EMILY CARR UNIVERSITY OF ART + DESIGN

FINANCIAL STATEMENTS
Year ended March 31, 2018

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 Professional 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	Michelle Lock Director, Financial Services

Date May 17, 2018

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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, 2018, 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, 2018 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 1 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 Professional Accountants

Burnaby, Canada
May 17, 2018

Emily Carr University of Art + Design
STATEMENT OF FINANCIAL POSITION

March 31, 2018

	2018	2017
Financial assets		
Cash and cash equivalents	$ 9,677,148	$ 15,769,756
Accounts receivable (note 2)	1,475,584	1,766,383
Investments (note 3)	7,563,227	8,864,281
Investment in GNW Campus Trust (note 5)	7,716,002	19,128,835
Inventories for resale	156,726	152,298
	26,588,687	45,681,553
Liabilities		
Accounts payable and accrued liabilities (note 7)	5,144,029	7,253,826
Deferred revenue	2,959,596	2,917,017
Debt (note 8)	59,238,228	55,841,207
Deferred contributions (note 10)	6,418,496	6,450,088
Deferred capital contributions (note 10)	63,571,150	74,747,257
Capital lease obligation (note 12)	435,283	535,616
	137,766,782	147,745,011
Net debt	(111,178,095)	(102,063,458)
Non-financial assets		
Tangible capital assets (note 6)	137,545,286	124,899,221
Endowment investments (note 4)	5,380,886	5,230,567
Inventories of supplies	-	8,000
Prepaid expenses	105,332	978,446
	143,031,504	131,116,234
Accumulated surplus (note 16)	$ 31,853,409	$ 29,052,776
Accumulated surplus is comprised of:		
Accumulated operating surplus	$ 31,790,813	$ 29,258,662
Accumulated remeasurement gains (losses)	62,596	(205,886)
	$ 31,853,409	$ 29,052,776

Commitments and contingencies (note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Kim Peacock, 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, 2018

	Budget (note 1(o))	2018	2017
Revenue			
Grants			
Province of British Columbia	$ 13,996,589	$ 18,919,635	$ 14,084,012
Federal government	236,990	223,941	199,500
Tuition fees	15,490,632	15,396,306	14,791,057
Amortization and recognition of deferred contributions	25,329,898	22,269,018	4,177,301
Income from equity accounted organizations	6,680,884	2,439,965	2,678,300
Gifts, grants and bequests	30,050	111,135	24,270
Interest	168,850	244,706	194,603
Miscellaneous	1,339,438	1,234,344	1,155,017
	63,273,331	60,839,050	37,304,060
Expenses			
Instruction	26,516,398	27,382,216	15,542,002
Instruction support	26,595,156	27,435,959	16,111,458
Research	1,888,095	1,470,566	1,505,493
Externally sponsored activity and trust	1,592,169	2,169,707	1,323,599
	56,591,818	58,458,448	34,482,552
Annual operating surplus	6,681,513	2,380,602	2,821,508
Endowment contributions	33,300	151,549	119,982
Annual surplus	6,714,813	2,532,151	2,941,490
Accumulated operating surplus, beginning of year	29,258,662	29,258,662	26,317,172
Accumulated operating surplus, end of year	$ 35,973,475	$ 31,790,813	$ 29,258,662

See accompanying notes to financial statements.

Emily Carr University of Art + Design
STATEMENT OF REMEASUREMENT GAINS AND LOSSES

Year ended March 31, 2018

	2018	2017
Accumulated remeasurement losses, beginning of year	$ (205,886)	$ (532,634)
Unrealized losses attributable to designated fair value financial instruments	(2,176)	(6,053)
Amounts reclassified to the statement of operations for designated fair value financial instruments	(1,041)	1,181
Accumulated remeasurement losses for the year before other comprehensive income from government business enterprises	(209,103)	(537,506)
Other comprehensive income from government business enterprises	271,699	331,620
Accumulated remeasurement gains (losses), end of year	$ 62,596	$ (205,886)

See accompanying notes to financial statements.

