



# FINANCIAL STATEMENTS

MARCH 31, 2010

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Grant Thornton

## Auditors' report

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To the Board of Governors of  
Okanagan College

We have audited the statement of financial position of Okanagan College as at March 31, 2010 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Okanagan College as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kelowna, BC  
May 5, 2010

*Grant Thornton LLP*  
Chartered Accountants

#### Partners

Kevin Crookes, CA, CBV, CFE  
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**OKANAGAN COLLEGE**  
**STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2010**  
(with comparative figures as at March 31, 2009)

	OPERATING FUND	SPECIFIC PURPOSE FUND	CAPITAL FUND	2010 TOTAL	2009 TOTAL
					(Restated - note 5)
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	\$ 18,857,061	\$ -	\$ -	\$ 18,857,061	\$ 19,309,933
Marketable securities (note 6)	6,883,053	-	-	6,883,053	6,121,891
Accounts receivable and other	2,331,894	27,327	-	2,359,221	2,110,522
Inventory (note 7)	586,007	-	-	586,007	544,389
Interfund balances	(2,989,405)	2,989,405	-	-	-
	<u>25,668,610</u>	<u>3,016,732</u>	<u>-</u>	<u>28,685,342</u>	<u>28,086,735</u>
Marketable securities (note 6)	1,051,962	-	-	1,051,962	1,246,475
Capital assets (note 8)	-	-	73,998,871	73,998,871	65,173,613
	<u>26,720,572</u>	<u>3,016,732</u>	<u>73,998,871</u>	<u>103,736,175</u>	<u>94,506,823</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	5,373,955	112,256	-	5,486,211	7,125,235
Current portion of long term debt (note 9)	-	-	215,187	215,187	381,533
Deferred revenues	6,842,870	39,933	-	6,882,803	6,473,801
Current portion of unfunded accrued payroll benefits (note 10)	4,154,264	-	-	4,154,264	3,460,257
	<u>16,371,089</u>	<u>152,189</u>	<u>215,187</u>	<u>16,738,465</u>	<u>17,440,826</u>
Long term debt (note 9)	-	-	5,895,946	5,895,946	1,110,475
Unfunded accrued payroll benefits (note 10)	7,566,826	-	-	7,566,826	8,717,414
Deferred contributions for capital acquisitions (note 11)	-	-	64,746,501	64,746,501	58,645,667
	<u>23,937,915</u>	<u>152,189</u>	<u>70,857,634</u>	<u>94,947,738</u>	<u>85,914,382</u>
<b>Net Assets</b>					
Investment in capital assets	-	-	3,141,237	3,141,237	5,035,938
Unrestricted surplus	10,213,743	-	-	10,213,743	3,181,764
Restricted surplus	4,290,004	2,864,543	-	7,154,547	12,552,410
	<u>14,503,747</u>	<u>2,864,543</u>	<u>3,141,237</u>	<u>20,509,527</u>	<u>20,770,112</u>
Unfunded Accrued Payroll Benefits deficit	(11,721,090)	-	-	(11,721,090)	(12,177,671)
	<u>2,782,657</u>	<u>2,864,543</u>	<u>3,141,237</u>	<u>8,788,437</u>	<u>8,592,441</u>
	<u>\$ 26,720,572</u>	<u>\$ 3,016,732</u>	<u>\$ 73,998,871</u>	<u>\$ 103,736,175</u>	<u>\$ 94,506,823</u>

Commitments and contingencies (note 12)

Approved on behalf of the Board:

  
Chair, Board of Governors

  
Chair, Finance and Audit Committee

**OKANAGAN COLLEGE**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2010**  
(with comparative figures for the year ended March 31, 2009)

