FINANCIAL STATEMENTS

MARCH 31, 2020

OKANAGAN COLLEGE

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Grant Thornton LLP
200-1633 Ellis Street
Kelowna, BC
V1Y 2A8

T +1 250 712 6800
F +1 250 712 6850

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

Opinion

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Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether dXH WR IUDXG RU HUURU DQG WR LVVXH DQ

	Budget 2020	2020	2019

OKANAGAN COLLEGE

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

FOR THE YEAR ENDED MARCH 31, 2020

	2020	2019
Accumulated remeasurement gains, beginning of year	$ 1,392,605	$ 1,257,984
Unrealized (loss) gain on investments	(580,898)	222,849
Realized gain on investments, reclassified to statement of operations	(58,175)	(88,228)
Net remeasurement (losses) gains for the year	(639,073)	134,621
Accumulated remeasurement gains, end of year	$ 753,532	$ 1,392,605

	Budget 2020	2020	2019
Annual surplus	$ -	$ 408,438	$ 6,592,061
Acquisition of tangible capital assets	(22,072,000)	(17,580,240)	(11,344,780)
Amortization of tangible capital assets	8,140,993	7,867,314	7,546,818
Loss on disposal of tangible capital assets	-	330,000	-
	(13,931,007)	(8,974,488)	2,794,099
Acquisition of prepaid expenses	-	(602,375)	(734,835)
Use of prepaid expenses	[illegible]	[illegible]	[illegible]

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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

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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 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 acquel t-0.002 Tc 0.002 .pt20.7(ev)15(o)fiE15(o)fa.6(o)2..iozat1.7(20.7(ev)15(o)fiE15(o)fa.6(o)2..)0.5()0.5a

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 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.

2. INVESTMENTS

Investments are invested through RBC Phillips Hager & North

	2020	2019
Investments held at fair value:		
Fixed income	$ 14,763,574	$ 14,501,194
Equity investments	4,788,349	5,223,942
	$ 19,551,923	$ 19,725,136

3. ACCOUNTS RECEIVABLE

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

	2020	2019
Student receivables	$ 1,178,966	$ [illegible]

6.

7. LONG TERM DEBT (continued)

(a) Sinking fund installments and retirement provisions

Aggregate payments for the next five fiscal years

8. EMPLOYEE FUTURE BENEFITS (continued)

(a) Pension benefits (continued)

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2018

8. EMPLOYEE FUTURE BENEFITS (continued)

(b) Employee future benefit obligations (continued)

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

	2020	2019
Employee future benefit obligations		
Balance, beginning of year	$ 13,724,800	$ 14,800,300
Current service cost	1,077,100	1,025,800
Interest cost	380,100	396,600
Benefits paid	(1,649,000)	(2,497,900)
Balance, end of year	13,533,000	13,724,800
Unamortized actuarial loss	(1,733,200)	(1,899,100)
Employee future benefit obligations, end of year	$ 11,799,800	$ 11,825,700

9. DEFERRED CONTRIBUTIONS FOR TANGIBLE CAPITAL ASSETS

The amortization of deferred contributions for tangible capital assets recorded as revenue in the statement of operations and accumulated surplus, and deferred contributions for
assets.

	2020	9
	$ 107,138,760	$
Deferred contributions received from:		
	15,754,661	
Donations	362,787	
	123,828,873	
Less: Amounts amortized to revenue	(5,606,566)	(5,)
Balance, end of year	$ 118,222,307	$ 7,

10 ACCUMULATED SURPLUS

accumulated surplus: table shows

Operating	employee future benefit obligation	Remeasurement gains and l	2020 Total	2019 Total

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 PS3230.15(f) of the Canadian public sector accounting standards.

14. EXPENSES BY OBJECT

Total expenses by object are itemized as follows:

	Budget 2020	2020	2019
Salary and benefits	$ / 88,087,511	$ 87,237,143	$ 78,026,696
Supplies and			

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. SIGNIFICANT EVENT

Since March 31, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease operations or have voluntarily ceased or limited operations for an indefinite period of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to business worldwide, resulting in an economic slowdown and global stock markets have experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

During this time, the College has remained operational by moving to online modes of delivery and reducing on-campus face-to-face interactions. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of governments and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the College for future periods.