emily carr
university of art + design

FINANCIAL STATEMENTS
Year ended March 31, 2015

emily carr
university of art + design

1399 Johnston Street, Vancouver, BC, Canada V6H 3R9

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

To the Board of Governors of Emily Carr University of Art + Design

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in compliance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Governors and Board Finance and Audit Committee are composed primarily of those who are neither management nor employees of the University. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial information included in the annual report. The Board Finance and Audit Committee has the responsibility of meeting with management and external auditors to discuss the financial reporting process, auditing matters, financial reporting issues, and recommends approval of the financial statements to the Board. The Committee is also responsible for recommending the appointment of the University's external auditor.

KPMG LLP, an independent firm of Chartered Accountants, is appointed by the Board to audit the financial statements and report directly to them through the Board Finance and Audit Committee; their report follows. The external auditor has full and free access to, and meets periodically and separately with, both the Committee and management to discuss their audit findings.

On behalf of Emily Carr University of Art + Design

Michael Clifford, Vice President
Finance + Administration

Date May 14, 2015

Michelle Lock
Director, Financial Services

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Governors of Emily Carr University of Art + Design, and
To the Minister of Advanced Education, Province of British Columbia

We have audited the accompanying financial statements of Emily Carr University of Art + Design, which comprise the statement of financial position as at March 31, 2015, the statements of operations and accumulated surplus, remeasurement gains and losses, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Emily Carr University of Art + Design as at March 31, 2015 and for the year then ended 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

May 14, 2015

Burnaby, Canada

Emily Carr University of Art + Design
STATEMENT OF FINANCIAL POSITION
March 31, 2015

	2015	2014
Financial assets		
Cash and cash equivalents	$ 6,689,288	$ 3,163,404
Investments (note 4)	12,826,844	9,735,001
Investment in GNW Campus Trust (note 6)	14,586,126	15,239,573
Accounts receivable (note 3)	2,587,011	2,207,989
Inventories for resale	183,895	164,202
	36,873,164	30,510,169
Liabilities		
Accounts payable and accrued liabilities (note 8)	3,471,500	3,546,909
Deferred revenue	2,268,387	2,106,664
Capital lease obligation (note 13)	361,379	212,041
Debt (note 9)	5,236,018	29,594
Deferred contributions (note 11)	41,357,840	30,226,906
	52,695,124	36,122,114
Net debt	(15,821,960)	(5,611,945)
Non-financial assets		
Tangible capital assets (note 7)	35,442,709	24,559,707
Endowment investments (note 5)	5,054,966	4,932,460
Inventories of supplies	8,000	8,000
Prepaid expenses	258,163	238,593
	40,763,838	29,738,760
Accumulated surplus	$ 24,941,878	$ 24,126,815
Accumulated surplus is comprised of:		
Accumulated operating surplus	$ 25,134,244	$ 23,543,939
Accumulated remeasurement gains (losses)	(192,366)	582,876
	$ 24,941,878	$ 24,126,815

Commitments and contingencies (note 12)
See accompanying notes to financial statements.

Approved on behalf of the Board:

Evaleen Jaager Roy, Chair
Board of Governors

Michael Clifford, Vice-President
Finance + Administration

Emily Carr University of Art + Design
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
Year ended March 31, 2015

	Budget	2015	2014
	(note 2(o))		
Revenue			
Grants			
Province of British Columbia	$ 14,064,350	$ 13,929,621	$ 13,982,905
Federal government	223,470	164,003	165,563
Tuition fees	13,424,059	13,095,934	11,899,002
Amortization and recognition of deferred contributions	3,181,488	4,183,651	3,363,746
Income from equity accounted organizations	-	1,139,202	36,835
Gifts, grants and bequests	34,900	150,695	43,999
Interest	239,680	225,526	241,063
Miscellaneous	680,297	761,785	592,503
	31,848,244	33,650,417	30,325,616
Expenses			
Instruction	15,345,910	15,312,734	14,423,236
Instruction support	14,941,563	14,844,216	13,269,683
Research	864,000	1,278,195	1,139,648
Externally sponsored activity and trust	641,300	695,856	773,138
Loss from equity accounted organizations	39,500	-	-
	31,832,273	32,131,001	29,605,705
Annual operating surplus	15,971	1,519,416	719,911
Endowment contributions	-	70,889	233,712
Annual surplus	15,971	1,590,305	953,623
Accumulated operating surplus, beginning of year	23,543,939	23,543,939	22,590,316
Accumulated operating surplus, end of year	$ 23,559,910	$ 25,134,244	$ 23,543,939

