



OKANAGAN COLLEGE

FINANCIAL STATEMENTS

MARCH 31, 2021



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Independent auditor's report

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To the Board of Governors of
Okanagan College and the Ministry of Advanced Education:

Opinion

We have audited the financial statements of Okanagan College ("the College"), which comprise the statement of financial position as at March 31, 2021, and the statement of operations and accumulated surplus, statement of remeasurement gains and losses, statement of changes in net debt, and statement of cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying financial statements of Okanagan College as at and for the year ended March 31, 2021 are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia ("Section 23.1").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit* of the Financial Statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Section 23.1, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kelowna, Canada
May 11, 2021

Grant Thornton LLP
Chartered Professional Accountants

OKANAGAN COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

	March 31 2021	March 31 2020
Financial assets		
Cash and cash equivalents	\$ 23,110,829	\$ 26,681,150
Investments (note 2)	12,040,095	9,551,923
Accounts receivable (note 3)	1,661,673	3,040,767
Inventory for resale (note 4)	750,452	835,624
	<u>37,563,049</u>	<u>40,109,464</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	11,655,305	14,013,079
Long term debt (note 7)	2,856,305	3,057,557
Deferred revenues	12,872,520	12,370,024
Employee future benefit obligations (note 8)	11,891,000	11,799,800
Deferred contributions for tangible capital assets (note 9)	119,013,623	118,222,307
	<u>158,288,753</u>	<u>159,462,767</u>
Net debt	<u>(120,725,704)</u>	<u>(119,353,303)</u>
Non-financial assets		
Prepaid expenses	601,068	602,375
Tangible capital assets (note 6)	146,708,737	143,707,132
	<u>147,309,805</u>	<u>144,309,507</u>
Accumulated surplus (note 10)	<u>\$ 26,584,101</u>	<u>\$ 24,956,204</u>
Accumulated surplus is comprised of:		
Accumulated surplus	\$ 24,216,280	\$ 24,202,672
Accumulated remeasurement gains	2,367,821	753,532
	<u>\$ 26,584,101</u>	<u>\$ 24,956,204</u>

Commitments and contingencies (note 12)

Approved on behalf of the Board:



Chair, Board of Governors



President

OKANAGAN COLLEGE
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2021

	Budget 2021	2021	2020
Revenue			
Government grants	\$ 63,816,809	\$ 64,321,331	\$ 63,680,357
Tuition and other fees	47,932,567	40,388,896	44,840,221
Ancillary service sales	5,418,798	2,316,463	5,058,337
Contract services	2,806,854	1,424,673	2,066,631
Other administration fees and sundry	577,100	1,047,557	1,393,795
Investment income	750,000	685,348	955,274
Post construction contributions for tangible capital assets	-	-	30,000
Amortization of deferred contributions for tangible capital assets	5,509,605	5,667,963	5,606,566
	<u>126,811,733</u>	<u>115,852,231</u>	<u>123,631,181</u>
Expense (note 14)			
Instruction and academic support	71,045,541	64,354,654	69,540,665
Facility and institutional support	22,790,571	22,495,896	21,316,891
Enrolment management and student support	20,226,656	17,785,699	19,589,946
Ancillary operations	4,601,423	3,017,673	4,438,500
Amortization of tangible capital assets	8,008,115	8,045,274	7,867,314
Interest on long term debt	139,427	139,427	139,427
Loss on disposal of tangible capital assets	-	-	330,000
	<u>126,811,733</u>	<u>115,838,623</u>	<u>123,222,743</u>
Annual surplus	-	13,608	408,438
Accumulated surplus, beginning of year	24,202,672	24,202,672	23,794,234
Accumulated surplus, end of year	<u>\$ 24,202,672</u>	<u>\$ 24,216,280</u>	<u>\$ 24,202,672</u>

OKANAGAN COLLEGE
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
Accumulated remeasurement gains, beginning of year	<u>\$ 753,532</u>	<u>\$ 1,392,605</u>
Unrealized gain (loss) on investments	1,804,310	(580,898)
Realized gain on investments, reclassified to statement of operations	<u>(190,021)</u>	<u>(58,175)</u>
Net remeasurement gains (losses) for the year	<u>1,614,289</u>	<u>(639,073)</u>
Accumulated remeasurement gains, end of year	<u>\$ 2,367,821</u>	<u>\$ 753,532</u>

