



**FINANCIAL STATEMENTS**  
**March 31, 2011**

May 19, 2011

## 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 accordance with Canadian generally accepted accounting principles. 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



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

We have audited the accompanying financial statements of Emily Carr University of Art + Design ("the Entity"), which comprise the statement of financial position as at March 31, 2011 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

### *Auditor's 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 an 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 the auditor's 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, the auditor considers internal control relevant to the Entity's preparation and fair presentation 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 is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Emily Carr University of Art + Design as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

May 19, 2011

Burnaby, Canada

# Emily Carr University of Art + Design


## STATEMENT OF FINANCIAL POSITION


March 31, 2011

	2011	2010
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,140,045	\$ 1,538,829
Short-term investments	3,193,535	513,608
Accounts receivable	689,403	932,475
Inventories	269,579	250,244
Prepaid expenses	279,203	269,390
	<u>6,571,765</u>	<u>3,504,546</u>
Long-term investments (note 3)	11,375,548	12,627,920
Capital assets (note 4)	35,213,187	34,566,190
	<u>\$ 53,160,500</u>	<u>\$ 50,698,656</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	\$ 3,501,831	\$ 3,532,467
Deferred revenue	1,459,988	1,078,371
Current portion of capital lease obligation (note 9)	47,157	-
	<u>5,008,976</u>	<u>4,610,838</u>
Capital lease obligation (note 9)	50,111	-
Deferred contributions (note 7)	29,520,803	28,482,082
	<u>34,579,890</u>	<u>33,092,920</u>
<b>Net assets</b>		
Unrestricted	444,255	366,575
Internally restricted	12,882,178	12,548,316
Endowments	5,254,177	4,690,845
	<u>18,580,610</u>	<u>17,605,736</u>
Commitments (note 8)		
	<u>\$ 53,160,500</u>	<u>\$ 50,698,656</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
 Evaleen Jaeger Roy, Chair  
 Board of Governors

  
 Michael Clifford, Vice-President  
 Finance + Administration

# Emily Carr University of Art + Design

## STATEMENT OF OPERATIONS

March 31, 2011

	2011	2010
<b>Revenue</b>		
Grants		
Province of British Columbia	\$ 14,086,413	\$ 13,824,696
Federal government	235,987	204,683
Tuition Fees	10,009,988	9,108,137
Amortization of deferred contributions	3,321,136	3,083,282
Gifts, grants and bequests	49,975	60,978
Interest	349,986	299,521
Rent	484,659	541,107
Miscellaneous	965,655	971,175
	<u>29,503,799</u>	<u>28,093,579</u>
<b>Expenses</b>		
Salaries and benefits	19,452,985	19,063,856
Other expenses	6,716,225	6,508,478
Building leases	843,219	717,037
Amortization of capital assets	1,923,444	2,154,559
Student awards	288,931	244,915
	<u>29,224,804</u>	<u>28,688,845</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 278,995</b>	<b>\$ (595,266)</b>

See accompanying notes to financial statements.

**Emily Carr University of Art + Design**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**March 31, 2011**

	Unrestricted	Internally Restricted	Endowments	2011	2010
Net assets, beginning of year, excluding cumulative market value adjustments on available-for-sale investments	\$ 257,479	\$ 12,598,397	\$ 4,690,845	\$ 17,546,721	\$ 17,999,801
Excess (deficiency) of revenue over expenses	139,706	139,289	-	278,995	(595,266)
Endowments, net of disbursements	-	-	563,332	563,332	142,186
	\$ 397,185	\$ 12,737,686	\$ 5,254,177	\$ 18,389,048	\$ 17,546,721
Cumulative market value adjustments on available-for-sale investments	47,070	144,492	-	191,562	59,015
Net assets, end of year, including cumulative market value adjustments on available-for-sale investments	\$ 444,255	\$ 12,882,178	\$ 5,254,177	\$ 18,580,610	\$ 17,605,736

See accompanying notes to financial statements.

