ink, appearing to read "Debbie Carter", is positioned above a horizontal line.

Debbie Carter, Vice-President, Finance & Administration

June 2, 2021



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Telephone (604) 691-3000  
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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, 2021
- the consolidated statement of operations and accumulated 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, 2021 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 2, 2021

# CAPILANO UNIVERSITY

## Consolidated Statement of Financial Position

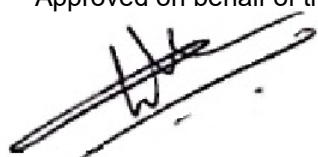
March 31, 2021, with comparative information for 2020


	2021	2020
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 31,033,079	\$ 35,371,028
Investments (note 3)	67,930,880	51,133,700
Accounts receivable (note 4)	3,308,319	3,244,907
Other receivables (note 5)	2,000,000	4,100,000
Inventories	652,373	667,881
	<u>104,924,651</u>	<u>94,517,516</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 6)	20,128,845	22,179,613
Employee future benefits (note 7(a))	1,354,300	1,280,800
Deferred revenue and contributions (note 8)	24,341,402	24,793,980
Deferred capital contributions (note 9)	48,794,492	46,849,783
	<u>94,619,039</u>	<u>95,104,176</u>
Net financial assets (debt)	10,305,612	(586,660)
<b>Non-Financial Assets</b>		
Endowment investments (note 3)	11,896,771	9,988,908
Tangible capital assets (note 10)	76,043,890	75,976,077
Prepaid expenses	1,641,647	1,723,678
	<u>89,582,308</u>	<u>87,688,663</u>
Accumulated surplus	<u>\$ 99,887,920</u>	<u>\$ 87,102,003</u>
Accumulated surplus is comprised of:		
Accumulated surplus (note 16)	\$ 94,809,787	\$ 87,107,752
Accumulated remeasurement gains (losses)	5,078,133	(5,749)
	<u>\$ 99,887,920</u>	<u>\$ 87,102,003</u>

Contractual obligations (note 12)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

  
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Cherian Itty  
Chair, Board of Governors

  
\_\_\_\_\_  
Patricia Heintzman  
Chair, Finance and Audit Committee

# CAPILANO UNIVERSITY

## Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2021, with comparative information for 2020

	Budget 2021	2021	2020
	(notes 2(j) and 14)		
<b>Revenue:</b>			
Province of British Columbia	\$ 44,081,034	\$ 46,542,936	\$ 43,645,304
Tuition fees	72,398,165	64,364,751	68,346,427
Project and other revenue	7,933,303	5,064,647	7,930,376
Amortization of deferred capital contributions (note 9)	3,728,082	3,482,346	3,846,424
Sales of goods	2,102,300	1,417,667	2,146,300
Parking, childcare and theatre	2,109,686	590,742	2,045,672
Donations and gifts-in-kind	500,000	734,806	2,310,082
Investment income	2,526,748	3,014,189	3,554,386
	135,379,318	125,212,084	133,824,971
<b>Expenses:</b>			
Instruction and student support	78,943,995	69,744,057	70,989,665
Facilities and institutional support	49,664,978	44,059,884	43,283,217
Ancillary	6,770,345	5,480,966	7,092,677
	135,379,318	119,284,907	121,365,559
Annual operating surplus	-	5,927,177	12,459,412
Net restricted endowment contributions	-	1,774,858	103,093
Annual surplus	-	7,702,035	12,562,505
Accumulated surplus, beginning of year	87,107,752	87,107,752	74,545,247
Accumulated surplus, end of year	\$ 87,107,752	\$ 94,809,787	\$ 87,107,752

See accompanying notes to consolidated financial statements.

# CAPILANO UNIVERSITY

## Consolidated Statement of Changes in Net Financial Assets (Debt)

Year ended March 31, 2021, with comparative information for 2020

	Budget 2021 (notes 2(j) and 14)	2021	2020
Annual surplus	\$ -	\$ 7,702,035	\$ 12,562,505
Acquisition of tangible capital assets	(19,934,750)	(8,143,456)	(10,259,320)
Amortization of tangible capital assets	8,671,572	8,075,643	7,892,793
	(11,263,178)	(67,813)	(2,366,527)
Acquisition of prepaid expense	-	(2,462,333)	(3,339,387)
Use of prepaid expenses	-	2,544,364	1,861,707
	-	82,031	(1,477,680)
Remeasurement gains (losses)	-	5,083,882	(3,478,617)
Change in endowment investments	-	(1,907,863)	514,421
Decrease (increase) in net financial assets (debt)	(11,263,178)	10,892,272	5,754,102
Net debt, beginning of year	(586,660)	(586,660)	(6,340,762)
Net financial assets (debt), end of year	\$ (11,849,838)	\$ 10,305,612	\$ (586,660)

See accompanying notes to consolidated financial statements.