See accompanying notes to financial statements.

Emily Carr University of Art + Design
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
Year ended March 31, 2015

	2015	2014
Accumulated remeasurement gains, beginning of year	$ 582,876	$ 175,942
Unrealized gains attributable to designated fair value financial instruments	1,516	5,125
Amounts reclassified to the statement of operations for designated fair value financial instruments	(3,376)	(3,041)
Accumulated remeasurement gains for the year before other comprehensive income from government business enterprises	581,016	178,026
Other comprehensive income (loss) from government business enterprises	(773,382)	404,850
Accumulated remeasurement gains (losses), end of year	$ (192,366)	$ 582,876

See accompanying notes to financial statements.

Emily Carr University of Art + Design
STATEMENT OF CHANGES IN NET DEBT
Year ended March 31, 2015

	Budget (note 2(o))	2015	2014
Annual surplus	$ 15,971	$ 1,590,305	$ 953,623
Acquisition of tangible capital assets	(1,824,200)	(12,520,618)	(3,134,809)
Amortization of tangible capital assets	1,465,500	1,637,616	1,644,373
	(358,700)	(10,883,002)	(1,490,436)
Acquisition of prepaid expense	-	(258,163)	(238,593)
Use of prepaid expense	238,593	238,593	234,401
	238,593	(19,570)	(4,192)
Increase in endowment investments	-	(70,889)	(233,712)
Transfer of unrestricted investments to endowment	-	(51,617)	(56,227)
Effect of other comprehensive income from government business enterprises	-	(773,382)	404,850
Effect of remeasurement losses	-	(1,860)	2,084
	-	(897,748)	116,995
Increase in net debt	(104,136)	(10,210,015)	(424,010)
Net debt, beginning of year	(5,611,945)	(5,611,945)	(5,187,935)
Net debt, end of year	$ (5,716,081)	$ (15,821,960)	$ (5,611,945)

See accompanying notes to financial statements.

Emily Carr University of Art + Design
STATEMENT OF CASH FLOWS
Year ended March 31, 2015

	2015	2014
Cash flows from operating activities:		
Annual operating surplus	$ 1,590,305	$ 953,623
Adjustments to reconcile net cash provided by operating activities		
Income from equity accounted organizations	(1,139,202)	(36,835)
Amortization of tangible capital assets	1,637,616	1,644,373
Amortization of deferred contributions	(4,183,651)	(3,363,746)
Change in non-cash working capital:		
Accounts receivable	797,321	444,551
Inventories for resale	(19,693)	(22,152)
Prepaid expenses	(19,570)	(4,192)
Accounts payable and accrued liabilities	(75,409)	(142,670)
Deferred revenue	161,723	449,829
	(1,250,560)	(77,219)
Cash flows from capital activities:		
Purchase of tangible capital assets	(6,972,895)	(2,983,337)
Cash flows from financing activities:		
Payments on capital lease obligations	(167,202)	(198,092)
Payments on non-P3 debt	(24,759)	(24,759)
Deferred contributions received	15,314,585	7,139,768
	15,122,624	6,916,917
Cash flows from investing activities:		
Contribution to GNW	(157,076)	(1,260,366)
Purchase of investments	(3,216,209)	(1,446,303)
	(3,373,285)	(2,706,669)
Increase in cash and cash equivalents during the year	3,525,884	1,149,692
Cash and cash equivalents, beginning of year	3,163,404	2,013,712
Cash and cash equivalents, end of year	$ 6,689,288	$ 3,163,404
Cash and cash equivalents is comprised of:		
Unrestricted cash	$ 6,385,880	$ 2,813,378
Restricted cash	303,408	350,026
	$ 6,689,288	$ 3,163,404
Supplementary information:		
Non-cash transactions:		
Acquisition of tangible capital assets through capital lease	$ 316,540	$ 151,472
Acquisition of tangible capital assets through debt	5,231,183	-
Distribution declared and unpaid at year end	1,176,343	157,076

