

Financial Statements of

DOUGLAS COLLEGE

Year ended March 31, 2018



STATEMENT OF MANAGEMENT RESPONSIBILITY

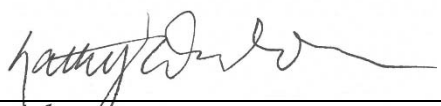
The financial statements have been prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

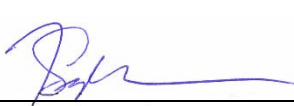
The Douglas College Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Audit and Finance Committee. The Audit and Finance Committee reviews financial information on a quarterly basis and external audited financial statements yearly.

The College's external auditor, KPMG LLP, conducts an independent examination, in accordance with Canadian generally accepted auditing standards, and expresses their opinion on the financial statements. The external auditor has full and free access to financial management of Douglas College and meets when required. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Douglas College:



Kathy Denton
President



Tracey Szirth
Vice President, Administrative Services &
Chief Financial Officer

June 28, 2018



KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
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INDEPENDENT AUDITORS' REPORT

To the Board of Douglas College, and
To the Minister of the Ministry of Advanced Education, Skills and Training,
Province of British Columbia

We have audited the accompanying financial statements of Douglas College, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net debt, cash flows and remeasurement gains and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. *Opinion*

In our opinion, the financial statements of Douglas College as at March 31, 2018 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(a) 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.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the "K" and ends under the "P", with a small upward tick at the right end.

Chartered Professional Accountants

Burnaby, Canada
June 28, 2018

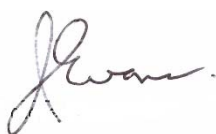
DOUGLAS COLLEGE

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash	\$ 62,542,575	\$ 39,953,427
Accounts receivable	2,127,602	1,756,354
Due from government (note 3)	1,454,216	1,990,321
Inventories held for resale	645,471	782,914
Investments (note 4)	34,522,782	33,693,184
	101,292,646	78,176,200
Liabilities		
Accounts payable and accrued liabilities	5,279,711	4,672,775
Salaries and wages payable	2,597,265	2,495,827
Accrued vacation pay	8,485,833	8,038,650
Employee future benefits (note 5)	789,000	971,400
Deferred revenue	25,975,788	15,831,512
Deferred leasehold inducements (note 6)	473,769	-
Deferred contributions (note 7)	962,859	1,034,082
Deferred capital contributions (note 8)	83,380,791	80,184,726
	127,945,016	113,228,972
Net debt	(26,652,370)	(35,052,772)
Non-financial assets		
Prepaid expenses	1,586,446	1,443,394
Tangible capital assets (note 9)	114,065,196	112,067,167
	115,651,642	113,510,561
Accumulated surplus	\$ 88,999,272	\$ 78,457,789
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 89,795,827	\$ 78,949,616
Accumulated remeasurement losses	(796,555)	(491,827)
	\$ 88,999,272	\$ 78,457,789
Contractual obligations (note 12)		
Contingent liabilities (note 13)		
Pension plans (note 15)		

See accompanying notes to financial statements.



College Board Chair



Vice President, Administrative Services &
Chief Financial Officer

DOUGLAS COLLEGE

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018 Budget	2018 Actual	2017 Actual
	(Note 17)		
Revenue:			
Ministry	\$ 58,148,000	\$ 56,282,117	\$ 57,076,935
Tuition fees	58,910,000	64,208,728	51,716,974
Contracts, contributions and other grants	13,023,000	13,046,384	13,679,724
Amortization of deferred capital contributions	4,064,000	3,996,311	3,905,030
Ancillary	5,434,000	5,472,286	5,430,005
Investment income	1,380,000	1,842,877	1,791,208
Sundry	2,884,000	3,488,958	2,920,272
	143,843,000	148,337,661	136,520,148
Expenses (note 14):			
Instruction and support	135,114,000	132,538,933	126,630,551
Ancillary	4,770,000	4,952,517	4,889,341
	139,884,000	137,491,450	131,519,892
Annual operating surplus	3,959,000	10,846,211	5,000,256
Accumulated operating surplus, beginning of year	78,950,000	78,949,616	73,949,360
Accumulated operating surplus, end of year	\$ 82,909,000	\$ 89,795,827	\$ 78,949,616

See accompanying notes to financial statements.