	OPERATING FUND	SPECIFIC PURPOSE FUND	CAPITAL FUND	2010 TOTAL	2009 TOTAL
					(Restated - note 5)
<b>REVENUE</b>					
Grants from Province of British Columbia	\$ 55,235,954	\$ -	\$ -	\$ 55,235,954	\$ 50,826,793
Tuition fees	19,871,839	-	-	19,871,839	18,469,033
Contract services	5,464,225	476,034	-	5,940,259	4,841,156
Ancillary service sales	5,735,903	-	-	5,735,903	5,478,814
Investment income	152,208	342	-	152,550	450,092
Unrealized gain (loss) on marketable securities	538,873	-	-	538,873	(703,954)
Amortization of deferred contributions	-	-	2,571,625	2,571,625	2,198,791
Other	820,709	-	-	820,709	1,121,504
	<b>87,819,711</b>	<b>476,376</b>	<b>2,571,625</b>	<b>90,867,712</b>	<b>82,682,229</b>
<b>EXPENSE</b>					
Salaries and benefits	60,748,156	381,107	-	61,129,263	56,921,010
Supplies and services	23,909,121	773,817	-	24,682,938	21,994,012
Interest on long term debt	188,038	-	-	188,038	77,627
Amortization of capital assets	-	-	4,671,477	4,671,477	4,601,207
	<b>84,845,315</b>	<b>1,154,924</b>	<b>4,671,477</b>	<b>90,671,716</b>	<b>83,593,856</b>
Excess (deficiency) of revenue over expense	2,974,396	(678,548)	(2,099,852)	195,996	(911,627)
Net assets at beginning of year	1,090,385	2,466,118	5,035,938	8,592,441	9,504,068
Capital transfers	179,462	(3,741)	(175,721)	-	-
Interfund transfers	(1,461,586)	1,080,714	380,872	-	-
<b>Net assets at end of year</b>	<b>\$ 2,782,657</b>	<b>\$ 2,864,543</b>	<b>\$ 3,141,237</b>	<b>\$ 8,788,437</b>	<b>\$ 8,592,441</b>

**OKANAGAN COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2010**  
(with comparative figures for the year ended March 31, 2009)

	2010	2009
		(Restated - note 5)
<b>OPERATING ACTIVITIES:</b>		
Excess (deficiency) of revenue over expense	\$ 195,996	\$ (911,627)
Adjust for non-cash items		
Unrealized (gain) loss on marketable securities	(538,873)	703,954
Amortization of deferred contributions	(2,571,625)	(2,198,791)
Amortization of capital assets	4,671,477	4,601,207
	<u>1,756,975</u>	<u>2,194,743</u>
<b>Changes in non-cash working capital</b>		
Accounts receivable and other	(248,699)	(425,392)
Inventory	(41,618)	6,718
Accounts payable and accrued liabilities	(1,639,024)	3,742,939
Deferred revenues	409,002	2,444,239
Unfunded accrued payroll benefits	(456,581)	217,027
<b>Cash generated from operating activities</b>	<u>(219,945)</u>	<u>8,180,274</u>
<b>INVESTING ACTIVITIES:</b>		
Purchase of marketable securities, net	(27,776)	(55,641)
Acquisition of capital assets	(13,496,735)	(22,397,338)
<b>Cash used in investing activities</b>	<u>(13,524,511)</u>	<u>(22,452,979)</u>
<b>FINANCING ACTIVITIES:</b>		
Deferred contributions for capital acquisitions	8,672,459	19,862,942
Proceeds from issuance of long term debt	5,000,000	-
Repayment of long term debt	(380,875)	(79,362)
<b>Cash generated from financing activities</b>	<u>13,291,584</u>	<u>19,783,580</u>
<b>(Decrease) increase in cash</b>	(452,872)	5,510,875
<b>Cash at beginning of year</b>	<u>19,309,933</u>	<u>13,799,058</u>
<b>Cash at end of year</b>	<u>\$ 18,857,061</u>	<u>\$ 19,309,933</u>

Okanagan College (the "College") was designated by Order in Council on November 26, 2004, and began operations July 1, 2005. The College operates under the authority of the College and Institute Act of British Columbia. The College is a not-for-profit entity and is exempt from income tax under Section 149 of the Income Tax Act.

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Fund accounting**

The College follows Canadian Generally Accepted Accounting Principles for not-for profit organizations and applies such principles consistently. The resources and operations of the College are segregated into various funds for accounting and financial reporting purposes, each being treated as a separate entity with responsibility for the assets allocated to it.