See accompanying notes to financial statements.

Emily Carr University of Art + Design (the “University") is a post-secondary educational university that was granted university status on September 1, 2008 and incorporated under the amended University Act. The University was formerly known as the Emily Carr Institute of Art + Design and was incorporated under the College and Institute Act. The University is a learning community devoted to excellence and innovation in Visual Arts, Media Arts and Design and receives significant funding from the British Columbia Provincial Government. The University is exempt from income taxation under Section 149 of the Income Tax Act.

1. Adoption of new accounting policy:

On April 1, 2014 the University adopted PS 3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis to April 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the University.

2. Significant accounting policies

(a) Basis of presentation

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

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada 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 for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be deferred and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded.

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 government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410. As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

2. Significant accounting policies (continued)

(b) Controlled entity

The University controls the Emily Carr Foundation by virtue of its ability to appoint a majority of the Foundation's Board of Directors. The Foundation's net assets and operating activity as at and for the years ended March 31, 2015 and 2014 were insignificant.

(c) Investments in Government Business Enterprises

Great Northern Way Campus Trust (GNW Campus Trust)

The University participates as an equal beneficiary in a Joint Venture with British Columbia Institute of Technology, University of British Columbia and Simon Fraser University. Joint Venture members participate equally in the control of the GNW Campus Trust. GNW Campus Trust is a trust established for the four institutions (the "Owners"), each of whom is an equal shareholder in Great Northern Way Campus Ltd. and each of whom appoints one director to its Board of Directors.

The Trust holds the legal and beneficial interest in the lands and premises located at 555 and 577 Great Northern Way and 375 East 1st Avenue, Vancouver, British Columbia, which were acquired by way of donation from Finning International Inc.

The Trust is considered to be a government business enterprise (GBE), which is accounted for by the modified equity method. Under this method, the University's investment in the GNW Campus Trust business enterprise and its net income and other changes in equity are recorded using the modified equity method. No adjustment is made to conform the accounting policies of the government business enterprise to those of the University other than if other comprehensive income exists; it is accounted for as an adjustment to accumulated surplus of the University. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions between entities of assets that remain within the entities controlled by the University. Any dividends the University receives from GNW Campus Trust are reflected as a reduction in the investment asset account.

The Trust has a December 31st fiscal year end, which is used to record the equity income. Any material transactions between December 31st and the fiscal year end of the University are recognized in the financial statements.

The University monitors the recoverability of revenue generating long-lived assets within GNW Campus Trust based on estimates using factors such as expected future asset utilization, economic outlook and future cash flows expected to result from the use of the related assets or be realized on sale. The University recognizes an impairment loss if the projected undiscounted aggregate cash flows are less than the carrying amount. The amount of impairment charge, if any, is defined as the excess of carrying value over its fair value.

2. Significant accounting policies (continued)

(c) Investments in Government Business Enterprises (continued)

The GNW Campus Trust has an accumulated operating deficit from significant operating losses in previous years. Accordingly, the GNW Campus Trust's continuance as a going concern, and classification as a GBE is dependent upon continued positive earnings. If the going concern basis is not appropriate, adjustments may be necessary in the carrying amounts of the GNW Campus Trust Fund assets, liabilities and expenses in these financial statements and the adjustments could be material. In this regard, the University annually reviews its continued interest in, and obligations relating to, the GNW Campus Trust.