Emily Carr University of Art + Design
STATEMENT OF CHANGES IN NET DEBT

Year ended March 31, 2018

	Budget (note 1(o))	2018	2017
Annual surplus	$ 6,714,813	$ 2,532,151	$ 2,941,490
Acquisition of tangible capital assets	(15,240,654)	(32,533,719)	(61,571,518)
Loss on disposal of tangible capital assets	17,090,247	17,124,366	-
Amortization of tangible capital assets	2,368,817	2,763,288	1,380,379
	4,218,410	(12,646,065)	(60,191,139)
Use of inventories of supplies	-	8,000	-
Acquisition of prepaid expense	-	(85,157)	(978,446)
Use of prepaid expense	978,446	958,271	352,576
	978,446	881,114	(625,870)
Increase in endowment investments	(33,300)	(151,549)	(119,982)
Transfer between unrestricted investments and endowment	-	1,230	11,485
Effect of other comprehensive income from government business enterprises	-	271,699	331,620
Effect of remeasurement losses	-	(3,217)	(4,872)
	(33,300)	118,163	218,251
Decrease (increase) in net debt	11,878,369	(9,114,637)	(57,657,268)
Net debt, beginning of year	(102,063,458)	(102,063,458)	(44,406,190)
Net debt, end of year	$ (90,185,089)	$ (111,178,095)	$ (102,063,458)

See accompanying notes to financial statements.

Emily Carr University of Art + Design
STATEMENT OF CASH FLOWS

Year ended March 31, 2018

	2018	2017
Cash flows from operating activities:		
Annual operating surplus	$ 2,532,151	$ 2,941,490
Adjustments to reconcile net cash provided by operating activities		
Income from equity accounted organizations	(2,439,965)	(2,678,300)
Amortization of tangible capital assets	2,763,288	1,380,379
Loss on disposal of capital assets	17,124,366	-
Amortization of deferred contributions	(22,269,018)	(4,177,301)
Change in non-cash working capital:		
Accounts receivable	453,262	838,923
Inventories	3,572	32,022
Prepaid expenses	873,114	(625,870)
Accounts payable and accrued liabilities	(2,109,797)	1,905,837
Deferred revenue	42,579	305,458
	(3,026,448)	(77,362)
Cash flows from capital activities:		
Purchase of tangible capital assets	(13,867,368)	(27,691,352)
Cash flows from financing activities:		
Payments on capital lease obligations	(322,315)	(303,791)
Payments on debt	(647,348)	(4,835)
Deferred contributions received	11,061,319	29,838,667
	10,091,656	29,530,041
Cash flows from investing activities:		
Contribution to GNW	(437,966)	(434,161)
Disposal of investments	1,147,518	343,495
	709,552	(90,666)
Increase (decrease) in cash and cash equivalents during the year	(6,092,608)	1,670,661
Cash and cash equivalents, beginning of year	15,769,756	14,099,095
Cash and cash equivalents, end of year	$ 9,677,148	$ 15,769,756
Cash and cash equivalents is comprised of:		
Unrestricted cash	$ 7,408,141	$ 9,718,690
Restricted cash	2,269,007	6,051,066
	$ 9,677,148	$ 15,769,756
Supplementary information:		
Non-cash transactions:		
Acquisition of tangible capital assets through capital lease	$ 221,982	$ 366,887
Acquisition of tangible capital assets through debt	4,044,369	33,513,279
Acquisition of tangible capital assets through distribution	14,400,000	-
Distribution declared and unpaid and included in accounts receivable at year end	162,463	437,966

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. 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.

1. 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, 2018 and 2017 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.

1. Significant accounting policies (continued):

(c) Investments in Government Business Enterprises (continued):

On an annual basis, the University reviews the GNW Campus Trust's continuance as a going concern and classification as a GBE, which 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.

(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.

(*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.

(*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.

1. Significant accounting policies (continued)

(e) Revenue recognition (continued):

(*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.

1. 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	60 years
Furniture and equipment	5 - 10 years
Computer equipment	3 - 4 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.

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(*iii*) Impairment of tangible capital assets:

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

(*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 the 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 as at March 31, 2018.

1. **Significant accounting policies (continued):**

(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.

(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. These monthly payments are expensed by the University as incurred.

1. Significant accounting policies (continued):

(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 2017/18 Budget Projection approved by the Board of Governors of the University on July 17, 2018.

(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. The University has determined that there was no contaminated sites liability to be recognized at March 31, 2018.

2. Accounts receivable:

	2018	2017
Tuition and trade receivables	$ 1,069,025	$ 1,040,953
Due from government agencies	48,236	57,601
Sales tax rebates receivable	77,192	167,649
Dividend receivable	162,463	437,966
Other	118,668	62,214
	$ 1,475,584	$ 1,766,383

3. Investments:

Financial assets and endowment investments recorded at fair value are comprised 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, 2018 mature at various dates to February 2023 (2017 - various dates to April 2022) and bear interest at rates ranging from 0.95% to 2.90% per annum (2017 - 1.65% to 2.90%).