The Operating Fund accounts for instructional, administrative, ancillary and other operational costs financed by grants, tuition fees, service and other general income. It also records the related assets, liabilities and net assets. In the prior year the College had disclosed the ancillary operations separately in the Ancillary Services Fund. In the current year, the ancillary operations have been combined in the Operating Fund.

The Specific Purpose Fund accounts for funds that are received for specific purposes and are not considered part of the ongoing operation of the College.

The Capital Fund accounts for funds received and expended for the acquisition of capital assets and records depreciation and the amortization of deferred capital contribution.

**(b) Revenue recognition**

The College follows the deferral method of accounting for contributions.

Operating contributions, including grants from the Ministry of Advanced Education and Labour Market Development, are recognized as revenue in the period when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions including capital grants from the Ministry of Advanced Education and Labour Market Development are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred contributions related to capital assets represent the unamortized and unspent amount of externally restricted contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations and changes in fund balances.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties.

Donations that are not externally restricted are recognized as revenue when they are received.

(continued)

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) Revenue recognition (continued)**

Revenue from academic and vocational related tuition fees is recognized as revenue in the semester in which the course or program begins. Any portion of the tuition fee revenue relating to the period subsequent to March 31 is recorded as revenue in the current period when the fees are not refundable to the students. In the event that a student is eligible for a refund, revenue is prorated and the portion eligible for a refund is deferred to the next fiscal year.

Ancillary sales are recognized when the product or service is provided to the consumer.

Investment income is recognized as it accrues.

Contributed goods and services received and used in operations of the College are recognized as revenues and expenditures only to the extent that their fair values can be reasonably determined or estimated.

**(c) Inventory**

Inventory is stated at the lower of cost and net realizable value. Costs are assigned using the first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

**(d) Capital assets**

Capital assets are recorded at cost. Capital assets are amortized on a straight-line basis as follows:

<b>Capital Asset Class</b>	<b>Years</b>
Site Improvements	10
Buildings (note 3)	40
Furniture and Equipment	5
Computer Equipment	5
Leasehold Improvements	3

No amortization is taken on construction in progress.

**(e) Impairment of long-lived assets**

Long-lived assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its fair value. Fair value is determined using an appropriate valuation technique such as a quoted price in an active market or the present value of expected undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(continued)

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Use of estimates**

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specific areas of estimate are the rate of capital assets and deferred capital contribution amortization, the amount of the allowance for doubtful accounts, the valuation of unfunded accrued payroll benefits and the valuation of investments. Actual results could differ from those estimates.

**(g) Financial instruments**

The College's financial instruments consist of cash, marketable securities, accounts receivable and other, accounts payable and accrued liabilities, long term debt and unfunded accrued payroll benefits. Unless otherwise noted, it is management's opinion that the College is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The College has classified its financial instruments as follows:

- Cash as held for trading (measured at fair value through the statement of operations)
- Marketable securities as held for trading (measured at fair value through the statement of operations)
- Accounts receivable as loans and receivables (measured at amortized cost using the effective interest rate method)
- Accounts payable and accrued liabilities as other financial liabilities (measured at amortized cost using the effective interest rate method)
- Long term debt as other financial liabilities (measured at amortized cost using the effective interest rate method)
- Unfunded accrued payroll benefits as other financial liabilities (measured at amortized cost using the effective interest rate method)

**2. Recently issued accounting standards**

**Financial statement presentation by not-for-profit organizations**

Handbook Section 4400 *Financial Statement Presentation by Not-for-profit Organizations* has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The Section is effective for the current fiscal year and has had no impact on the College's financial statements.

**Capital assets held by not-for-profit organizations**

Section 4430 *Capital Assets Held by Not-for-profit Organizations* has been amended to provide additional guidance with respect to the appropriate use of the exemption from recognizing capital assets for smaller entities. The Section is effective for the current fiscal year and has had no impact on the College's financial statements.

(continued)



**2. Recently issued accounting standards (continued)**

**Disclosure of related party transactions by not-for-profit organizations**

Section 4460 *Disclosure of Related Party Transactions for Not-for-profit Organizations* has been amended to align the definition of related parties to Section 3840, Related Party Transactions. The Section is effective for the current fiscal year and has had no impact on the College's financial statements.