# CAPILANO UNIVERSITY

## Consolidated Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 7,702,035	\$ 12,562,505
Items not involving cash:		
Amortization of tangible capital assets	8,075,643	7,892,793
Revenue recognized from deferred capital contributions	(3,482,346)	(3,846,424)
Changes in non-cash operating working capital:		
Accounts receivable	(63,412)	(418,883)
Long term accounts receivable	2,100,000	(3,800,000)
Prepaid expenses	82,031	(1,477,680)
Inventories	15,508	55,740
Accounts payable and accrued liabilities	(2,050,768)	5,161,386
Employee future benefits	73,500	91,700
Deferred revenue and contributions	(452,578)	(6,729,978)
	11,999,613	9,491,159
Capital activities:		
Cash used to acquire tangible capital assets	(8,143,456)	(10,259,320)
Financing activities:		
Deferred capital contributions received	5,427,055	1,043,061
Investing activities:		
Net purchase of investments	(13,621,161)	(11,727,078)
Decrease in cash and cash equivalents	(4,337,949)	(11,452,178)
Cash and cash equivalents, beginning of year	35,371,028	46,823,206
Cash and cash equivalents, end of year	\$ 31,033,079	\$ 35,371,028

See accompanying notes to consolidated financial statements.

# CAPILANO UNIVERSITY

## Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Accumulated remeasurement gains (losses), beginning of year	\$ (5,749)	\$ 3,472,868
Unrealized gains (losses) attributed to fair value of investments	5,342,743	(3,153,405)
Amounts reclassified to investment income	(258,861)	(325,212)
Net remeasurement gains (losses)	5,083,882	(3,478,617)
Accumulated remeasurement gains (losses) end of year	\$ 5,078,133	\$ (5,749)

See accompanying notes to consolidated financial statements.

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2021

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## 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.

### (a) Impact of COVID-19 on operations:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since March 2020, the University has been operating in a primarily online instructional delivery model and remote working from home model for employees with social distancing requirements in place for students and employees while on campus.

During the fiscal year, the University experienced declines in tuition revenue from international students due to travel restrictions, challenges with obtaining study permits, and students opting out of remote learning from their home country. In addition, ancillary operation revenues declined as a result of reduced campus activity and closure of some operations. Additional expenditures were incurred for software licenses and computer equipment to support the remote learning and working model plus additional expenditures for personal protective equipment and increased cleaning to ensure a safe campus environment. These additional expenditures were offset by reductions in discretionary spending.

In accordance with the Ministry of Advanced Education’s announcement on March 8, 2021 regarding in person classes, the University is striving to have increased students and employees on the campuses in Fall 2021, barring the imposition of any further lockdown measures. Management will continue to monitor the ongoing financial impacts and adjust operations as required to ensure its ability to fulfill obligations and continue operations.

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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## 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.

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.

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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## 2. Significant accounting policies (continued):

### (a) Basis of accounting (continued):

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 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.

### (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.

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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## 2. Significant accounting policies (continued):

### (c) Financial instruments (continued):

#### (i) Fair value category (continued)

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 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.

#### (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, 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.

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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## 2. Significant accounting policies (continued):

### (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	10 years
Computer equipment	4 years
Software	3 years
Office furniture and equipment	5 years
Public works	10 years
Vehicles	10 years

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, 2021, the University did not have leased tangible capital assets (2020 - nil).

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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## 2. Significant accounting policies (continued):

### (f) Employee future benefits:

The University and its employees make contributions to the College Pension Plan and Municipal Pension Plan, 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 Plan are not segregated by institution, the Plan is accounted for as a defined contribution plan and any contributions of the University to the Plan 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, 2018, and the next required valuation will be as of December 31, 2021. This actuarial valuation has been extrapolated to March 31, 2021.

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.

### (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.



# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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## 2. Significant accounting policies (continued):

### (g) Revenue recognition (continued):

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

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

### (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.

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

## 2. Significant accounting policies (continued):

(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 January 28, 2020. 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.

## 3. Financial instruments:

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

	2021	2020
<b>Level 1:</b>		
Fixed income investments	\$ 25,437,001	\$ 22,202,010
Canadian equity investments	18,896,636	15,972,008
Foreign equity investments	14,522,608	12,217,290
Guaranteed investment certificate	20,243,439	10,340,300
Real estate investments	336,967	-
Total Level 1 investments	79,436,651	60,731,608
Less: Endowment investments	(11,896,771)	(9,988,908)
	67,539,880	50,742,700
<b>Level 3:</b>		
Donated insurance policy	391,000	391,000
Investments	\$ 67,930,880	\$ 51,133,700

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

## 4. Accounts receivable:

	2021	2020
Accounts receivable	\$ 4,692,154	\$ 4,433,206
Allowance for doubtful accounts	(1,383,835)	(1,188,299)
	\$ 3,308,319	\$ 3,244,907