OKANAGAN COLLEGE
STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2021

	Budget 2021	2021	2020
Annual surplus	\$ -	\$ 13,608	\$ 408,438
Acquisition of tangible capital assets	(15,157,000)	(11,046,879)	(17,580,240)
Amortization of tangible capital assets	8,008,115	8,045,274	7,867,314
Loss on disposal of tangible capital assets	-	-	330,000
	<u>(7,148,885)</u>	<u>(2,987,997)</u>	<u>(8,974,488)</u>
Acquisition of prepaid expenses	-	(601,068)	(602,375)
Use of prepaid expenses	-	602,375	734,835
	-	<u>1,307</u>	<u>132,460</u>
Net remeasurement gains (losses)	-	<u>1,614,289</u>	<u>(639,073)</u>
Increase in net debt	(7,148,885)	(1,372,401)	(9,481,101)
Net debt, beginning of year	<u>(119,353,303)</u>	<u>(119,353,303)</u>	<u>(109,872,202)</u>
Net debt, end of year	<u>\$ (126,502,188)</u>	<u>\$ (120,725,704)</u>	<u>\$ (119,353,303)</u>

OKANAGAN COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
Net cash inflow (outflow) related to the following activities		
Operating activities		
Annual surplus	\$ 13,608	\$ 408,438
Adjust for non-cash items:		
Realized gain on disposal of investments	(190,021)	(58,175)
Actuarial adjustment on long term debt	(8,367)	(68,466)
Amortization of deferred contributions for tangible capital assets	(5,667,963)	(5,606,566)
Amortization of tangible capital assets	8,045,274	7,867,314
Loss on disposal of tangible capital assets	-	330,000
	<u>2,192,531</u>	<u>2,872,545</u>
Changes in non-cash working capital		
Accounts receivable	1,379,094	(515,570)
Prepaid expenses	1,307	132,460
Inventory for resale	85,172	(77,397)
Accounts payable and accrued liabilities	(2,357,774)	1,386,187
Deferred revenues	502,496	111,084
Employee future benefit obligations	91,200	(25,900)
	<u>1,894,026</u>	<u>3,883,409</u>
Capital activities		
Acquisition of tangible capital assets	<u>(11,046,879)</u>	<u>(17,481,765)</u>
Investing activities		
Purchase of investments	(1,183,862)	(708,185)
Proceeds from disposal of investments	500,000	300,500
	<u>(683,862)</u>	<u>(407,685)</u>
Financing activities		
Deferred contributions for tangible capital assets	6,459,279	16,591,638
Repayment of long term debt	(192,885)	(192,885)
	<u>6,266,394</u>	<u>16,398,753</u>
(Decrease) Increase in cash and cash equivalents	(3,570,321)	2,392,712
Cash and cash equivalents at beginning of year	<u>26,681,150</u>	<u>24,288,438</u>
Cash and cash equivalents at end of year	<u>\$ 23,110,829</u>	<u>\$ 26,681,150</u>

The accompanying notes are an integral part of these financial statements

OKANAGAN COLLEGE
Notes to the Financial Statements
Year Ended March 31, 2021

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.

On March 11, 2020, the World Health Organization officially declared the COVID-19 outbreak a pandemic. The pandemic has forced governments to implement extraordinary measures to slow the progress of infections and to stabilize disrupted economies and financial markets. The College has deployed initiatives to protect the health and safety of its employees, support its students, and mitigate the impact of the crisis while ensuring continuity of its activities. The pandemic has significantly impacted the College in terms of on campus course delivery, which has also impacted the rest of the College's operations to varying degrees. It is difficult to assess the impact of the pandemic on the College's future results as it is dependent on the length and severity of the pandemic. Management will continue to monitor and assess the situation and respond accordingly.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements are the responsibility of, and have been prepared by, management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This Section requires that the financial statements be prepared in accordance with Canadian public sector accounting standards (PSAS) except regarding the accounting for government transfers as set out below.