**Disclosure of allocated expenses by not-for-profit organizations**

The new Section 4470 *Disclosure of Allocated Expenses for Not-for-profit Organizations* establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The Section is effective for the current fiscal year and has had no impact on the College's financial statements.

**3. CHANGE IN ACCOUNTING ESTIMATES**

The student residence was built in 1996 of wood frame construction and was being amortized over 20 years, the estimated useful life of the building at the time. After 14 years it has become evident that a more appropriate estimate of the useful life would be 40 years and therefore the College has decided to revise the estimated useful life and amortize the unamortized balance of the building over the remaining 26 years. This change in estimate has been accounted for as a prospective adjustment.

**4. CHANGE IN ACCOUNTING POLICIES**

**(a) Library books**

In prior years, library books were capitalized on acquisition. Given the current trend of licensing electronic access to print media, the short useful life of technical books, and the low individual cost of books, the College has determined that the more appropriate accounting policy is to expense the cost of books. Prior periods have been adjusted to record this change in accounting policy.

**(b) Grants received for specific projects**

In prior years, funds received for specific projects which had not been expended at year end were carried over as restricted surplus consistent with Ministry of Advanced Education and Labour Market Development recommendations. The College has determined that a more appropriate accounting treatment is to record unexpended grants at year end as deferred revenue in order to appropriately match revenues with expenditures in the year they are incurred. Prior periods have been adjusted to record this change in accounting policy.

**5. PRIOR PERIOD ADJUSTMENTS**

**(a) Library books**

The change in accounting policy with respect to library books as documented above has been applied retroactively.

**(b) Grants received for specific projects**

The change in accounting policy with respect to grants received for specific projects as documented above has been applied retroactively.

(continued)

**5. PRIOR PERIOD ADJUSTMENTS** (continued)

**(c) Capital funding through the annual capital allowance**

In a prior year capital projects were funded by a special grant administered through annual capital allowance funding from the Ministry of Advanced Education and Labour Market Development. The funding was recorded as operating revenue although the assets acquired were capitalized and amortized over their estimated useful life. Prior periods have been adjusted to record the grant funding as deferred contributions for capital acquisitions.

**(d) Transitional funding**

Through the transition from Okanagan University College to Okanagan College, the College received significant funds from the Ministry of Advanced Education and Labour Market Development to replace capital equipment and upgrade facilities. These funds were recorded as operating revenue in the year of receipt and flowed through as transfers from the operating fund to the capital fund. However, the funds should have been deferred as capital contributions to be amortized over the expected useful life of the assets acquired. Prior periods have been adjusted to defer this revenue.

**(e) ACA Grant expenditures**

The annual capital allowance grant is an operating grant given to facilitate ongoing repair and maintenance costs. A review of prior year's expenditures showed that many of these expenditures were inappropriately capitalized. Prior periods have been adjusted to expense these amounts.

**(f) Amortization of deferred contributions for capital acquisition of buildings**

Since the transfer of the College's capital assets and liabilities on July 1, 2005, deferred contributions on buildings have been amortized straight-line over 30 years. Prior period amortization has been adjusted to reflect the 40 year life expectancy of the assets and match the depreciation on the assets acquired.

**(g) Faculty teaching load liability**

The collective agreement between the College and its Faculty Association allows faculty teaching additional sections the option of banking wages for future time off. This commitment has been recorded in the past as a reserve, but should more properly be treated as a liability. Prior periods have been adjusted to reflect this more appropriate accounting treatment.