# Emily Carr University of Art + Design

## STATEMENT OF CASH FLOWS

March 31, 2011

	2011	2010
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses	\$ 278,995	\$ (595,266)
Adjustments to reconcile net cash provided by operating activities		
Amortization of capital assets	1,923,444	2,154,559
Amortization of deferred contributions	(3,321,136)	(3,083,282)
Change in non-cash working capital:		
Accounts receivable	243,073	(504,690)
Inventories	(19,335)	(228,334)
Prepaid expenses	(9,813)	18,832
Accounts payable and accrued liabilities	(30,635)	757,630
Deferred revenue	381,617	218,396
	(553,790)	(1,262,155)
Cash Flows from Financing Activities		
Net addition to endowment	563,332	142,186
Payments on capital lease obligations	(53,251)	-
Repayment of long term debt	-	(3,750,000)
Deferred contributions	4,359,856	3,549,389
	4,869,937	(58,425)
Cash Flows from Investing Activities		
Disposal of short-term investments	(2,679,927)	(411,198)
Purchase of long-term investments	1,384,918	3,853,888
Purchase of capital assets	(2,419,922)	(2,743,960)
	(3,714,931)	698,730
Increase (decrease) in cash during the year	601,216	(621,850)
Cash and cash equivalents, beginning of year	1,538,829	2,160,679
Cash and cash equivalents, end of year	\$ 2,140,045	\$ 1,538,829
Cash and cash equivalents is comprised of:		
Unrestricted cash	\$ 2,089,441	\$ 1,409,396
Restricted cash	50,604	129,433
	\$ 2,140,045	\$ 1,538,829
Supplementary information:		
Non-cash transactions:		
Acquisition of assets through capital lease	\$ 150,519	\$ -

See accompanying notes to financial statements.



# Emily Carr University of Art + Design

## Notes to Financial Statements

Year ended March 31, 2011

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Emily Carr University of Art + Design (the "University") is a post-secondary educational university formerly known as Emily Carr Institute of Art + Design. On September 1, 2008, Emily Carr Institute was granted university status and incorporated under the amended University Act as Emily Carr University of Art + Design (formerly 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 is funded by 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 University's operations include activities from various funds and are classified for accounting and reporting purposes as the Unrestricted Fund, Internally Restricted Fund and Endowment Fund.

The Unrestricted Fund accounts for the instructional, administrative and other operational costs financed by grants, tuition fees and other general income. It also records the related assets, liabilities and net assets.

The Internally Restricted Fund includes amounts reserved for specific purposes including contingencies, the Great Northern Way Campus Trust ("GNW Campus Trust") and other items. The Internally Restricted Fund includes the University's 25% interest in the GNW Campus Trust presented on the proportionate consolidated basis. GNW Campus Trust is an equal share joint venture between the University, British Columbia Institute of Technology, University of British Columbia, and Simon Fraser University. The purpose of the joint venture is to develop an integrated, learning-centered campus with a high-technology focus, supported by new media and telecommunications technologies.

The Endowment Fund accounts for bursary and scholarship awards distributed by the University in accordance with donor requests from endowment interest, management of endowed funds, and the administration of the art collection maintained for educational and research purposes.

#### (b) Revenue recognition

The University follows the deferral method of recognizing contributions. Under this method, externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred, and unrestricted or internally restricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions received which are externally restricted to the acquisition of capital assets are deferred and recognized as revenue on the same basis as the amortization is calculated on the cost of the capital assets. Contributions for capital assets that will not be amortized, such as land, are recorded as direct increases in net assets in the period the asset is acquired. Donations of capital assets that would otherwise be purchased are accounted for at fair value when a fair value can be reasonably estimated.

# Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Year ended March 31, 2011

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## 1. Significant accounting policies (continued)

### (b) Revenue recognition (continued):

Land disposals by the GNW Campus Trust are recognized as revenue 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 when services are rendered.

Tuition fee revenue is recorded when services are rendered.

### (c) Service contributions

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

### (d) Cash and cash equivalents

Cash and cash equivalents are defined to include highly liquid securities with original terms to maturity of three months or less when purchased.

### (e) Short-term investments

Short-term investments include securities with original terms to maturity of greater than three months and mature within one year.

### (f) Inventory

Inventories for resale are valued 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.

### (g) Long-term investments

Long-term investments consist primarily of fixed income securities whose remaining term to maturity at the reporting date is greater than one year. They are classified as available for sale and are measured at fair value.

# Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Year ended March 31, 2011

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## 1. Significant accounting policies (continued)

### (h) Capital assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization of capital assets and leased capital assets is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Asset	Period
Emily Carr Campus Buildings	40 years
Great Northern Way Campus Buildings	10 - 20 years
Furniture and equipment	5 - 10 years
Computer equipment	3 years
Library materials	10 years

### (i) Impairment of long-lived assets

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.