In September 2010, the Province of British Columbia Treasury Board ("Treasury Board") provided directive through Government Organization Accounting Standards Regulation 257/2010 requiring all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sector to adopt Canadian public sector accounting standards of the Chartered Professional Accountants of Canada (CPA Canada) without not-for-profit provisions in their first fiscal year commencing on or after January 1, 2012. In March 2011, the Public Sector Accounting Board released a new *Section PS 3410 Government Transfers*. In November 2011, the Treasury Board provided a directive through Restricted Contributions Regulation 198/2011 providing direction for the reporting of restricted contributions whether they are received or receivable by the College before or after this regulation was in effect. The Treasury Board direction on the accounting treatment of restricted contributions is as described in Note 1(d).

Section 23.1 of the Budget Transparency and Accountability Act and its related regulations require the College to recognize government transfers for tangible capital assets into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these transfers to be fully recognized as revenue in the year received. If these amounts were recognized as revenue in the year received, the financial statements of the College would be adjusted as follows:

- Year ended March 31, 2020 – increase in revenue and annual surplus of \$11,379,425.
- March 31, 2020 – increase in accumulated surplus and decrease in deferred contributions for tangible capital assets of \$114,413,427.
- Year ended March 31, 2021 – increase in revenue and annual surplus of \$203,714.
- March 31, 2021 – increase in accumulated surplus and decrease in deferred contributions for tangible capital assets of \$114,617,141.

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OKANAGAN COLLEGE
Notes to the Financial Statements
Year Ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) Financial instruments

A contract establishing a financial instrument creates, at its inception, rights and obligations to receive or deliver economic benefits. The financial assets and liabilities portray these rights and obligations in the financial statements. The College recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt.

All financial instruments are initially recorded at fair value. All financial assets and liabilities are subsequently recorded at cost or amortized cost except for investments, which are recorded at fair value. The associated transaction costs for financial instruments that are subsequently measured at cost or amortized cost are added to their carrying value upon initial recognition. Transaction costs associated with financial instruments subsequently measured at fair value are expensed as incurred. Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a liability.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. Any reversals of previously recognized impairment losses are recognized in the statement of operations in the year the reversal occurs to the extent that the reversal of the impairment loss does not exceed the original carrying value of the asset.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

(d) Revenue recognition

Revenue from tuition fees is recognized as revenue over the course of the program. Any portion of the tuition fee revenue relating to the period after March 31 is deferred to the next fiscal year.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the College or the transfer of property is completed.

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OKANAGAN COLLEGE
Notes to the Financial Statements
Year Ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition (continued)

The accounting treatment for restricted contributions is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that meets the criteria for liability recognition in which case the transfer is recognized as revenue over the period that the liability is extinguished. See Note 1 (a) for the impact of this policy on these financial statements.

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

- I. Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred contributions for tangible capital assets and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred contributions for tangible capital assets 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 to be held in perpetuity or for the acquisition or development of a depreciable tangible capital asset are recorded as deferred revenues and recognized in revenue in the year in which the stipulation or restriction on the contribution has been met.
- III. Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent, are recorded as direct increases to accumulated surplus for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

Externally restricted non-capital contributions are deferred and 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 and post construction contributions for tangible capital assets that are not externally restricted are recognized as revenue when they are received. Post construction capital contributions are contributions received after the completion of a tangible capital asset.

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

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

(continued)

OKANAGAN COLLEGE
Notes to the Financial Statements
Year Ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Inventory for resale

Inventories held for resale are recorded at the lower of cost and net realizable value. Costs are assigned using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(f) 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.

(g) Prepaid expenses

Prepaid expenses include licences and contract payments. Prepaid expenses are recognized as an expense in the future periods expected to benefit from them.

(h) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to the acquisition, construction, development, or betterment of the asset. Interest is not capitalized when external debt is issued to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over the estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value.

Category	Years
Site improvements	10
Buildings	40
Furniture and equipment	5
Computer equipment	5
Leasehold improvements	3

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

(i) Employee future benefits

The College and its employees make contributions to the College Pension Plan and the Municipal Pension Plan 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. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as defined contribution plans and any College contributions to the plans are expensed as incurred.