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**OKANAGAN COLLEGE**  
**Notes to the Financial Statements**  
**Year Ended March 31, 2010**

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**5. PRIOR PERIOD ADJUSTMENTS (continued)**

As a result of the above noted prior period adjustments, the March 31, 2009 figures presented for comparative purposes have been restated from those previously reported. The retroactive adjustments resulted in the following changes to the 2009 comparative figures:

		<b>Increase (decrease)</b>
<b>Assets</b>		
Capital assets	\$	(7,738,545)
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$	924,008
Deferred revenues	\$	1,702,436
Deferred contributions for capital acquisitions	\$	4,299,061
<b>Net assets</b>		
Investment in capital assets	\$	(12,037,606)
Unrestricted surplus	\$	(2,349,767)
Restricted surplus	\$	(276,676)
<b>Revenue</b>		
Grants from Province of British Columbia	\$	(1,364,908)
Tuition fees	\$	(28,207)
Contract services	\$	(309,321)
Amortization of deferred contributions	\$	505,495
<b>Expense</b>		
Amortization of capital assets	\$	(723,626)
<b>Excess (deficiency) of revenue over expense</b>	\$	(473,315)
	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Net assets at beginning of year, as previously reported</b>	<b>\$ 23,256,490</b>	\$ 23,694,802
Correction of prior period	<b>(12,358,207)</b>	(11,531,935)
Change in accounting policies	<b>(2,305,842)</b>	(2,658,799)
	<b><u>8,592,441</u></b>	<u>9,504,068</u>
Net assets at beginning of year, as restated	<b>8,592,441</b>	9,504,068
Excess (deficiency) of revenue over expense	<b>195,996</b>	(911,627)
	<b><u>8,788,437</u></b>	<u>8,592,441</u>
<b>Net assets at end of year</b>	<b>\$ 8,788,437</b>	\$ 8,592,441

**OKANAGAN COLLEGE**  
**Notes to the Financial Statements**  
**Year Ended March 31, 2010**

**6. MARKETABLE SECURITIES**

The portfolio of marketable securities is invested through Genus Capital Management ("Genus"). The investment portfolio is held for trading and valued at fair value.

A portion of the long term investments is invested in A1 and A2 master asset vehicles ("MAV's") resulting from the restructure in 2009 of asset backed commercial paper. These notes have a maturity date of December, 2016 and bear interest at the 3 month Bankers' Acceptance Rate less 0.5%.

The market value of the MAV's has been estimated at 78.93% (2009 – 76.97%) of the face value of the ABCP as at March 31, 2010.

Genus has provided a guarantee to cover over time any losses by clients holding ABCP through funds invested by Genus. Given uncertainties related to this guarantee, no value has been applied to it or reflected in these financial statements as at March 31, 2010.

**7. INVENTORY**

2010

2009

Inventories recognized in the statement of financial position can be analyzed as follows:

Bookstore	\$ 444,659	\$ 430,206
Other	<u>141,348</u>	<u>114,183</u>
	<u>\$ 586,007</u>	<u>\$ 544,389</u>

In 2010, a total of \$3,362,645 (2009 - \$3,113,290) of cost of goods sold was included in the Statement of Operations and Changes in Net Assets as an expense. This includes an amount of \$6,778 (2009 -\$nil) resulting from write-down of inventories.

None of the inventories is pledged as security for liabilities.

**8. CAPITAL ASSETS**

2010

2009

(Restated  
- note 5)

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 1,002,538	\$ -	\$ 1,002,538	\$ 1,002,538
Site improvements	5,761,522	4,778,098	983,424	306,001
Buildings	89,038,962	27,116,977	61,921,985	36,647,990
Furniture and equipment	40,508,843	35,992,780	4,516,063	4,067,847
Computer equipment	9,922,856	9,679,907	242,949	693,699
Leasehold improvements	1,579,304	1,211,594	367,710	156,712
Construction in progress	<u>4,964,202</u>	<u>-</u>	<u>4,964,202</u>	<u>22,298,826</u>
	<u>\$ 152,778,227</u>	<u>\$ 78,779,356</u>	<u>\$ 73,998,871</u>	<u>\$ 65,173,613</u>



**OKANAGAN COLLEGE**  
**Notes to the Financial Statements**  
**Year Ended March 31, 2010**

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**9. LONG TERM DEBT**

Long term debt is comprised of:

<b>Purpose and type</b>	<b>Amount</b>	<b>Terms</b>
Vernon expansion, 5.15% loan due October 3, 2012	\$ 1,111,133	The loan with the Royal Bank of Canada is unsecured and is repayable in consecutive monthly blended payments of principal and interest of \$10,063. The loan is amortized over 180 months.
Centre for Learning, 3.10% bond, due June 9, 2014	<u>5,000,000</u>	The bond with the Province of British Columbia is unsecured and requires interest payments semi-annually on the 9th day of December and June each year. The College is required to make contribution of \$151,221 to a sinking fund each year to repay the bond at maturity, based on a 20 year amortization period. The first payment is due on June 9, 2010.
	6,111,133	
Less current portion of long term debt	<u>(215,187)</u>	
	<u>\$ 5,895,946</u>	

The principal amounts to be repaid over the next four years are:

Fiscal year 2010-11	\$ 215,187
Fiscal year 2011-12	218,560
Fiscal year 2012-13	1,131,049
Fiscal year 2013-14	<u>4,546,337</u>
	<u>\$ 6,111,133</u>

**10. UNFUNDED ACCRUED PAYROLL BENEFITS**

	<u>2010</u>	<u>2009</u>
Holiday pay	\$ 2,880,330	\$ 2,706,615
Severance on resignation	238,760	274,983
Retirement allowance benefits	<u>8,602,000</u>	<u>9,196,073</u>
Total unfunded accrued payroll benefits	<b>11,721,090</b>	12,177,671
Less: current portion	<u>(4,154,264)</u>	<u>(3,460,257)</u>
Long term portion	<u>\$ 7,566,826</u>	<u>\$ 8,717,414</u>

The College accrues holiday pay and severance on resignation entitlements as they are earned by the employee; however, it is expected that these unfunded liabilities will be met on a continuous basis over the long term. Payments of these amounts will be funded from revenues of the period in which they are settled.

The liability for retirement allowance benefits is determined by an actuary. For 2010, the expense for these benefits is \$1,119,000 (2009 - \$1,038,207), made up of \$627,000 (2009 - \$738,642) projected service costs and \$492,000 (2009 - \$299,565) interest. For 2010, the projected payout for these benefits charged against this liability is \$1,369,000 (2009 - \$865,093). The College plans to do a review every three years.

**OKANAGAN COLLEGE**  
**Notes to the Financial Statements**  
**Year Ended March 31, 2010**

11. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS	<u>2010</u>	<u>2009</u> (Restated - note 5)
<b>Balance, beginning of year</b>	<b>\$ 58,645,667</b>	\$ 40,476,021
<b>Deferred contributions from:</b>		
Federal Government	3,010,000	-
Ministry of Advanced Education and Labour Market Development	5,218,452	20,368,437
Donations	424,223	-
Other	19,784	-
	<u>67,318,126</u>	<u>60,844,458</u>
Less: Amounts amortized to revenue	<u>(2,571,625)</u>	<u>(2,198,791)</u>
<b>Balance, end of year</b>	<b>\$ <u>64,746,501</u></b>	<b>\$ <u>58,645,667</u></b>

**12. COMMITMENTS AND CONTINGENCIES**

- (a) The College leases, for the Penticton campus, 5.92 hectares under a long term lease, which expires June 30, 2036, the annual payment for which is \$88,105. The College is currently negotiating to extend the long term lease until June 30, 2049.
- (b) The College has entered into various agreements and contracts with third parties for various services with periods ranging from one to five years. The combined annual costs over the next five years are estimated to be as follows:

Fiscal year 2010-11	\$ 24,780,303
Fiscal year 2011-12	1,081,741
Fiscal year 2012-13	625,051
Fiscal year 2013-14	413,787
Fiscal year 2014-15	<u>327,476</u>
	<u>\$ 27,228,358</u>

Included in 2010-11 is a commitment of \$21,677,204 to build a new Centre of Excellence building in Penticton as well as a commitment of \$916,135 for the Salmon Arm Trades building expansion. Work on the Centre of Excellence began in 2009 and is scheduled to complete by March, 2011.

**13. PENSION PLANS**

The College and its employees contribute to the College Pension Plan and Municipal Pension 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 about 12,000 active members from college senior administration and instructional staff and approximately 3,900 retired members. The Municipal Pension Plan has about 158,000 active members, with approximately 5,400 from colleges.