DOUGLAS COLLEGE

Statement of Changes in Net Debt

Year ended March 31, 2018, with comparative information for 2017

	2018 Budget	2018 Actual	2017 Actual
	(Note 17)		
Annual operating surplus	\$ 3,959,000	\$ 10,846,211	\$ 5,000,256
Acquisition of tangible capital assets	(9,000,000)	(10,349,112)	(13,477,145)
Amortization of tangible capital assets	8,600,000	8,351,083	8,282,613
	(400,000)	(1,998,029)	(5,194,532)
Acquisition of prepaid expenses	(1,120,000)	(1,285,743)	(1,120,398)
Use of prepaid expenses	1,120,000	1,142,691	956,358
	-	(143,052)	(164,040)
Net remeasurement gains (losses)	-	(304,728)	1,327,783
Decrease in net debt	3,559,000	8,400,402	969,467
Net debt, beginning of year	(37,892,000)	(35,052,772)	(36,022,239)
Net debt, end of year	\$ (34,333,000)	\$ (26,652,370)	\$ (35,052,772)

See accompanying notes to financial statements.

DOUGLAS COLLEGE

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash flows provided by (used in):		
Operating activities:		
Annual operating surplus	\$ 10,846,211	\$ 5,000,256
Items not involving cash:		
Amortization of tangible capital assets	8,351,083	8,282,613
Amortization of deferred capital contributions	(3,996,311)	(3,905,030)
Changes in non-cash operating working capital:		
Accounts receivable	(371,248)	331,447
Due from government	536,105	404,195
Prepaid expenses	(143,052)	(164,040)
Inventories held for resale	137,443	(72,614)
Accounts payable and accrued liabilities	606,936	(234,644)
Salaries and wages payable	101,438	647,264
Accrued vacation pay	447,183	175,479
Employee future benefits	(182,400)	(240,800)
Deferred revenue	10,144,276	4,013,172
Deferred contributions	(71,223)	(202,679)
	26,406,441	14,034,619
Capital activities:		
Acquisition of tangible capital assets	(10,349,112)	(13,477,145)
Financing activities:		
Deferred capital contributions received	7,192,376	4,303,570
Deferred leasehold inducements receivable	473,769	-
	7,666,145	4,303,570
Investing activities:		
Net acquisitions of investments	(1,134,326)	(1,381,974)
Increase in cash	22,589,148	3,479,070
Cash, beginning of year	39,953,427	36,474,357
Cash, end of year	\$ 62,542,575	\$ 39,953,427

See accompanying notes to financial statements.

DOUGLAS COLLEGE

Statement of Remeasurement Gains and Losses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Accumulated remeasurement losses, beginning of year	\$ (491,827)	\$ (1,819,610)
Unrealized gains (losses) attributed to fair value of investments:		
Canadian and Global equities	21,254	1,314,615
Fixed income	(410,174)	(173,313)
Remeasurement losses realized and reclassified to the Statement of Operations:		
Canadian and Global equities	45,284	155,394
Fixed income	38,908	31,087
Net remeasurement gains (losses) for the year	(304,728)	1,327,783
Accumulated remeasurement losses, end of year	\$ (796,555)	\$ (491,827)

See accompanying notes to financial statements.

DOUGLAS COLLEGE

Notes to Financial Statements

Year ended March 31, 2018

1. Purpose of the organization:

Douglas College (the "College") is a post-secondary educational institution incorporated under the College and Institute Act of British Columbia and is principally funded by the Province of British Columbia (the "Province") through the Ministry of Advanced Education, Skills and Training (the "Ministry"). The College is a not-for-profit entity governed by a board of directors (the "Board"), the majority of which are appointed by the Province. The College is exempt from income tax under section 149 of the Income Tax Act.

2. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections effective their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions 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 contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions 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 for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(a) Basis of accounting (continued):

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which require that:

- government transfers that do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the Statement of Operations and certain related deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(b) Liability for contaminated sites:

A liability for contaminated sites is recognized when a site is not in productive use and 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.