Under the provision of the Trust Deed, Great Northern Way Campus Ltd. in its capacity as trustee of the GNW Campus Trust, and at its sole discretion, is required to distribute all net income of the GNW Campus Trust to the beneficiaries. A distribution of $4,705,372 was declared in fiscal 2014 (2013 - $628,304).

(d) 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.

(e) 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.

Unrestricted donations, grants and contributions are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Restricted donations, grants and contributions 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 contributions in the form of a depreciable tangible capital asset are recorded in accordance with Regulation 198/2011 which requires that they be recorded and referred to 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. The University records deferred capital contributions as part of deferred contributions on the statement of financial position (note 11).

(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.

2. Significant accounting policies (continued)

(e) Revenue recognition (continued)

(iii) Endowment contributions are recognized as revenue when received. Any related investment income earned thereon is deferred when earned in accordance with the stipulations in the endowment agreements. The income is recognized as revenue when it is spent on the purpose specified.

(iv) Donations of capital assets that would otherwise be purchased are accounted for at fair value when a fair value can be reasonably estimated.

Land disposals by the GNW Campus Trust are recognized as revenue by GNW Campus Trust when the agreement for sale has been entered into, an appropriate down payment has been received and all conditions of the agreement have been met, including the passage of the risks and rewards of ownership.

The GNW Campus Trust has retained substantially all of the risks and benefits of ownership of its revenue-producing properties and therefore accounts for its leases with its tenants as operating leases. Rental revenue is recorded on a straight line basis over the term of the rental period.

(f) Service contributions

Contributions of supplies and services that would otherwise have been purchased are not recognized in these financial statements.

(g) Inventories for resale

Inventories for resale are recorded at the lower of cost or net realizable value. Cost is comprised of the purchase price, freight and handling costs, net taxes and any other costs directly attributable to bringing inventories to their present location, and is determined on a specific items basis. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to declining selling prices.

(h) Financial instruments

Financial instruments are initially classified upon initial recognition as a fair value or amortized cost instrument. Transaction costs are added to the amortized cost or expensed if they relate to instruments recorded on a fair value basis. The effective interest rate method is used to recognize interest. Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the 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 statement of operations and accumulated surplus and related balances reversed from the statement of remeasurement gains and losses. Restricted endowment interest is recognized as a direct increase to deferred contributions until distributed for the specified purpose. Interest and dividends attributable to financial instruments are reported in the statement of operations.

Endowment investments are held in perpetuity and presented as non-financial assets as they are not available for consumption or to discharge liabilities. The investments are recorded at fair value.

2. Significant accounting policies (continued)

(h) Financial instruments (continued)

The University's financial instruments are comprised of and measured as follows:

- Investments elected to be recorded at fair value.
- Accounts receivable and accounts payable and accrual liabilities are measured at amortized cost using the effective interest method.

(i) Non-financial assets

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

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

Asset	Period
Emily Carr campus buildings	40 years
Furniture and equipment	5 - 10 years
Computer equipment	3 years
Library materials	10 years

Assets under development or construction are not amortized until the asset is available for productive use.

(ii) Leased tangible capital assets

Leases, which 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.

(iii) Impairment of tangible capital assets

Tangible capital assets are written down when conditions indicate that they no longer contribute to 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.

2. Significant accounting policies (continued)

(i) Non-financial assets (continued)

(iv) Prepaid expenses

Prepaid expenses are non-financial assets, which are expensed over the periods expected to benefit from them.

(j) Employee future benefits

(i) Multi-employer plans

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

(ii) Employee leave benefits

The University allows employees to accumulate unused vacation days and gratuity days for future use. Any unused vacation or gratuity days are recorded as a liability when earned. The University does not allow employees to carryforward and utilize any unused sick days.

(k) Asset retirement obligations

The University recognizes asset retirement obligations in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset, including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is amortized over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation. The University has determined that there were no significant asset retirement obligations to be recognized.