### (j) Tuition fees

The portion of tuition fees received for terms subsequent to the year end is recorded as deferred revenue.

### (k) Vacation pay, accumulated gratuity days and banked time

Vacation pay, gratuity days and banked time pay entitlements are accrued as they are earned by the employee.

### (l) Employee future benefits

The University is a participating employer of the College Pension and Municipal Pension Plans (the "Plans") which provide for pension benefits to the University's employees. The Plans are multi-employer defined benefit plans and as a result, defined contribution accounting is applied to these plans and required contributions to the Plans are expensed as incurred.

# Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Year ended March 31, 2011

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## 1. Significant accounting policies (continued)

### (m) Asset retirement obligations

A liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. This liability is initially recorded at its estimated fair value, based on a discounted value of the expected costs to be paid when the assets are retired. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the life of the asset. The liability increases each period as the amount of the discount decreases over time. The resulting expense is referred to as accretion expense and is included in operating expenses. As at March 31, 2011, the University determined there were no significant asset retirement obligations associated with its assets.

### (n) Foreign currency transactions

Monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the year-end. Revenues and expenses are translated throughout the year at the exchange rate prevailing at the date of receipt of payment. Any exchange gains and losses are included in the determination of operating revenues or expenditures for the year.

### (o) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management's estimates relate to the useful lives of capital assets for the purposes of amortization, valuation of revenue producing properties, property under development of GNW Campus Trust, net realizable value of inventories, collectability of accounts receivable, provisions for employee benefit obligations, and provisions for contingent liabilities. Actual results could differ from those estimates.

### (p) Financial instruments

The University classifies all financial instruments as held-to-maturity, available-for-sale, held-for-trading, loans and receivables, or other financial liabilities. All instruments are initially recorded at fair value. Subsequent measurement depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities, as follows:

- (i) Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net earnings. The University's cash and cash equivalents are classified as held-for-trading.
- (ii) Accounts receivable are classified as loans and receivables and are measured at amortized cost.
- (iii) Accounts payable, bank loans and long-term debt are classified as other financial liabilities, which are measured at amortized cost, using the effective interest rate method.

# Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Year ended March 31, 2011

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## 1. Significant accounting policies (continued):

(p) Financial instruments (continued):

- (iv) Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in statement of changes in net assets. The University's short-term investments and long-term investments are classified as available-for-sale.
- (v) Derivative instruments are recorded on the balance sheet at fair value and changes in fair value of derivative financial instruments are recognized in the statement of operations. As at March 31, 2011, the University did not have any derivative instruments outstanding that would require recognition at their fair value.
- (vi) The University does not have any financial instruments which are classified as held-to-maturity.

The University has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with CICA Section 3861, *Financial Instruments - Disclosure and Presentation*.

(q) Future accounting framework

Effective April 1, 2012, the University will be transitioning to Public Sector Accounting Standards (PSAB) on a retrospective basis. The University is reviewing the impact of this change on the financial statements.

## 2. 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 members of the Joint Venture or their foundations acquired by way of gift from Finning International Inc., legal and beneficial interest in the lands and premises located at 555 and 577 Great Northern Way and 375 East 1<sup>st</sup> Avenue, Vancouver, British Columbia.

The GNW Campus Trust has incurred significant annual operating losses over the last five years. Accordingly, the GNW Campus Trust's continuance as a going concern is dependent upon the continued support of its Owners and its lenders. The University uses proportionate consolidation for financial instruments of GNW Campus Trust and accordingly is subject to risk and uncertainties in the financial instruments of GNW Campus Trust as disclosed in their statements.

If the going concern basis is not appropriate, adjustments may be necessary in the carrying amounts of the Great Northern Way 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.

# Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Year ended March 31, 2011

## 2. GNW Campus Trust (continued):

These financial statements include the University's 25% interest in the financial position and net operating results of the GNW Campus Trust, for the year ended December 31, 2010 (2010 - year ended December 31, 2009).

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. During the year, as the GNW Campus Trust did not generate net income, no distribution was made to the beneficiaries (2010 - nil).