(c) Financial instruments:

Financial instruments are classified into two categories: fair value or cost.

- (i) Fair value category: Portfolio instruments that are quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and related balances are reversed from the Statement of Remeasurement Gains and Losses.

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

- (ii) Cost category: Gains and losses are recognized in the Statement of Operations when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are included in the cost of the related investments.

Accounts receivable, due from government, accounts payable and accrued liabilities, salaries and wages payable, and accrued vacation pay are measured at cost using the effective interest rate method. Any gains, losses or interest expense is recorded in the annual operating surplus depending on the nature of the financial asset/liability that gave rise to the gain, loss or expense. Valuation allowances are made when collection is in doubt.

(d) Inventories held for resale:

Inventories held for resale (books, student supplies and vision related items sold by the Vision Centre) are recorded at the lower of cost and net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the expected selling price in the ordinary course of business.

(e) Prepaid expenses:

Prepaid expenses include lease and contract payments charged to expense over the periods expected to benefit from them.

(f) Employee future benefits:

Employee future benefits are recorded based on the estimated actuarially determined present value of the expected future cash flows. Actuarial gains and losses are recorded in the year that they arise. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations.

The most recent valuation was as of March 31, 2018. The next valuation will be as at March 31, 2019.

(g) Deferred leasehold inducements

Deferred leasehold inducements include amounts received in lease agreements related to leasehold improvements. Amortization of deferred leasehold inducements is recognized over the initial term of the lease on a straight-line basis.

(h) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, construction, development, improvement or betterment of the assets.

The cost of the tangible capital assets, excluding land and land improvements, is amortized on a straight-line basis over their estimated useful lives shown below. Land and land improvements are not amortized, as they are deemed to have a permanent value.

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(h) Tangible capital assets (continued):

Asset	Period
Buildings	40 years
Furniture and equipment	4 - 5 years
Leasehold improvements	Lessor of lease term or estimated useful life

Assets under construction are not amortized until the asset is available for productive use.

Borrowing costs, if any, attributable to the construction of tangible capital assets are capitalized during the construction period. No borrowing costs were capitalized during the year.

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 the net book value.

(i) Revenue recognition:

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Restricted contributions are accounted for as described in note 2(a).

Tuition fees, student fees and sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured. Tuition fees and student fees related to the April portion of the winter semester as well as the upcoming semesters are classified as deferred revenue.

Investment income includes interest recorded on an accrual basis, dividends, and realized gains/losses.

Contract revenues are recognized in the period in which the related activities are performed. The zero profit margin method is used when a contract's financial outcome is not reasonably determinable. This method of accounting requires that revenue be recognized equal to the related expenses that are incurred under the terms of the contract, until the financial outcome of a contract can be reasonably estimated. When it is determined that a loss under contract is anticipated, revenue is adjusted to fully provide for the loss.

(j) Expenses:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(k) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include those related to employee future benefits, the determination of useful lives for purposes of amortization of tangible capital assets and deferred capital contributions, liability for contaminated sites, and provisions for contingencies. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(l) Foreign currency translation:

Foreign currency transactions are translated into Canadian dollars at the exchange rate prevailing at the date of the transactions.

3. Due from government:

	2018	2017
Provincial government	\$ 456,071	\$ 828,693
Federal government	998,145	1,161,628
	<u>\$ 1,454,216</u>	<u>\$ 1,990,321</u>

4. 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 College uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Statement of Financial Position under the following captions:

- Cash, accounts receivable, due from government, accounts payable and accrued liabilities, salaries and wages payable, and accrued vacation pay - the carrying amounts approximate fair value because of the short maturity of the instruments.

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Fair value of financial instruments:

- Investments - 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 - inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
 - Level 2 - inputs other than quoted prices included within Level 1 that are observable market-based inputs or unobservable inputs that are corroborated by observable market data.
 - Level 3 - inputs are unobservable, because there is little or no market activity, and reflect an entity's own determination about the assumptions that market participants would use in pricing the assets or liabilities. The College does not own financial instruments classified as Level 3.