(continued)

OKANAGAN COLLEGE
Notes to the Financial Statements
Year Ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee future benefits (continued)

Sick leave benefits and retirement severance benefits are also available to the College's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans is accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees.

(j) Asset retirement obligations

Liabilities are recognized for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs are capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the accretion expense is included in the Statement of Operations.

(k) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the annual budget approved by the Board of Governors of the College on March 31, 2020. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

(l) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the useful life of tangible capital assets and amortization of deferred contributions for tangible capital assets, the amount of allowance for doubtful accounts, deferral of tuition revenue, and the valuation of employee future benefit obligations. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(continued)

OKANAGAN COLLEGE
Notes to the Financial Statements
Year Ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Liability for contaminated sites

Contaminated sites are a result of a chemical, organic or radioactive materials or a live organism being introduced into air, soil, water or sediment in concentrations that exceed the maximum acceptable amounts under an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the College
 - is directly responsible; or
 - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- 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.

2. INVESTMENTS

Investments are invested through RBC Phillips Hager & North:

	<u>2021</u>	<u>2020</u>
Investments held at fair value:		
Fixed income	\$ 5,502,380	\$ 4,763,574
Equity investments	6,537,715	4,788,349
	\$ 12,040,095	\$ 9,551,923

3. ACCOUNTS RECEIVABLE

The following table shows the categories of accounts receivable and the related provision for doubtful accounts:

	<u>2021</u>	<u>2020</u>
Student receivables	\$ 443,376	\$ 604,642
Trade and other receivables	1,461,042	2,782,652
	1,904,418	3,387,294
Less: Allowance for doubtful accounts	(242,745)	(346,527)
	\$ 1,661,673	\$ 3,040,767

OKANAGAN COLLEGE
Notes to the Financial Statements
Year Ended March 31, 2021

4. INVENTORY FOR RESALE

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

	<u>2021</u>	<u>2020</u>
Bookstore	\$ 739,909	\$ 821,940
Other	<u>10,543</u>	<u>13,684</u>
	<u>\$ 750,452</u>	<u>\$ 835,624</u>

In 2021, a total of \$1,564,993 (2020 - \$2,111,185) of inventories were included in the Statement of Operations and Accumulated Surplus as an expense. This includes an amount of \$2,284 (2020 - \$3,450) resulting from write-down of inventories.

None of the inventories are pledged as security for liabilities.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table shows the categories of accounts payable and accrued liabilities:

	<u>2021</u>	<u>2020</u>
Trade payables	\$ 6,022,492	\$ 7,639,309
Accrued payables	1,193,357	1,880,597
Wage payables	<u>4,439,456</u>	<u>4,493,173</u>
	<u>\$ 11,655,305</u>	<u>\$ 14,013,079</u>

6. TANGIBLE CAPITAL ASSETS

The following tables show the cost, additions, transfers, disposals, accumulated amortization and net book value of the College's tangible capital assets:

(continued)

OKANAGAN COLLEGE
Notes to the Financial Statements
Year Ended March 31, 2021

6. TANGIBLE CAPITAL ASSETS (continued)

As at March 31, 2021						
	Land and site improvements	Buildings	Furniture and equipment	Computer equipment	Assets under construction	2021 Total
Cost						
Opening balance	\$ 15,275,975	\$ 178,122,123	\$ 60,176,912	\$ 15,944,061	\$ 13,902,520	\$ 283,421,591
Additions/transfers	1,891,202	20,539,473	1,836,010	605,844	(13,825,650)	11,046,879
Disposals	-	-	-	-	-	-
Closing Balance	17,167,177	198,661,596	62,012,922	16,549,905	76,870	294,468,470
Accumulated Amortization						
Opening balance	9,681,206	60,472,642	55,918,266	13,642,345	-	139,714,459
Amortization	976,214	4,417,733	1,802,579	848,748	-	8,045,274
Closing balance	10,657,420	64,890,375	57,720,845	14,491,093	-	147,759,733
Net book value	\$ 6,509,757	\$ 133,771,221	\$ 4,292,077	\$ 2,058,812	\$ 76,870	\$ 146,708,737
As at March 31, 2020						
	Land and site improvements	Buildings	Furniture and equipment	Computer equipment	Assets under construction	2020 Total
Cost						
Opening balance	\$ 15,097,174	\$ 174,976,288	\$ 58,236,857	\$ 14,975,959	\$ 2,885,073	\$ 266,171,351
Additions/transfers	508,801	3,145,835	1,940,055	968,102	11,017,447	17,580,240
Disposals	(330,000)	-	-	-	-	(330,000)
Closing Balance	15,275,975	178,122,123	60,176,912	15,944,061	13,902,520	283,421,591
Accumulated Amortization						
Opening balance	8,779,841	56,241,585	53,974,619	12,851,100	-	131,847,145
Amortization	901,365	4,231,057	1,943,647	791,245	-	7,867,314
Closing balance	9,681,206	60,472,642	55,918,266	13,642,345	-	139,714,459
Net book value	\$ 5,594,769	\$ 117,649,481	\$ 4,258,646	\$ 2,301,716	\$ 13,902,520	\$ 143,707,132