4. 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.

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.

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.

	2017	Earned	Transfer fund	Amounts received/ spent	Amounts 2018
Trust fund endowment					
Principal contribution	$ 5,230,567	$ 151,549	$ (1,230)	$ -	$ 5,380,886
Investment income earned	71,577	136,939	9,625	(115,816)	102,325
Total	$ 5,302,144	$ 288,488	$ 8,395	$ (115,816)	$ 5,483,211

5. Investment in GNW Campus Trust:

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

	2018	2017
Investment in GNW Campus Trust	$ 7,652,885	$ 19,337,416
Other comprehensive income	63,117	(208,581)
	$ 7,716,002	$ 19,128,835

	2018	2017
Investment, at beginning of year	$ 19,128,835	$ 16,122,720
Distributions declared	(14,562,463)	(437,966)
Contributions from Emily Carr	437,966	434,161
Net earnings	3,915,655	2,678,300
Inter-organizational profit adjustment	(1,475,690)	-
Other comprehensive income	271,699	331,620
Investment, at end of year	$ 7,716,002	$ 19,128,835

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

	2018	2017
Financial assets	$ 9,567,725	$ 11,552,395
Liabilities	9,700,994	3,902,317
Net assets	(133,269)	7,650,078
Non-financial assets	7,849,271	11,478,757
Accumulated surplus	$ 7,716,002	$ 19,128,835

	2018	2017
Revenue	$ 9,742,224	$ 6,333,373
Expenses	(5,826,569)	(3,655,073)
Surplus for the year	$ 3,915,655	$ 2,678,300

5. Investment in GNW Campus Trust (continued):

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 $649,852 was declared in fiscal 2017 (2016 - $1,751,864) with $162,463 (2017 - $437,966) as the University's 25% share. In addition, a distribution of $14.4 million was made to the University with respect to land acquisition as outlined in note 6(a).

The inter-organizational profit adjustment is equal to 25% of the gain realized by GNW Campus Trust on the land sale to the University (note 6(a)) which is eliminated against net earnings.

6. Tangible capital assets:

Cost	2017	Additions transfers	Disposals (transfers)	2018
Land (a)	$ -	$ 14,400,000	$ -	$ 14,400,000
Buildings - Great Northern Way campus (b)	-	118,261,322	-	118,261,322
Buildings - Granville Island campus (c)	28,450,306	-	(28,450,306)	-
Equipment - general	1,211,658	2,525,164	(43,439)	3,693,383
Equipment - computer	576,647	2,751,303	(50,131)	3,277,819
Library collection	604,185	47,105	-	651,290
Leases - digital equipment	1,179,884	221,982	(151,473)	1,250,393
Campus redevelopment in progress (b)	105,673,157	-	(105,673,157)	-
Total	$ 137,695,837	$ 138,206,876	$ (134,368,506)	$ 141,534,207

Accumulated amortization	2017	Disposals	Amortization expense	2018
Land	$ -	$ -	$ -	$ -
Buildings - Great Northern Way campus	-	-	1,312,643	1,312,643
Buildings - Granville Island campus	11,360,058	(11,360,058)	-	-
Equipment - general	309,184	(18,305)	495,051	785,930
Equipment - computer	279,971	(41,147)	585,651	824,475
Library collection	335,799	-	62,160	397,959
Leases - digital equipment	511,604	(151,473)	307,783	667,914
Total	$ 12,796,616	$ (11,570,983)	$ 2,763,288	$ 3,988,921

6. Tangible capital assets (continued):

	Net book value 2018	Net book value 2017
Land	$ 14,400,000	$ -
Buildings - Great Northern Way campus	116,948,679	-
Buildings - Granville Island campus	-	17,090,248
Equipment - general	2,907,453	902,474
Equipment - computer	2,453,344	296,676
Library collection	253,331	268,386
Leases - digital equipment	582,479	668,280
Campus redevelopment in progress	-	105,673,157
Total	$ 137,545,286	$ 124,899,221

(a) Land acquisition:

During the year, the University purchased from Great Northern Way Campus Ltd. the lands described as Lot Q situated on the Great Northern Way Campus site, Vancouver, BC for $14.4 million.