## 5. Other receivables:

	2021	2020
Quest University (a)	\$ -	\$ 2,100,000
The Loon Foundation (b)	2,000,000	2,000,000
	\$ 2,000,000	\$ 4,100,000

### (a) Quest University receivable:

Capilano University ("Capilano") and Quest University ("Quest") entered into an agreement to explore opportunities for Capilano to use Quest's campus and facilities to provide programs in the Sea-to-Sky Corridor. During fiscal year 2020, Capilano provided a loan to Quest for \$2.1 million, bearing interest at 4% per annum. Capilano executed and registered several stopgap documents with the BC Land Titles and Survey Office and obtained a priority agreement with the first mortgagee, to favour repayment for Capilano. In fiscal 2021, the registered claim was settled in full, with Capilano receiving payment on the loan and interest up to the settlement date.

### (b) Loon Foundation receivable:

The Loon Foundation (the "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 Society 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 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 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 Foundation that is secured by a first mortgage against the Foundation's property. The Foundation commits to providing the University access to facilities, programs, services and recognition that will be used to offset the outstanding loan. It is anticipated that the construction of the new PODS facility will be completed in 2022 and the partnership and loan will be fully satisfied in 2037.

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

## 6. Accounts payable and accrued liabilities:

	2021	2020
Accounts payable and accrued liabilities	\$ 6,985,849	\$ 9,105,579
Salaries and benefits payable	8,423,457	9,215,840
Accrued vacation pay	4,719,539	3,858,194
	\$ 20,128,845	\$ 22,179,613

## 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:

	2021	2020
Accrued benefit obligation balance, beginning of year	\$ 1,194,200	\$ 1,082,800
Interest cost	1,700	2,100
Employee contributions	401,100	314,700
Expected benefit payments	(396,500)	(311,600)
Immediate recognition of continuation of benefits for disabled employees	81,000	100,900
Actuarial loss (gain)	(4,500)	5,300
Accrued benefit obligation balance, end of year	\$ 1,277,000	\$ 1,194,200

	2021	2020
Accrued benefit obligation	\$ 1,277,000	\$ 1,194,200
Unamortized actuarial gain	77,300	86,600
Accrued benefit liability	\$ 1,354,300	\$ 1,280,800

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:

	2021	2020
Obligation discount rate	1.78%	1.78%
Estimated average remaining service life	9 years	9 years

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

## 7. Employee future benefits (continued):

### (b) Provincial pension plans:

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan (the "Plans"), 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 contributory pension plans. Basic pension benefits provided are based on a formula. The College Pension Plan has about 15,000 active members from college senior administration and instructional staff and approximately 9,000 retired members. The Municipal Pension Plan has about 213,000 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 contributed \$6,031,843 (2020 - \$5,507,737) to the above plans.

## 8. Deferred revenue and contributions:

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

	2021	2020
Tuition fees	\$ 15,843,273	\$ 16,420,949
Deferred government contributions and project and other revenue (a) and (b)	3,146,774	3,110,348
Restricted donations and investment income (c)	5,351,355	5,262,683
	<u>\$ 24,341,402</u>	<u>\$ 24,793,980</u>

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

## 8. Deferred revenue and contributions (continued):

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

	2021	2020
Provincial contributions:		
Beginning of year	\$ 1,797,702	\$ 848,115
Amounts received during the year	2,729,079	3,718,749
Recognized as revenue	(2,341,622)	(2,769,162)
	\$ 2,185,159	\$ 1,797,702

Operating grants from the Province of British Columbia of \$44,198,359 (2020 - \$40,876,142) 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:

	2021	2020
Non-provincial contributions:		
Beginning of year	\$ 1,312,646	\$ 1,309,835
Amounts received during the year	572,992	1,727,504
Recognized as revenue	(924,023)	(1,724,693)
	\$ 961,615	\$ 1,312,646

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

	2021	2020
Beginning of year	\$ 5,262,683	\$ 5,935,121
Amounts received during the year	772,386	3,532,528
Recognized as revenue	(683,714)	(4,204,966)
	\$ 5,351,355	\$ 5,262,683

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

## 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:

	2021	2020
Balance, beginning of year	\$ 46,849,783	\$ 49,653,146
Contributions received during the year	5,427,055	1,043,061
Revenue recognized from deferred capital contributions	(3,482,346)	(3,846,424)
Balance, end of year	\$ 48,794,492	\$ 46,849,783

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

	2021	2020
Provincial contributions:		
Beginning of year	\$ 33,453,854	\$ 35,660,618
Amounts received during the year	5,391,900	1,043,061
Recognized as revenue	(3,060,751)	(3,249,825)
	\$ 35,785,003	\$ 33,453,854

