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, 2019, 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

	Budget 2019	2019	2018
Revenue			
Government grants	$ 60,232,544	$ 61,412,324	$ 59,607,090
Tuition and other fees	37,222,922	42,186,136	35,842,236
Ancillary service sales	5,540,304	5,416,016	5,846,157
Contract services	2,494,269	1,518,749	2,027,712
Other administration fees and sundry	625,313	1,198,430	1,067,645
Investment income	404,050	834,838	704,303
Post construction contributions for tangible capital assets	-	466,361	996,073
	5,327,255	5,525,672	5,287,100
	111,846,657	118,558,526	111,378,316
Expense (note 14)			
Instruction and academic support	[illegible]	[illegible]	57,858,981

	Budget 2019	2019	2018
Annual surplus	$ -	$ 6,592,061	$ 4,955,772
Acquisition of tangible capital assets	(16,067,000)	(11,344,780)	(14,499,353)
Amortization of tangible capital assets	7,300,755	7,546,818	7,094,105
	(8,766,245)	2,794,099	(2,449,476)
Acquisition of prepaid expenses	-	(734,835)	(784,850)
Use of prepaid expenses	-	784,850	798,888
	-	50,015	14,038
Net remeasurement gains (losses)	-	134,621	(64,183)
Decrease (increase) in net debt	(8,766,245)	2,978,735	(2,499,621)
Net debt, beginning of year	(112,850,937)	(112,850,937)	(110,351,316)
Net debt, end of year	$ (121,617,182)		

	2019	2018
Net cash inflow (outflow) related to the following activities		
Operating activities		
Annual surplus	$ 6,592,061	$ 4,955,772
Adjust for non-cash items:		
Realized gain on disposal of investments	(88,228)	(178,521)
Actuarial adjustment on long term debt	(58,073)	(6,298)
	(5,525,672)	(5,287,100)
Amortization of tangible capital assets	7,546,818	7,094,105
	8,466,906	6,577,958
Changes in non-cash working capital		
Accounts receivable	(644,416)	998,871
Prepaid expenses	50,015	14,038
Inventory for resale	23,994	(90,481)
Accounts payable and accrued liabilities	653,923	2,844,896
Deferred revenues	2,057,876	(274,718)
Employee future benefit obligations	(909,600)	(162,400)
	9,698,698	9,908,164

Capital activities 698,698 f i C /

Okanagan College (the College) was designated by Order in Council on November 26, 2004, and began operations July1, 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) 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 in regard to 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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition (continued)

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 licenses 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 cTd ( ).5( )]TJ ,3 Tc 0/MCID Sontin7d atan a(83(1(c)-8.8(ih4o.pT0 1 .064
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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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

2. INVESTMENTS

Investmentsareinvested throughRBC Phillips Hager & North

	2019	2018
Investments held at fair value:		
Fixed income	$ 14,501,1940	$ 14,412,8760
Equity investments	5,223,94201	4,948,85801
	$ 19,725,13610	$ 19,361,73410

3. ACCOUNTS RECEIVABLE

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

	2019	2018
Studentreceivables	$ 1129,59101	$ 1 255,2020
Tradeand other		

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2019	2018
Trade payables	$ 7,498,913	$ 17,383,552
Accrued payables	1,561,064	1,876,917
Wages payables	3,566,915	2,712,500
	$ 12,626,892	$ 11,972,969

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:

As at March 31, 2019	Land and site improvements	Buildings	Furniture and equipment	Computer equipment	Assets under construction	2019 Total
Cost						
Opening balance	$ 13,064,728	$ 164,420,277	$ 56,850,757	$ 14,023,092	$ 1 ò U ð ò	$ 254,826,571
Additions/ transfers	2,032,446	10,556,011	1,386,100	952,867	(3,582,644)	11,344,780
Closing Balance	15,097,174	174,976,288	58,236,857	14,975,959	2,885,073	266,171,351
			,8	79,173		
Accumulated Amortization						
Opening balance	7,962,926	52,052,518	52,081,307	12,203,576	-	

6. TANGIBLE CAPITAL ASSETS (continued)

As at March 31, 2018	Land and site improvements	Buildings	Furniture and equipment	Computer equipment	Assets under construction	2018 Total
Cost						
Opening balance	$ 11,476,162	$ 159,618,950	$ 55,429,594	$ 13,078,321	¨ 1	ó î $ 240,327,218
Additions/ transfers	1,588,566	4,801,327	1,421,163	944,771	5,743,526	14,499,353
Closing Balance	13,064,728	164,420,277	56,850,757	14,023,092	6,467,717	254,826,571

7. LONG TERM DEBT (continued)

(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:

2019-2020	$	192,885
2020-2021		192,885
2021-2022		192,885
2022-2023		192,885
2023-2024		192,885
	$	964,425

(b) Operating line of credit

The College has an operating line of credit with TD Canada Trust for an authorized amount of $1,000,000, bearing interest at bank prime rate minus 0.5% on outstanding balances. At March 31, 2019, the balance outstanding on the operating line of credit was $nil (2018 - $nil).

8. EMPLOYEE FUTURE BENEFITS

(a) Pension benefits

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trusteed 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, 2018, the College Pension Plan has about 14,000 active members, and approximately 8,000 retired members. As at December 31, 2017, the Municipal Pension Plan has about 197,000 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

8. EMPLOYEE FUTURE BENEFITS (continued)

(b) Employee future benefit obligations (continued)

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

	2019	2018
Employee future benefit obligations		
Balance, beginning of year	$ 14,800,300	$ 12,395,300
Current service cost	1,025,800	1,067,800
Interest cost	396,600	413,900
Benefits paid	(2,497,900)	(1,542,000)
Actuarial loss	-	2,460,000
Recognition of continuation of benefits for disabled employees	-	5,300
Balance, end of year	13,724,800	14,800,300
Unamortized actuarial loss	(1,899,100)	(2,065,000)
Employee future benefit obligations, end of year	$ 11,825,700	$ 12,735,300

Components of net benefit expense	2019	2018
Service cost	$ 1,025,800	$ 1,067,800
Interest cost	396,600	413,900
Amortization of net actuarial loss (gain)	165,900	(107,400)
Recognition of continuation of benefits for disabled employees	-	5,300
Net benefit expense	$ 1,588,300	$ 1,379,600

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

	2019	2018
Interest (d		

9. DEFERRED CONTRIBUTIONS FOR

12. COMMITMENTS AND CONTINGENCIES

(a) The College has entered into various leases,

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.

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16. FAIR VALUE OF FINANCIAL INSTRUMENTS