(l) Foreign currency transactions

The University’s functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the statement of financial position date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or the statement of financial position date is recognized in the statement of remeasurement gains and losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the statement of remeasurement gains and losses and the exchange gain or loss in relation to the exchange rate at the date of the item’s initial recognition is recognized in the statement of operations.

2. Significant accounting policies (continued)

(m) Capitalization of public-private partnership projects

Public-private partnership (“P3”) projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction is estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred directly by the University.

The asset cost includes development and financing fees estimated at fair value, which require the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return.

When available for operations, the project assets are amortized over their estimated useful lives.

Correspondingly, an obligation for the cost of capital and financing received to date, net of the contributions received, is recorded as a liability and included as debt on the statement of financial position.

Upon substantial completion, the private sector partner receives monthly payments to cover the partner’s operating costs, financing costs and a return of their capital over the term of their project agreement.

(n) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses for the periods reported. Significant areas requiring the use of management’s estimates relate to the useful lives of tangible capital assets for the purposes of amortization, valuation of revenue-producing properties and property under development held by the GNW Campus Trust, net realizable value of inventories for resale, collectibility of accounts receivable, provisions for employee benefit obligations, and provisions for contingent liabilities. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(o) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2014/15 Budget Projection approved by the Board of Governors of the University on April 17, 2014.

2. Significant accounting policies (continued)

(p) 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 standard;

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

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

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

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

3. Accounts receivable

	2015	2014
Tuition and trade receivables	$ 974,256	$ 787,741
Due from government agencies	161,189	1,101,221
Sales tax rebates receivable	198,816	54,470
Dividend receivable	1,176,343	157,076
Other	76,407	107,481
	$ 2,587,011	$ 2,207,989

4. Investments

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

Investments comprising of fixed income securities and mutual funds with the fixed income securities having maturities greater than one year at time of purchase.

All fixed income securities held at March 31, 2015 mature at various dates to January 2020 (2014 - various dates to March 2019) and bear interest at rates ranging from 1.15% to 4.65% per annum (2014 - 2.00% to 4.65%).

5. Endowment investments

Restricted investments represent that portion of endowment funds that are to be held in perpetuity by the University and are not available for use for operations or capital purchases. Only the income from the investments is available to the University, and in some cases only a part of the income. The balance must be reinvested to maintain the capital.

In accordance with University policy, endowment funds are invested in highly liquid securities that are not rated lower than A by Canadian Bond Rating Service at the time of investment. Permitted securities include government bonds, commercial paper, term deposits, guaranteed investment certificates, banker's acceptances and corporate bonds.

Capitalization on investments is 10% of the income earned on the endowment. The uncapitalized portion of income earned is available for disbursement to students in the form of scholarships, bursaries and awards.

	2014	Earned	Transfer fund	Amounts received/ spent	Amounts 2015
Trust fund endowment					
Principal contribution	$ 4,932,460	$ 70,889	$ 51,617	$ -	$ 5,054,966
Investment income earned	74,993	117,469	8,384	(104,375)	96,471
Total	$ 5,007,453	$ 188,358	$ 60,001	$ (104,375)	$ 5,151,437

6. Investment in GNW Campus Trust

The University has a 25% share of the GNW Campus Trust.

	2015	2014
Investment in GNW Campus Trust	$ 14,787,545	$ 14,667,611
Other comprehensive income	(201,419)	571,962
	$ 14,586,126	$ 15,239,573

	2015	2014
Investment at beginning of year	$ 15,239,573	$ 13,694,598
Distributions declared	(1,176,343)	(157,076)
Contributions from Emily Carr	157,076	1,260,366
Net earnings	1,139,202	36,835
Other comprehensive income	(773,382)	404,850
Investment at end of year	$ 14,586,126	$ 15,239,573

6. Investment in GNW Campus Trust (continued)

The University's 25% share of the GNW Campus Trust is of the following:

	2015	2014
Financial assets	$ 8,152,547	$ 9,317,926
Liabilities	5,435,417	5,527,680
Net assets	2,717,130	3,790,246
Non-financial assets	11,868,996	11,449,327
Accumulated surplus	$ 14,586,126	$ 15,239,573

	2015	2014
Revenue	$ 3,268,054	$ 6,939,175
Expenses	2,128,852	6,902,340
Surplus for the year	$ 1,139,202	$ 36,835

7. Tangible capital assets

Cost	2014	Additions	Disposals	2015
Buildings	$ 27,974,491	$ 263,470	$ -	$ 28,237,961
Equipment – general	1,108,174	67,281	(350,802)	824,653
Equipment – computer	1,385,389	175,933	(275,107)	1,286,215
Library collection	712,201	46,138	(71,516)	686,823
Leasehold improvements	261,479	-	(132,591)	128,888
Leases – digital equipment	796,043	316,540	(341,569)	771,014
Campus redevelopment in progress	3,964,697	11,651,256	-	15,615,953
Total	$ 36,202,474	$ 12,520,618	$ (1,171,585)	$ 47,551,507

Accumulated amortization	2014	Disposals	Amortization expense	2015
Buildings	$ 9,237,890	$ -	$ 702,656	$ 9,940,546
Equipment – general	680,901	(350,802)	193,282	523,381
Equipment – computer	658,998	(275,107)	434,920	818,811
Library collection	376,293	(71,516)	73,527	378,304
Leasehold improvements	202,105	(132,591)	39,036	108,550
Leases – digital equipment	486,580	(341,569)	194,195	339,206
Campus redevelopment in progress	-	-	-	-
Total	$ 11,642,767	$ (1,171,585)	$ 1,637,616	$ 12,108,798

7. Tangible capital assets (continued)

	Net book value 2015	Net book value 2014
Buildings	$ 18,297,415	$ 18,736,601
Equipment – general	301,272	427,273
Equipment – computer	467,404	726,391
Library collection	308,519	335,908
Leasehold improvements	20,338	59,374
Leases – digital equipment	431,808	309,463
Campus redevelopment in progress	15,615,953	3,964,697
Total	$ 35,442,709	$ 24,559,707

(a) Campus redevelopment in progress

Campus redevelopment in progress relates to the Great Northern Way Campus development. As at March 31, 2015 the University has not capitalized any interest. The capitalized costs to date are not amortized until the asset is available for productive use.

(b) Works of art and historical treasures

The University manages and controls various works of art including drawings, prints, lithographs and etchings located on site in public display areas. These assets have an appraised value of $983,599, but are not recorded as tangible capital assets on these financial statements.

8. Accounts payable and accrued liabilities

	2015	2014
Trade accounts payable and accrued liabilities	$ 1,782,138	$ 1,727,650
Accrued payroll benefits		
Holiday pay	1,144,156	1,159,830
Banked overtime	15,427	18,251
Gratuity days	178,225	154,274
Early retirement incentives	351,554	486,904
	$ 3,471,500	$ 3,546,909

9. Debt

		2015		2014
Concessionaire payable – Campus Redevelopment Project with AAP Partnership, payable in monthly payments commencing after the construction period including annual interest of 4.58%, in accordance with the project agreement terms. Required principal repayments on P3 debt for the years ending March 31 are disclosed with public-private partnership commitments in note 12(c)	$	5,231,183	$	-
Other		4,835		29,594
	$	5,236,018	$	29,594

10. Employee future benefits

Multi-employer pension plans

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed pension plans. The boards of trustees for these plans 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. As at August 31, 2014 the College Pension Plan has about 14,000 active members from college senior administration and instructional staff and approximately 6,000 retired members. As at December 31, 2013 the Municipal Pension Plan has about 182,000 active members, with approximately 5,800 from colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012 indicated a $105 million funding deficit for basic pension benefits. The next valuation will be August 31, 2015 with results available in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012 indicated a $1,370 million funding deficit for basic pension benefits. The next valuation will be December 31, 2015 with results available in 2016.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for 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's employer contributions to the plans amounted to $1,477,938 in 2015 (2014 - $1,293,214).