	2021	2020
Federal contributions:		
Beginning of year	\$ 13,395,929	\$ 13,817,523
Recognized as revenue	(421,595)	(421,594)
	\$ 12,974,334	\$ 13,395,929

	2021	2020
Other contributions:		
Beginning of year	\$ -	\$ 175,005
Amounts received during the year	35,155	-
Recognized as revenue	-	(175,005)
	\$ 35,155	\$ -

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

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

## 10. Tangible capital assets:

<b>Cost</b>	Balance, March 31, 2020	Additions net of Transfers	Disposals	Balance, March 31, 2021
Land	\$ 10,000,370	\$ -	\$ -	\$ 10,000,370
Buildings	118,478,348	1,555,249	-	120,033,597
Leasehold improvements	3,515,511	-	-	3,515,511
Computer equipment	15,083,178	2,463,520	-	17,546,698
Other furniture and equipment	15,396,431	1,174,120	-	16,570,551
Public works	2,192,949	-	-	2,192,949
Software	2,090,226	-	-	2,090,226
Vehicles	595,231	-	-	595,231
Assets under construction/renovation	-	2,950,567	-	2,950,567
<b>Total</b>	<b>\$ 167,352,244</b>	<b>\$ 8,143,456</b>	<b>\$ -</b>	<b>\$ 175,495,700</b>

<b>Accumulated amortization</b>	Balance, March 31, 2020	Additions	Disposals	Balance, March 31, 2021
Land	\$ -	\$ -	\$ -	\$ -
Buildings	67,133,506	3,094,559	-	70,228,065
Leasehold improvements	116,090	351,551	-	467,641
Computer equipment	10,729,852	2,194,349	-	12,924,201
Other furniture and equipment	10,303,731	1,917,685	-	12,221,416
Public works	1,146,918	152,141	-	1,299,059
Software	1,665,207	312,514	-	1,977,721
Vehicles	280,863	52,844	-	333,707
<b>Total</b>	<b>\$ 91,376,167</b>	<b>\$ 8,075,643</b>	<b>-</b>	<b>99,451,810</b>

<b>Net book value</b>	March 31, 2020	March 31, 2021
Land	\$ 10,000,370	\$ 10,000,370
Buildings	51,344,842	49,805,532
Leasehold improvements	3,399,421	3,047,870
Computer equipment	4,353,326	4,622,497
Other furniture and equipment	5,092,700	4,349,135
Public works	1,046,031	893,890
Software	425,019	112,505
Vehicles	314,368	261,524
Assets under construction/renovation	-	2,950,567
<b>Total</b>	<b>\$ 75,976,077</b>	<b>\$ 76,043,890</b>



# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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## 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, 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.

### (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.

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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## 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:

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2022	\$	3,918,300
2023		2,234,600
2024		1,271,700
2025		745,700
	\$	8,170,300

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## 13. Expenses by object:

The following is a summary of expenses by object:

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	2021	2020
Amortization of tangible capital assets	\$ 8,075,643	\$ 7,892,793
Buildings and grounds maintenance	7,417,732	6,960,709
Cost of goods sold	1,126,789	1,535,478
Other operating expenses	18,101,522	25,655,016
Salaries and benefits	82,264,865	77,486,633
Student support activities	2,298,356	1,834,930
	\$ 119,284,907	\$ 121,365,559

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# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

## 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 January 28, 2020. 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	\$ 8,671,572	\$ (8,671,572)	\$ -
Expenses	38,286,019	(38,286,019)	-
Salaries and benefits	88,421,727	(88,421,727)	-
	135,379,318	(135,379,318)	-
Expenses by function:			
Instruction and student support	-	78,943,995	78,943,995
Facility and institutional support	-	49,664,978	49,664,978
Ancillary	-	6,770,345	6,770,345
	-	135,379,318	135,379,318
	\$ 135,379,318	\$ -	\$ 135,379,318

## 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 surplus:

Accumulated surplus is comprised of the following:

	2021	2020
Unrestricted	\$ 55,760,782	\$ 49,956,709
Invested in capital assets (a)	27,249,398	29,126,294
Endowments (b)	11,799,607	8,024,749
	\$ 94,809,787	\$ 87,107,752

# CAPILANO UNIVERSITY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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## 16. Accumulated surplus (continued):

(a) Invested in capital assets:

	2021	2020
Tangible capital assets	\$ 76,043,890	\$ 75,976,077
Amounts financed by deferred capital contributions	(48,794,492)	(46,849,783)
	\$ 27,249,398	\$ 29,126,294

(b) Endowments:

	2021	2020
Balance beginning of year	\$ 8,024,749	\$ 7,921,656
Contributions received during the year	2,142,527	103,093
Capitalized interest	1,632,331	-
	\$ 11,799,607	\$ 8,024,749

## 17. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.