(continued)

OKANAGAN COLLEGE
Notes to the Financial Statements
Year Ended March 31, 2021

6. TANGIBLE CAPITAL ASSETS (continued)

Assets under construction

Assets under construction as at March 31, 2021, represent work in progress of \$76,870 (2020 - \$13,902,520) on the reclamation of the site of the old health building (2020 - the construction of a new health building on the Kelowna Campus). Amortization of this asset will commence when the asset is put into service.

Contributed tangible capital assets

In 2021, \$nil (2020 - \$98,475) contributed tangible capital assets were included in furniture and equipment additions to be used for program support.

7. LONG TERM DEBT

	<u>2021</u>	<u>2020</u>
Province of British Columbia - Centre for Learning \$4,162,000 bond, 3.35%, unsecured, sinking fund contributions at \$192,885 annually plus semi-annual interest of \$69,714, due June 9, 2029. Debt is reported net of sinking fund. The sinking fund balance in 2021 is \$1,305,695 (2020 - \$1,104,443).	<u>\$ 2,856,305</u>	<u>\$ 3,057,557</u>

(a) Sinking fund installments and retirement provisions

Aggregate payments for the next five fiscal years to meet sinking fund installments on externally restricted sinking funds are:

2021-2022	\$	192,885
2022-2023		192,885
2023-2024		192,885
2024-2025		192,885
2025-2026		<u>192,885</u>
	<u>\$</u>	<u>964,425</u>

(b) Operating line of credit

The College has an operating line of credit with TD Canada Trust for an authorized amount of \$2,500,000, bearing interest at bank prime rate minus 0.5% on outstanding balances. On March 31, 2021, the balance outstanding on the operating line of credit was \$nil (2020 - \$nil).

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Notes to the Financial Statements
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8. EMPLOYEE FUTURE BENEFITS

(a) Pension benefits

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, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2019, the College Pension Plan has about 15,000 active members, and approximately 9,000 retired members. As at December 31, 2019, the Municipal Pension Plan has about 213,000 active members, including approximately 6,000 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, 2018 indicated a \$303 million surplus for basic pension benefits on a going concern basis.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Okanagan College paid \$6,644,008 (2020 - \$6,357,804) for employer contributions to the plans in fiscal 2021.

The next valuation for the College Pension Plan will be as at August 31, 2021, with results available in 2022. The next valuation for the Municipal Pension Plan will be as at December 31, 2021, with results available in 2022.

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

(b) Employee future benefit obligations

The College does not establish plan assets to fund the employee future benefit obligations. The College has been providing, and will continue to provide for the payment of these benefits as they become due.

Employees of the College are entitled to sick leave in accordance with the terms and conditions of their employment contracts. Sick leave credits accumulate for employees of the College. As they render services, they earn the right to the sick leave benefit. The College recognizes a liability and an expense for sick leave in the period in which employees render services in return for the benefits.

(continued)

OKANAGAN COLLEGE
Notes to the Financial Statements
Year Ended March 31, 2021

8. EMPLOYEE FUTURE BENEFITS (continued)

(b) Employee future benefit obligations (continued)

Retirement benefit payments represent the College's share of the cost to provide employees with various benefits upon retirement. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation completed as at March 31, 2021. The next valuation will be as at March 31, 2024 with results available in 2024.