(continued)

**OKANAGAN COLLEGE**  
**Notes to the Financial Statements**  
**Year Ended March 31, 2010**

**13. PENSION PLANS (continued)**

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The last valuation for the College Pension Plan as at August 31, 2006 indicated an unfunded liability of \$54 million for basic pension benefits. The next valuation will be as at August 31, 2009 with results unavailable at this time. The last valuation for the Municipal Pension Plan as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results unavailable at this time. The actuary does not attribute portions of the unfunded liability to individual employers.

The Okanagan College paid \$3,906,168 (2009 - \$3,540,642) for employer contributions to the plans in fiscal 2010.

**14. RELATED ORGANIZATION**

The Okanagan College Foundation (the "Foundation") is a separate entity that raises funds from the College's alumni and from the community. Its purpose is to further the goals, objectives, and strategic interests of the College, stimulate and provide financial support for the development and expansion of educational programs, services, capital projects, and other initiatives as recommended by the College, and provide financial support to enable students to participate in learning at the College and other post-secondary institutions in Canada. The College has an economic interest in relation to the Foundation. The Foundation is a registered charity with the Canada Revenue Agency and accordingly is not subject to income tax. In accordance with its constitution and bylaws, the Foundation's operations are exclusively for charitable purposes.

The Foundation's financial results have not been consolidated in the College's financial statements. Audited financial statements of the Foundation are available on request. Financial summaries of the Foundation as at March 31, 2010 and for the year then ended are as follows:

	<u>2010</u>	<u>2009</u>
<b>Financial Position</b>		
Total assets	\$ <u>7,637,978</u>	\$ <u>6,695,664</u>
Total liabilities	<u>533,839</u>	227,465
Total net assets	<u>7,104,139</u>	<u>6,468,199</u>
	\$ <u>7,637,978</u>	\$ <u>6,695,664</u>
<b>Results of Operations</b>		
Total revenue	\$ <u>2,329,182</u>	\$ 241,074
Total expense	<u>1,693,242</u>	<u>1,201,835</u>
Net revenue (expense)	\$ <u>635,940</u>	\$ <u>(960,761)</u>
<b>Cash Flows</b>		
From operating activities	\$ <u>359,345</u>	\$ 406,765
From investing activities	<u>(156,458)</u>	(200,924)
Cash at beginning of year	<u>1,058,570</u>	<u>852,729</u>
Cash at end of year	\$ <u>1,261,457</u>	\$ <u>1,058,570</u>

(continued)

**14. RELATED ORGANIZATION (continued)**

**Related organization transactions**

Included in the College expenses is \$185,380 (2009 - \$239,504) towards Foundation support. Included in receivables is an amount due from the Foundation in the amount of \$527,328 (2009 - \$191,221) related to the above transactions.

During the year the College received from the Foundation grants in the amount of \$14,565 (2009 - \$22,666) to fund specific projects and received donations in the amount of \$350,727 (2009 - \$nil), raised to support the Centre of Excellence building and the Salmon Arm Trades building expansion.

The College provides administrative staff and necessary supplies for the Foundation's operations. Because of the difficulty in tracking and determining their fair value, contributed services and supplies are not identified in these financial statements.

Transactions with the Foundation are recorded at the exchange amount, the amount of consideration agreed to between the organizations.

**15. CAPITAL MANAGEMENT**

The primary objective of the College's capital management is to support the college mandate to deliver education and training.

The capital structure of the College consists of long term debt, investment in capital assets, unrestricted surplus and restricted surplus.

The long term debt is funds raised to acquire capital assets.

Investment in capital assets represents the undepreciated value of funds used to acquire capital assets and are not available for other purposes.

Unrestricted surplus represents funds available for future operations and provide the College financial flexibility as opportunities arise in the future.

Restricted surplus represents funds reserved by the Board for specific purposes.

**16. INTERFUND TRANSFERS**

Included in interfund transfers are internal re-distributions of the capital funding from the Capital Fund to the Operating Fund and transfers from the Specific Purpose Fund to the Capital Fund for capital asset acquisition.

**17. COMPARATIVE FIGURES**

Certain 2009 figures have been reclassified to conform to 2010 presentation.