Investments recorded at fair value are comprised of the following:

	2018		
	Total	Level 1	Level 2
Money market pooled funds	\$ 6,640,853	\$ 6,640,853	\$ -
Fixed income:			
Government	6,780,293	-	6,780,293
Corporate	10,268,319	-	10,268,319
Canadian equities pooled funds	4,277,628	4,277,628	-
United States equities pooled funds	3,256,192	3,256,192	-
International equities pooled funds	3,299,497	3,299,497	-
	<u>\$ 34,522,782</u>	<u>\$ 17,474,170</u>	<u>\$ 17,048,612</u>

	2017		
	Total	Level 1	Level 2
Money market pooled funds	\$ 6,586,920	\$ 6,586,920	\$ -
Fixed income:			
Government	5,409,459	-	5,409,459
Corporate	10,551,307	-	10,551,307
Canadian equities pooled funds	4,405,780	4,405,780	-
United States equities pooled funds	3,320,619	3,320,619	-
International equities pooled funds	3,419,099	3,419,099	-
	<u>\$ 33,693,184</u>	<u>\$ 17,732,418</u>	<u>\$ 15,960,766</u>

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Fair value of financial instruments (continued):

The College's fixed income investments mature at principal value during the following fiscal years:

2019	\$ 1,850,000
2020	2,650,000
2021	1,076,000
2022	1,585,000
2023	3,664,000
2024	1,721,000
2025	1,915,000
2026	400,000
2027	925,000
2028	1,010,000
Total principal value of fixed income investments	16,796,000
Fair value difference	252,612
Total fair value of fixed income investments	\$ 17,048,612

The nature and extent of risks arising from investments and how they have been managed are described in note 10.

5. Employee future benefits:

The College covers the cost of the Medical Services Plan ("MSP"), extended health and dental coverage for eligible employees on disability leave. The total expense for the period is the sum of the actual cash benefit made and already expensed in the year and the change in the accrued benefit obligation.

An actuary has determined the cost of future benefits, assuming present value of benefits to be paid for eligible employees who were, at the time, on disability leave as follows:

	2018	2017
Accrued benefit obligation, beginning of the year	\$ 971,400	\$ 1,212,200
Decrease in accrued benefit obligation	(182,400)	(240,800)
Accrued benefit obligation, end of the year	\$ 789,000	\$ 971,400

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Employee future benefits (continued):

The assumptions adopted in measuring the College's accrued benefit obligation are as follows:

	2018	2017
Discount rate	2.96%	2.37%
Medical trend	7.25%	7.50%
Dental trend	5.68%	5.79%
MSP trend	0.00%	4.50%

6. Deferred leasehold inducement:

Deferred leasehold inducements relate to leasehold improvements at the Anvil Centre location with an initial lease term of 10 years.

	2018	2017
Balance, beginning of the year	\$ -	\$ -
Leasehold inducement additions	473,769	-
Amortization recorded net of rent expense	-	-
Balance, end of year	\$ 473,769	\$ -

7. Deferred contributions:

Deferred contributions are comprised primarily of funds received for contracts with the provincial and federal governments to be fulfilled in the following fiscal year.

	2018	2017
Provincial	\$ 834,833	\$ 847,869
Federal	1,728	22,434
Other	126,298	163,779
	\$ 962,859	\$ 1,034,082

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Deferred contributions (continued):

Changes in the deferred contribution balance are as follows:

				2018
	Provincial	Federal	Other	Total
Balance, beginning of year	\$ 847,869	\$ 22,434	\$ 163,779	\$ 1,034,082
Contributions received during the year	4,632,494	2,872,670	1,713,954	9,219,118
Revenue recognized from deferred contributions	(4,645,530)	(2,893,376)	(1,751,435)	(9,290,341)
Balance, end of year	\$ 834,833	\$ 1,728	\$ 126,298	\$ 962,859