11. Deferred contributions

	2014	Amounts received	Amortized as revenue	2015
Provincial Operating	$ 526,209	$ 3,146,507	$ (677,956)	$ 2,994,760
Federal Operating	635,522	966,406	(1,103,415)	498,513
Other Operating	3,118,369	4,180,882	(655,662)	6,643,589
Subtotal	4,280,100	8,293,795	(2,437,033)	10,136,862
Provincial Capital	22,058,391	6,988,034	(713,054)	28,333,371
Federal Capital	1,923,158	17,237	(284,163)	1,656,232
Other Capital	1,965,257	15,519	(749,401)	1,231,375
Subtotal	25,946,806	7,020,790	(1,746,618)	31,220,978
Total	$ 30,226,906	$ 15,314,585	$ (4,183,651)	$ 41,357,840

12. Commitments and contingencies

(a) Operating and building leases

The University has entered into operating leases with respect to land, premises and operating equipment. The University is obligated to make the following minimum lease payments in each of the next five fiscal years ending March 31:

2016	$ 863,892
2017	445,410
2018	285,749
2019	285,749
2020	285,749
	$ 2,166,549

(b) GNW Campus Trust commitments

(i) The GNW Campus Trust has provided letters of guarantee totaling $352,826 (2013 - $3,469,309) for various on-site and off-site servicing and street works projects.

12. Commitments and contingencies (continued)

(b) GNW Campus Trust commitments (continued)

(ii) The GNW site is currently zoned pursuant to CD-1 (401) *Comprehensive Development Zone*. A condition of the CD-1 zoning is related to servicing and engineering obligations both on and off the site. When the site was partially gifted, these obligations were assumed by the Trust when it and the partner institutions entered into an Assignment and Assumptions Agreement with the City of Vancouver in 2002. This agreement pertains to the entire land area under CD-1 (402) zoning, including land not owned by the Trust. This agreement obligates the Trust to reimburse the City of Vancouver for certain costs in addition to carrying out certain on-site and off-site servicing works. The timing of payments is largely contingent on activities that may be performed by the GNW Campus Trust in the coming years as part of its site development plan.

Under the subdivision process currently underway, this agreement is being replaced by updated servicing requirements that reflect the current Structure Plan. The new servicing requirements will be registered on title as servicing agreements on each of the nine newly created lots. The Trust is currently negotiating these servicing obligations through the subdivision process. Payment for these works will be triggered by a development permit issuance on each of the lots. The ECUAD site Lot 1 development permit issuance is anticipated in the summer of 2015.

(iii) Effective September 1, 2010, the GNW Campus Trust entered into a Management Services Agreement with SFU whereby SFU will provide certain budget and financial services, student services, and academic and administrative services relating to the Masters in Digital Media (MDM) program. The Agreement was amended on December 2, 2014 to include an allocation of space in buildings 685 and 577 for the MDM program, and the appointment of a principal contact by SFU to oversee the terms of the Agreement. The Trust agrees to pay SFU six percent (6%) of the gross tuition and mandatory fees in return for these services.

(c) Public-private partnership commitments

The University has entered into multiple-year P3 contracts to design, build, finance and maintain the Great Northern Way Campus redevelopment project. The information presented below shows the anticipated cash outflow for future obligations under these contracts for the capital cost and financing of the asset, the facility maintenance and the lifecycle costs. As construction progresses, the asset values are recorded as capital assets and the corresponding liabilities are recorded as debt as disclosed in note 9. Facilities maintenance and life cycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

12. Commitments and contingencies (continued)

(c) Public-private partnership commitments (continued)

	Capital and financing	Facility management and lifecycle	Total payments
2016	$ 20,804,003	$ -	$ 20,804,003
2017	18,480,208	-	18,480,208
2018	3,444,209	1,704,018	5,148,227
2019	3,737,028	1,784,592	5,521,620
2020	3,737,028	1,817,376	5,554,404
Thereafter	101,211,175	62,062,764	163,273,939
	$ 151,413,651	$ 67,368,750	$ 218,782,401

Principal repayments on P3 debt included in capital and financing commitments above will commence at project service commencement date which is anticipated to occur in fiscal 2018.