Information about liabilities for the College's employee future benefit obligations is as follows:

	<u>2021</u>	<u>2020</u>
Employee future benefit obligations		
Balance, beginning of year	\$ 13,533,000	\$ 13,724,800
Current service cost	1,130,900	1,077,100
Interest cost	377,200	380,100
Benefits paid	(1,584,000)	(1,649,000)
Balance, end of year	<u>13,457,100</u>	<u>13,533,000</u>
Unamortized actuarial loss	(4,925,000)	(1,733,200)
Actuarial gain	3,357,700	-
Recognition of continuation of benefits for disabled employees	1,200	-
Employee future benefit obligations, end of year	<u>\$ 11,891,000</u>	<u>\$ 11,799,800</u>
Components of net benefit expense		
	<u>2021</u>	<u>2020</u>
Service cost	\$ 1,130,900	\$ 1,077,100
Interest cost	377,200	380,100
Amortization of net actuarial loss	165,900	165,900
Recognition of continuation of benefits for disabled employees	1,200	-
Net benefit expense	<u>\$ 1,675,200</u>	<u>\$ 1,623,100</u>

The significant actuarial assumptions adopted in preparing the College's accrued benefit liability are as follows:

	<u>2021</u>	<u>2020</u>
Interest (discount) rate	2.78%	2.75%
Wages and salary escalation rate range	2 - 4%	2 - 6%

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9. DEFERRED CONTRIBUTIONS FOR TANGIBLE CAPITAL ASSETS

The amortization of deferred contributions for tangible capital assets is recorded as revenue in the statement of operations and accumulated surplus, and deferred contributions for tangible capital assets represents the unamortized amount of externally restricted contributions received for the purchase of tangible capital assets.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 118,222,307	\$107,138,760
Deferred contributions received from:		
Ministry of Advanced Education	5,196,999	15,754,661
Research and Federal Strategic Initiative Fund	109,300	572,665
Donations	1,152,980	362,787
	124,681,586	123,828,873
Less: Amounts amortized to revenue	(5,667,963)	(5,606,566)
Balance, end of year	\$ 119,013,623	\$118,222,307

10. ACCUMULATED SURPLUS

The following table shows the changes in accumulated surplus:

	Operating surplus	Unfunded employee future benefit obligations	Investment in tangible capital assets	Remeasurement gains and losses	2021 Total	2020 Total
Accumulated surplus, beginning of year	\$ 13,575,204	\$ (11,799,800)	\$22,427,268	\$ 753,532	\$ 24,956,204	\$ 25,186,839
Annual surplus	2,473,752	(91,200)	(2,368,944)	-	13,608	408,438
Net remeasurement gains (losses) for the year	-	-	-	1,614,289	1,614,289	(639,073)
Acquisition of tangible capital assets	(4,587,600)	-	4,587,600	-	-	-
Repayment of long term debt	(192,885)	-	192,885	-	-	-
Accumulated surplus, end of year	\$ 11,268,471	\$ (11,891,000)	\$24,838,809	\$ 2,367,821	\$ 26,584,101	\$ 24,956,204

11. RELATED PARTY TRANSACTIONS

The College is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

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Notes to the Financial Statements
Year Ended March 31, 2021

12. COMMITMENTS AND CONTINGENCIES

- (a) The College has entered into various leases, agreements and contracts with third parties for various services with periods ranging from one to twenty-eight years. The combined annual costs over the next five fiscal years are estimated to be as follows:

2021-2022	\$	2,300,899
2022-2023		1,553,098
2023-2024		1,037,163
2024-2025		722,897
2025-2026		304,769
		5,918,826
	\$	5,918,826

- (b) The College is involved in certain legal actions. Some of these legal actions are managed and covered by the University, College and Institute Protection Program. The outcome of these matters cannot be determined at this time. In the event that any claims are successful, it is management's opinion that the settlements of such claims would not have a material effect on the financial position of the College. The resulting loss to the College, if any, will be recorded in the period in which it is determinable.