On May 12, 2017 Great Northern Way Campus Ltd. declared a capital dividend of $14.4 million to each of its shareholders and correspondingly issued promissory notes payable to each shareholder. The promissory note payable to the University was fully settled by transfer of the lands pursuant to the terms of the land purchase agreement.

(b) Great Northern Way campus:

The University's new Great Northern Way campus was commissioned and put in service on August 4, 2017 at which time amortization commenced. The cost of the campus includes $3,308,681 in capitalized interest.

(c) Granville Island campus:

During the year, the University ceased operations at its Granville Island campus and wrote off the remaining net book value of the related buildings of $17,090,248 and recognized the corresponding unamortized deferred capital contributions (note 10).

The future use of the campus buildings on Granville Island is detailed in note 11(a).

(d) Works of art and historical treasures:

The University manages and controls various works of art including paintings, drawings, prints, lithographs and etchings located on site in public display areas. These assets have an appraised value of $3,098,599, but are not recorded as tangible capital assets on these financial statements.

7. Accounts payable and accrued liabilities:

	2018	2017
Trade accounts payable and accrued liabilities	$ 3,384,476	$ 5,540,818
Accrued payroll benefits:		
Vacation pay	1,469,718	1,261,638
Banked overtime	11,906	6,774
Gratuity days	182,782	182,750
Early retirement incentives	95,147	261,846
	$ 5,144,029	$ 7,253,826

8. Debt:

	2018	2017
Concessionaire payable - Great Northern Way Campus Project with AAP Partnership, payable in monthly payments commencing August 4, 2017 including annual interest of 4.59%, in accordance with the project agreement terms. Required principal repayments on P3 debt for the years ending March 31, 2047	$ 59,238,228	$ 55,841,207

Principal and interest payments for the next five years and thereafter are as follows:

	Principal	Interest	Total payments
2019	$ 1,020,218	$ 2,716,810	$ 3,737,028
2020	1,067,015	2,670,013	3,737,028
2021	1,115,958	2,621,070	3,737,028
2022	1,167,146	2,569,882	3,737,028
2023	1,220,682	2,516,346	3,737,028
Thereafter	53,647,209	35,844,231	89,491,440
	$ 59,238,228	$ 48,938,352	$ 108,176,580

The debt related payments as well as the facility maintenance and lifecycle costs under the P3 contracts (note 11(c)) are funded by the Ministry of Advanced Education, Skills and Training (the “Ministry”).

9. Employee future benefits:

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 defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2017, the College Pension Plan has about 14,000 active members and approximately 7,500 retired members. As at December 31, 2016, the Municipal Pension Plan has about 193,000 active members, including approximately 5,800 from colleges.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary’s calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2015 indicated a $67 million funding surplus for basic pension benefits.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015 indicated a $2,224 million funding surplus for basic pension benefits. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, $1,927 million was transferred to the rate stabilization account and $297 million of the surplus ensured the required contribution rates remained unchanged.

The next valuation for the College Pension Plan will be as at August 31, 2018, with results available in 2019. The next valuation for the Municipal Pension Plan will be December 31, 2018, with results available in 2019.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The University's employer contributions to the plans amounted to $1,806,459 in 2018 (2017 - $1,651,863).

10. Deferred contributions:

	2017	Amounts received	Transfers	Amortized as revenue	2018
Provincial Operating	$ 4,082,488	$ 3,338,318	$ (1,747,000)	$ (1,855,179)	$ 3,818,627
Federal Operating	544,178	943,959		(908,588)	579,549
Other Operating	1,823,422	1,094,295		(897,397)	2,020,320
Deferred contributions	6,450,088	5,376,572	(1,747,000)	(3,661,164)	6,418,496
Provincial Capital	56,025,312	2,082,961	1,747,000	(16,129,073)	43,726,200
Federal Capital	1,348,691	-		(1,346,247)	2,444
Other Capital	17,373,254	3,601,786		(1,132,534)	19,842,506
Deferred capital contributions	74,747,257	5,684,747	1,747,000	(18,607,854)	63,571,150
Total	$ 81,197,345	$ 11,061,319	$ -	$(22,269,018)	$ 69,989,646

Included in deferred capital contributions are unspent funds of $977,659 (2017 - $7,200,182).

The amortized revenue amounts include the recognition of $17,022,154 of capital contributions related to the Granville Island buildings written off during the year (note 6(c)).