## 3. Long-term investments

	2011	2010
Fixed income securities	\$ 7,256,902	\$ 8,360,659
GNW Campus Trust – Canadian Money Market Mutual Funds	151,508	615,430
GNW Campus Trust – Canadian Diversified Mutual Funds	3,967,138	3,651,831
	<b>\$ 11,375,548</b>	<b>\$ 12,627,920</b>

Long-term investments are comprised primarily of fixed income securities and mutual funds with the fixed income securities having maturities greater than one year at time of purchase.

All of the long-term investments held at March 31, 2011 mature at various dates to April 2016 (2010 – various dates to April 2016) and bear interest at rates ranging from 2.050% to 5.125% per annum (2010 – 2.350% to 5.750%).

The balance of market value adjustments of investments recorded directly in net assets is summarized as follows:

	Unrestricted	Internally Restricted	2011	2010
Cumulative market value adjustments on available-for-sale investments, beginning of year	\$ 109,096	\$ (50,081)	\$ 59,015	\$ (369,381)
Previously unrealized (gains)/losses transferred to income in the year	(61,709)	(103,166)	(164,875)	(41,373)
Change in unrealized gain/losses	(317)	297,739	297,422	469,769
Cumulative market value adjustments on available-for-sale investments, end of year	<b>\$ 47,070</b>	<b>\$ 144,492</b>	<b>\$ 191,562</b>	<b>\$ 59,015</b>

# Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Year ended March 31, 2011

## 4. Capital assets

	Cost	Accumulated Amortization	2011 Net book value	2010 Net book value
<i>GNW Campus Trust</i>				
Land	\$ 10,529,892	\$ -	\$ 10,529,892	\$ 10,529,892
Property held for development (Note 5)	965,269	-	965,269	971,646
Buildings	1,762,260	858,701	903,559	597,750
Equipment	541,242	471,308	69,934	171,342
	13,798,663	1,330,009	12,468,654	12,270,630
<i>Capital Fund</i>				
Building	34,159,577	14,309,558	19,850,019	19,303,437
Equipment – general	1,157,100	433,253	723,847	588,759
Equipment – computer	751,475	328,769	422,706	783,213
Library collection	866,475	446,824	419,651	465,484
Leasehold improvements	224,233	48,941	175,292	119,332
Leases – digital equipment	150,519	25,086	125,433	-
	37,309,379	15,592,431	21,716,948	21,260,225
<i>Special Purpose Fund</i>				
Equipment – computer	77,616	33,630	43,986	51,736
<i>Trust Fund</i>				
Art collection	983,599	-	983,599	983,599
	\$ 52,169,257	\$ 16,956,070	\$ 35,213,187	\$ 34,566,190

## 5. Property under development

In 2007, the GNW Campus Trust entered into a letter of intent to sell a portion of the westerly site that was expected to close in fiscal 2008. However, the sale was not concluded and the letter of intent was rendered void. Subsequently, negotiations began with an alternate party with whom a letter of intent was expected to be signed in fiscal 2009. The sale transaction was not completed and, accordingly, the land was reclassified from land held-for-sale to property under development. The GNW Campus Trust purchased the remaining interest in the parcel of land (Lot O) from a third party and this transaction closed on December 16, 2009. According to its business plan, the GNW Campus Trust intends to sell Lot O by December 2012.

# Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Year ended March 31, 2011

## 6. Accounts payable and accrued liabilities

	2011	2010
Trade accounts payable and accrued liabilities	\$ 2,378,466	\$ 2,521,202
Accrued payroll benefits:		
Holiday pay	970,738	895,415
Banked overtime	23,415	23,762
Gratuity days	129,212	92,088
	\$ 3,501,831	\$ 3,532,467

## 7. Deferred contributions

Deferred contributions represent externally restricted contributions that will be used in future periods for capital acquisitions, academic programming and student awards.