13. Capital lease obligation

The University has entered into capital leases with respect to computer equipment. The principal and interest payments are as follows:

	2015	2014
2015	$ -	$ 118,545
2016	160,061	70,100
2017	132,794	42,833
2018	99,550	933
2019	4,261	-
Total minimum lease payments	396,666	232,411
Amount representing interest at rates ranging from 4.75% to 7.56%	(35,287)	(20,370)
Capital lease obligations	$ 361,379	$ 212,041

14. Expenses by object

The following is a summary of expenses by object:

	2015	2014
Salaries and benefits	$ 22,334,088	$ 21,116,039
HR programs and professional development	427,896	361,798
Library services	112,416	103,290
Scholarships, bursaries and awards	554,460	571,292
Student recruitment and development	547,345	495,956
Counselling and interpreting	112,078	104,040
Communications	458,715	451,247
Advertising and promotions	635,030	470,012
University memberships	160,513	121,794
Information technology	550,083	460,419
Facility services	638,385	635,484
Leases and rentals	1,054,228	1,010,495
Guest artists and speakers	181,710	173,389
Professional services	1,435,176	546,704
Supplies	496,684	450,882
Repairs and maintenance	122,340	130,593
Utilities	390,218	395,339
Cost of goods sold	69,395	76,258
Amortization	1,637,616	1,644,373
Other	212,625	286,301
	$ 32,131,001	$ 29,605,705

15. Funds held by Vancouver Foundation

The University has endowment funds of $657,767 (2014 - $627,625) with the Vancouver Foundation. These funds are permanent funds with the Foundation which provides income for scholarships, bursaries and other student aid at the University. The funds are not under University ownership or control. The University has recorded its contributions to the funds as donation expenses. The University received amounts totaling $20,010 (2014 - $19,547) as income from the funds during the year.

16. Financial risk management

The University is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives. The Board of Governors ensures that the University has identified its major risks and ensures that management monitors and controls them.

(a) Fair values

Generally accepted accounting principles define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying values of cash and cash equivalents, investments, accounts receivable and accounts payable approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

All of the University's financial instruments are measured at fair value based on the Level 2 method, using inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(b) Liquidity risk

Liquidity risk is the risk that the University is not able to meet its financial obligations as they become due, or can only do so at excessive costs. The University establishes budgets and cash flow projections to ensure it has the necessary funds, including access to a bank operating line of credit to fulfill its obligations when due.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the University's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The University is exposed to this risk with respect to the P3 debt as disclosed in note 9.

(d) Credit risk

Credit risk is the risk of financial loss to the University if a student 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, amounts receivable and investments. The risk is mitigated by ensuring the majority of receivables are collected prior to delivery of programs.

The University's exposure to credit risk is influenced mainly by the individual characteristics of each student. The University is exposed to credit risk in the event of non-payment of billings. This risk is mitigated by the University's prompt collection process and ability to withhold transcripts.

The University accounts for a specific bad debt provision when management considers that the expected recovery is less than the account receivable.

17. Accumulated surplus

Accumulated surplus is comprised of the following:

	2015	2014
Equity of GNW Campus Trust	$ 14,586,126	$ 15,239,573
Invested in tangible capital assets	1,079,235	865,330
Internally restricted for special projects	716,064	610,402
Internally restricted for student awards	527,272	453,736
Endowments	5,054,966	4,932,460
Unappropriated surplus	2,978,215	2,025,314
	$ 24,941,878	$ 24,126,815