				2017
	Provincial	Federal	Other	Total
Balance, beginning of year	\$ 978,476	\$ 26,452	\$ 231,833	\$ 1,236,761
Contributions received during the year	5,798,149	2,680,507	1,618,689	10,097,345
Revenue recognized from deferred contributions	(5,928,756)	(2,684,525)	(1,686,743)	(10,300,024)
Balance, end of year	\$ 847,869	\$ 22,434	\$ 163,779	\$ 1,034,082

8. Deferred capital contributions:

	2018	2017
Balance, beginning of year	\$ 80,184,726	\$ 79,786,186
Contributions received during the year	7,192,376	4,303,570
Amortization of deferred capital contributions	(3,996,311)	(3,905,030)
Balance, end of year	\$ 83,380,791	\$ 80,184,726

Included in the balance at March 31, 2018 are unspent deferred capital contributions of \$2,450,000 (2017 - \$nil).

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Tangible capital assets:

Cost	Balance, March 31, 2017	Additions	Balance, March 31, 2018
Land and land improvements	\$ 4,939,557	\$ -	\$ 4,939,557
Buildings	176,639,332	5,158,395	181,797,727
Furniture and equipment	50,727,315	4,013,968	54,741,283
Leasehold improvements	733,812	1,176,749	1,910,561
	<u>\$ 233,040,016</u>	<u>\$ 10,349,112</u>	<u>\$ 243,389,128</u>

Accumulated amortization	Balance, March 31, 2017	Amortization expense	Balance, March 31, 2018
Land and land improvements	\$ -	\$ -	\$ -
Buildings	77,655,615	4,422,858	82,078,473
Furniture and equipment	42,635,260	3,908,277	46,543,537
Leasehold improvements	681,974	19,948	701,922
	<u>\$ 120,972,849</u>	<u>\$ 8,351,083</u>	<u>\$ 129,323,932</u>

Net book value	Balance, March 31, 2017	Balance, March 31, 2018
Land and land improvements	\$ 4,939,557	\$ 4,939,557
Buildings	98,983,717	99,719,254
Furniture and equipment	8,092,055	8,197,746
Leasehold improvements	51,838	1,208,639
	<u>\$ 112,067,167</u>	<u>\$ 114,065,196</u>

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Tangible capital assets (continued):

Cost	Balance, March 31, 2016	Additions	Balance, March 31, 2017
Land and land improvements	\$ 4,939,557	\$ -	\$ 4,939,557
Buildings	166,630,589	10,008,743	176,639,332
Furniture and equipment	47,258,913	3,468,402	50,727,315
Leasehold improvements	733,812	-	733,812
	<u>\$ 219,562,871</u>	<u>\$ 13,477,145</u>	<u>\$ 233,040,016</u>

Accumulated amortization	Balance, March 31, 2016	Amortization expense	Balance, March 31, 2017
Land and land improvements	\$ -	\$ -	\$ -
Buildings	73,377,120	4,278,495	77,655,615
Furniture and equipment	38,711,032	3,924,228	42,635,260
Leasehold improvements	602,084	79,890	681,974
	<u>\$ 112,690,236</u>	<u>\$ 8,282,613</u>	<u>\$ 120,972,849</u>

Net book value	Balance, March 31, 2016	Balance, March 31, 2017
Land and land improvements	\$ 4,939,557	\$ 4,939,557
Buildings	93,253,469	98,983,717
Furniture and equipment	8,547,881	8,092,055
Leasehold improvements	131,728	51,838
	<u>\$ 106,872,635</u>	<u>\$ 112,067,167</u>

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. Risk management:

The College has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

The Board ensures that the College has identified its risks and ensures that management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to an institution if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held consisting of cash, accounts receivable, due from the provincial and federal governments and investments.

The College is exposed to credit risk in the event of non-performance by a borrower. This risk is mitigated as most amounts receivable are due from the provincial and federal governments and therefore, are collectible.

It is management's opinion that the College is exposed to some credit risk associated with its cash deposits and investments. The College assesses these assets on a continuous basis and ensures the amounts are collectible or realizable. The College's fixed income portfolio is investment grade. Investment grade bonds are those that have a credit rating of either BBB, A, AA, or AAA and are considered to have relatively low risk of default.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

- Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The College is exposed to currency risk through its investments.

- Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The College is exposed to interest rate risk through its investments.

- Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. Risk management (continued):

(b) Market risk (continued):

It is management's opinion that the College is exposed to some market risk associated with its investments. The College monitors these investments on a continuous basis and ensures investments are within the parameters of the Douglas College Investment Policy B.GO01.15. The bond mandate is managed in a segregated, ladder, buy-and-hold portfolio, subject to the quality constraints of B.GO01.15.

(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 forecasted cash flows from operations and anticipated investing 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 the College's reputation.

11. Contractual rights:

The College has entered into multi-year contracts to deliver workplace skills training and international student programs, in addition to a one-time tenant improvement allowance, and are scheduled to receive the following amounts:

2019	\$ 10,482,322
2020	3,654,983
2021	417,981
2022	277,322
2023	136,663

12. Contractual obligations:

The nature of the College's activities can result in multiyear contracts and obligations whereby the College will be committed to make future payments. Significant contractual obligations related to operations that can be reasonably estimated are as follows:

The College has contracts for operating expenses such as information technology, security, gas and cleaning services for the following years:

2019	\$ 2,326,400
2020	1,655,200
2021	879,700
2022	296,700
2023	308,600

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

12. Contractual obligations (continued):

The College has six property rental leases relating to five locations. Future operating lease payments are as follows:

2019	\$ 2,022,631
2020	3,683,263
2021	3,575,015
2022	3,604,383
2023	3,413,629
Thereafter	19,252,862

13. Contingent liabilities:

The College is involved, from time to time, in claims which arise in the ordinary course of business. Liabilities on any claims are recognized in the financial statements when the outcome becomes reasonably determinable. Management has determined that the outcome of the claims is not determinable and there are no significant claims against the College resulting from such litigation that would materially affect the financial statements of the College. Any difference between the liability accrued by the College related to the claims and the amounts ultimately settled will be recorded in the period in which the claim is resolved.

14. Expenses by object:

The following is a summary of expenses by object:

	2018	2017
Salaries and wages	\$ 82,648,434	\$ 78,207,803
Employee benefits	18,093,883	17,262,126
Supplies and services	23,343,202	22,732,845
Cost of goods sold	3,801,480	3,796,687
Amortization of tangible capital assets	8,351,083	8,282,613
Maintenance and rehabilitation	458,368	592,818
Scholarships, bursaries and prizes	795,000	645,000
	\$ 137,491,450	\$ 131,519,892

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

15. 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, 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 provided are based on a formula. As at August 31, 2017, the College Pension Plan has about 14,000 active members, and approximately 7,500 retired members. As at December 31, 2016, the Municipal Pension Plan has about 193,000 active members, including approximately 5,800 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, 2015, indicated a \$67 million surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The College paid \$7,445,738 (2017 - \$7,049,160) for employer contributions to the plans in fiscal 2018.

The next valuation for the College Pension Plan will be as at August 31, 2018, with results available in 2019. The next valuation for the Municipal Pension Plan will be December 31, 2018, with results available in 2019.

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.

DOUGLAS COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

16. Related party transactions:

- (a) The College is related through common control 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 generally considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Details showing breakdown between amounts due from provincial and federal governments are shown in note 3.

- (b) The College exercises significant influence over the Douglas College Foundation (the "Foundation") by virtue of the integration of the operations of both organizations. The Foundation was established to advance education and community services and other charitable activities beneficial to the College. The Foundation is a registered charity under the provisions of the Income Tax Act of Canada. As at March 31, 2018, the assets of the Foundation total \$20,828,392 (2017 - \$20,263,642), of which \$18,320,381 (2017 - \$17,870,857) is held as endowments with distribution of donated principal prohibited. All of the remaining funds are held pending distribution in accordance with the donors' terms of reference.

The net assets and results from operations of the Foundation are not included in the statements of the College, but are reported on separately.

The College contributed \$1,038,160 in fiscal 2018 (2017 - \$898,752) to the Foundation to support student financial aid.

17. Budget figures:

Budget figures have been provided for comparative purposes and reflect the budget approved by the Board on March 30, 2017.