13. SEGMENTED INFORMATION

Segmentation is defined by the College as groups of activities that have in common that they serve a particular purpose that is unique and meaningful in the post-secondary sector and is well understood by the readers. Costs included in these activities include salaries, wages, contracts, benefits, and non-personnel costs such as consulting, travel, printing, supplies, services, repairs and maintenance.

The College has identified the following segments and associated groups of activities based upon the functional areas of service as provided by various departments within the College:

- (a) Instruction and academic support - This segment includes direct department cost and academic support costs of delivering programs. These costs include personnel and non-personnel operating costs directly held in academic departments.
- (b) Facility and institutional support - This segment captures costs associated with the operation of the following support departments: Board of Governors, Executive Offices, Financial Services, Human Resources, Facilities and Business Services, Information Technology Services, Legal Affairs, and Public Affairs. Costs included within these departments are costs associated with staff recruitment and termination, legal fees, custodial services, grounds maintenance, security, occupational health and safety, and shipping and receiving. In addition, institutional costs such as investment fees, insurance premiums, bank charges, audit fees and employee related costs are included here.

(continued)

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Year Ended March 31, 2021

13. SEGMENTED INFORMATION (continued)

- (c) Enrolment management and student support - This segment, unique to the post-secondary sector, includes enrolment management and student service costs such as student recruitment, student registration, student placement, student counseling and library services. It also includes administrative costs in the Regional Dean's offices in all campus locations, and operating costs for scholarships, fundraising and alumni administration.
- (d) Ancillary operations - This segment includes the activities of the ancillary operations. An ancillary operation is one that provides goods and services to students, staff or others, and that charges a fee directly related to the cost of providing the goods or services. Ancillary operations include parking, food services, student residence and bookstores. Costs associated with this segment include administration and support costs related to these activities.
- (e) Amortization of tangible capital assets – This segment includes the amortization costs of all depreciable assets. Depreciable assets include: site improvements, buildings, furniture and equipment and computer equipment.
- (f) Interest on long term debt – Disclosure is required as a separate item under PS 3230.15(f) of the Canadian public sector accounting standards.

14. EXPENSES BY OBJECT

Total expenses by object are itemized as follows:

	Budget		
	<u>2021</u>	<u>2021</u>	<u>2020</u>
Salary and benefits	\$ 91,679,493	\$ 87,409,520	\$ 87,237,143
Supplies and services	26,984,698	20,244,402	27,648,859
Amortization of tangible capital assets	8,008,115	8,045,274	7,867,314
Interest on long term debt	139,427	139,427	139,427
Loss on disposal of tangible capital assets	-	-	330,000
	\$ 126,811,733	\$ 115,838,623	\$123,222,743

15. FINANCIAL RISK MANAGEMENT

The College has exposure to the following risks with respect to its financial instruments: credit risk, market risk and liquidity risk.

(continued)

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Notes to the Financial Statements
Year Ended March 31, 2021

15. FINANCIAL RISK MANAGEMENT (continued)

The Board of Governors ensures that College has identified its major risks and ensures that management monitors and controls them.

(a) Credit risk

Credit risk is the risk of financial loss to the College if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the College consisting of cash and cash equivalents, investments, and accounts receivable.

The College manages its credit risk through a prudent investment policy approved by the College's Board of Governors. The College's accounts receivable are numerous and diverse and therefore the College has no significant concentration of credit risk. Accounts receivable are carefully monitored and are actively pursued, which includes the use of a collection agency for balances more than three months old. The College's exposure to credit risk is minimal and there was no significant change in exposure from the prior year.

(b) Market risk

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

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

It is management's opinion that the College is not exposed to significant market or interest rate risk arising from its financial instruments.

(c) Liquidity risk

Liquidity risk is the risk that the College will not be able to meet its financial obligations as they become due.

The College manages liquidity risk by continually monitoring actual and forecast cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

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Notes to the Financial Statements
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16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Canadian public sector accounting standards 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 financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The College's investments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there was no transfer of securities between the different levels.

17. COMPARATIVE FIGURES

Certain comparative figures from the prior year have been reclassified to conform to the presentation format adopted for the current year.