	2011	2010
Deferred contributions, beginning of year	\$ 28,482,082	\$ 28,015,975
Contributions:		
Province of BC	1,599,499	1,479,080
Federal government	1,145,218	1,542,299
Other	1,615,140	528,010
	4,359,857	3,549,389
Less:		
Amounts recognized to revenue during the year	(3,321,136)	(3,083,282)
Deferred contributions, end of year	\$ 29,520,803	\$ 28,482,082



# Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Year ended March 31, 2011

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## 8. Commitments

### (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:

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2012	\$	936,559
2013		922,615
2014		743,285
2015		542,843
2016		511,311
	\$	3,656,613

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As allowed in the transitional provisions of CICA Section 3065, *Leases*, the capital lease treatment was not applied on a retroactive basis to those leases in existence at the beginning of the first fiscal year beginning on or after January 1, 1979. The following information pertains to those leases that meet the definition of a capital lease, as set out in this Section, but which continued to be accounted for as operating leases:

- (i) As of March 31, 2011, the amounts of the leased asset would have been \$870,289 (2010 - \$897,700) and lease obligation would have been \$2,642,039 (2010 - \$2,631,900) and would have been included in the statement of financial position had such leases been accounted for as capital leases; and
- (ii) the effect on net income (loss) for the year ended March 31, 2011 would be an increase of \$38,188 (2010 - \$37,578) had such leases been accounted for as capital leases.

### (b) Early retirement

The University has committed to the following payments as part of early retirement agreements with retiring employees. This estimated net present value of these payments has been accrued on the statement of financial position.

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2012	\$	210,042
2013		133,816
2014		98,896
2015		72,843
2016		39,846
	\$	555,443

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# Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Year ended March 31, 2011

## 8. Commitments (continued):

### (c) GNW Campus Trust Commitments

- (i) 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.
- (ii) The GNW Campus Trust has provided a letter of guarantee in the amount of \$60,000 (2010 - \$60,000) in favor of the City of Vancouver.
- (iii) The GNW Campus Trust leases certain computer and printing equipment under operating leases. Minimum annual lease payments to the end of the lease terms in 2013 are \$49,202.
- (iv) Effective September 2, 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 MDM program. The Trust agrees to pay SFU five percent (5%) of the gross tuition and mandatory fees in return for these services.

## 9. Capital lease obligation

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

	2011	2010
2012	\$ 53,251	\$ -
2013	53,251	-
Total minimum lease payments	106,502	-
Amount representing interest	(9,234)	-
	\$ 97,268	\$ -
Current amount of obligations under capital lease	\$ 47,157	\$ -
Long term amount of obligations under capital lease	50,111	-
	\$ 97,268	\$ -

# Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Year ended March 31, 2011

## 10. Related party transactions

During the year ended March 31, 2008, an employee of the University was granted an interest free loan in the amount of \$13,410 for the purchase of pensionable service with the Municipal Pension Plan. The loan is repayable over five years. At March 31, 2011, the balance of the loan amounted to \$5,498 (2010 - \$7,464).

The financial statements include the following transactions that the GNW Campus Trust consummated with related parties during the year, representing the University's portion of the transactions:

	2011	2010
Base rent and amounts recovered from:		
UBC	\$ 38,261	\$ 41,850
UBC Properties Trust	33,968	37,055
BCIT	266,999	268,543
Management fee paid to:		
SFU	13,750	-
Due from related parties:		
SFU	145,876	-

At March 31, 2011 the University had amounts payable to Simon Fraser University and University of British Columbia totaling \$47,363 (2010 - \$2,614). The amounts are non-interest bearing and unsecured with no fixed terms of repayment.

## 11. Pension

The University and its employees contribute to the College Pension Plan and Municipal Plan, jointly trustee 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 defined. The College Pension Plan has over 12,000 active members from college senior administration and instructional staff and approximately 4,500 retired members. The Municipal Pension Plan has approximately 163,000 active contributors, with approximately 5,600 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2009 indicated an unfunded liability of \$28 million for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent valuation for the Municipal Pension Plan as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of an unfunded liability to individual employers. The University's employer contributions to the plans amounted to \$1,063,946 in 2011 (2010 - \$1,018,432).

# Emily Carr University of Art + Design

Notes to Financial Statements (continued)

Year ended March 31, 2011

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## 12. Funds held by Vancouver Foundation

The University has endowment funds of \$559,942 (2010 - \$342,042) 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 expenditures. The University received amounts totaling \$12,018 (2010 - \$12,294) as income from the funds during the year.

## 13. Financial instruments

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 principal risks to which the University is exposed, and the action taken to manage them, are described below.

### (a) Fair values

The carrying values of cash and cash equivalents, short-term 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.

### (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) 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.

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.

## 14. Comparative figures

Certain of the comparative figures have been reclassified to conform with the current year's financial statement presentation.