11. Commitments and contingencies:

(a) Operating and building leases:

The University commissioned the new facility at its Great Northern Way Campus on August 4, 2017. Prior to this date, the University's operations were carried out at two leased properties, South Building and North Building at its Granville Island location under long term leases with CMHC expiring in 2043. In negotiations with CMHC the following amendments to the operating leases have been agreed:

(*i*) South Building:

Under the provisions of an "Assignment, Assumption and Modification Agreement" dated January 12, 2018 the University assigned its interest in the lease to Arts Umbrella Associates with approval of CMHC, effective January 31, 2018.

(*ii*) North Building:

Under the provisions of a "Surrender of Lease Agreement" CMHC approved the cancellation of the lease by the University under specific terms, including a financial commitment by the University with respect to building renovation costs estimated at approximately $3.1 million plus assumption of liability to potential costs associated with environmental contamination and approximately $550,000 in lease termination costs. The Ministry has confirmed its commitment to support the University for any costs incurred under this Agreement and hence no accrual for these costs have been recorded.

11. Commitments and contingencies (continued):

(a) Operating and building leases (continued):

At March 31, 2018 the University is obligated to make the following minimum lease payments with respect to operating equipment in each of the next five fiscal years ending March 31:

2019	$ 156,041
2020	159,437
2021	162,736
2022	135,213
2023	140,386
	$ 753,813

(b) GNW Campus Trust commitments:

(*i*) The GNW Campus Trust has provided letters of guarantee totaling $1,380,261 (2017 - $2,284,676) for various on-site and off-site servicing and street works projects.

(*ii*) The GNW site is currently zoned pursuant to CD-1 (402) *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 Trust in the coming years as part of its site development plan.

(*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. The agreement was renewed in December 2015 for another three-year term expiring in December 2018.

11. Commitments and contingencies (continued):

(c) Public-private partnership commitments:

The University entered into multiple-year P3 contracts to design, build, finance and maintain the Great Northern Way Campus. The information presented below shows the anticipated cash outflow for future obligations under these contracts for the facility maintenance and the lifecycle costs. Facilities maintenance and life cycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable and payable to March 31, 2047.

2019	$ 1,909,368
2020	1,983,107
2021	2,052,238
2022	2,093,438
2023	2,359,610
Thereafter	83,291,626
	$ 93,689,387

12. Capital lease obligation:

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

	2018	2017
2018	$ -	$ 296,788
2019	248,585	184,700
2020	163,934	100,049
2021	63,884	-
Total minimum lease payments	476,403	581,537
Amount representing interest at rates ranging from 4.48% to 7.50%	(41,120)	(45,921)
Capital lease obligations	$ 435,283	$ 535,616

13. Expenses by object:

The following is a summary of expenses by object:

	2018	2017
Salaries and benefits	$ 26,241,017	$ 24,139,747
HR programs and professional development	633,094	562,573
Library services	183,695	181,499
Scholarships, bursaries and awards	650,418	701,651
Student recruitment and development	466,948	604,422
Counselling and interpreting	140,679	87,271
Communications	384,219	507,418
Advertising and promotions	1,185,298	587,454
University memberships	148,755	136,432
Information technology	789,741	1,161,504
Facility services	1,973,678	701,328
Leases and rentals	873,489	1,355,314
Guest artists and speakers	241,574	289,418
Professional services	925,107	693,128
Supplies	540,337	427,484
Repairs and maintenance	171,376	124,146
Utilities	790,191	416,958
Interest	1,841,737	-
Cost of goods sold	52,489	63,945
Amortization	2,763,288	1,380,379
Loss on asset disposals	17,124,366	-
Other	336,952	360,481
	$ 58,458,448	$ 34,482,552

14. Funds held by Vancouver Foundation:

The University has endowment funds of $761,293 (2017 - $730,855) with the Vancouver Foundation. These are permanent funds with the Foundation and provide 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 $22,205 (2017 - $21,535) as income from the funds during the year.

15. 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 8.

15. Financial risk management (continued):

(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.

16. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2018	2017
Equity of GNW Campus Trust	$ 7,716,002	$ 19,128,835
Invested in tangible capital assets	15,424,369	1,344,811
Internally restricted for special projects	1,043,371	894,147
Internally restricted for student awards	305,931	229,991
Endowments	5,380,886	5,230,567
Unappropriated surplus	1,982,850	2,224,425
	$ 31,853,409	$ 29,052,776