SELKIRK COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013

SELKIRK COLLEGE
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

The accompanying consolidated financial statements and related financial information are the responsibility of Selkirk College management and have been approved by the Board of Governors of Selkirk College. The financial statements were prepared in accordance with Generally Accepted Accounting Principles and the financial directives of the Ministry of Advanced Education and, of necessity, include some amounts that are based on estimates and judgments.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded. The Board of Governors has established a code of ethics and corporate directives, which require communication of the code to the employees.

The Board of Governors carries out its responsibility for the financial statements through the Board Finance/Audit Committee. This Committee meets with management and the external auditor to discuss and review financial matters and recommends the financial statements to the Board of Governors for approval. The external auditor has full and free access to the Finance/Audit Committee.

Angus Graeme, President & CEO

May 16, 2013

Mike Dion, Vice President of Administration and Finance

May 16, 2013

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BDO Canada LLP
35 - 10th Avenue S
Cranbrook BC V1C 2M9 Canada

Independent Auditor's Report

To the Board of Directors of the Selkirk College and the Minister of Advanced Education of the Province of British Columbia

We have audited the accompanying consolidated financial statements of Selkirk College, which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of these consolidated financial statements in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, which requires Canadian public sector accounting standards modified by B.C. Regulation 198/2011 "Restricted Contributions", and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the consolidated 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 presentation of the consolidated 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 consolidated financial statements of Selkirk College for the year ended March 31, 2013 are prepared, in all material respects, in accordance with 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 consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Comparative Information

Without modifying our opinion, we draw attention to Note 2(a) to the consolidated financial statements which describes that Selkirk College adopted Section 23.1 of the Budget Transparency and Accountability Act on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these consolidated financial statements, including the consolidated statement of financial position as at March 31, 2012 and April 1, 2011, and the consolidated statements of operations, changes in net debt and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

BDO Canada LLP

Chartered Accountants

Cranbrook, BC
May 16, 2013

SELKIRK COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	March 31, 2013	March 31, 2012	April 1, 2011
FINANCIAL ASSETS			
Cash and cash equivalents	$ 4,394,011	$ 4,328,958	$ 4,183,735
Accounts receivable (Note 4)	1,627,534	1,628,904	4,145,597
Inventories for resale (Note 5)	510,464	507,145	488,896
Portfolio investments (Note 6)	7,511,096	7,120,956	6,933,105
Sinking fund	-	-	924,360
Total Assets	14,043,105	13,585,963	16,675,693
LIABILITIES			
Accounts payable and accrued liabilities (Note 7)	4,499,490	3,097,845	4,100,525
Deferred revenue (Note 8)	4,084,625	4,572,785	4,072,062
Employee future benefits (Note 9)	4,461,493	4,211,703	4,350,250
Debenture payable (Note 10)	-	-	1,931,000
Deferred contributions (Note 11)	25,237	398,786	1,171,215
Deferred capital contributions (Note 12)	16,198,209	16,299,757	15,007,314
Total Liabilities	29,269,054	28,580,876	30,632,366
NET FINANCIAL ASSETS (DEBT)	(15,225,949)	(14,994,913)	(13,956,673)
NON-FINANCIAL ASSETS			
Tangible capital assets (Note 14)	25,611,319	25,219,116	23,739,691
Inventories held for use	35,772	31,573	41,528
Prepaid expenses	430,851	262,007	608,196
Total Non-Financial Assets	26,077,942	25,512,696	24,389,415
ACCUMULATED SURPLUS	$ 10,851,993	$ 10,517,783	$ 10,432,742

Chairperson, Board of Directors

Vice President of Finance & Administration

The accompanying notes form an integral part of these consolidated financial statements

SELKIRK COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
REVENUE			
Government grants	$ 26,669,898	$ 27,584,468	$ 26,947,239
Industry Trades Authority funding	1,926,218	2,178,732	2,380,469
Tuition	6,166,010	5,997,335	6,245,947
Sales	2,050,000	2,065,360	2,155,242
Investment income	240,000	321,144	415,334
Donations	380,000	430,565	334,194
Amortization of deferred capital contributions	1,735,000	1,116,514	1,023,399
Contracts and other revenue	2,558,500	3,478,069	3,231,551
	41,725,626	43,172,187	42,733,375
EXPENSES			
Academic Programming and Student Support	25,499,720	25,856,284	26,436,758
Administrative Support	5,473,794	5,891,326	5,214,625
Facilities Support	8,412,157	8,784,684	8,656,529
Ancillary services	1,774,955	1,877,416	1,799,863
Interest expense	-	-	183,445
Foundation	565,000	512,984	473,112
	41,725,626	42,922,694	42,764,332
Annual surplus (deficit) before endowment funding	-	249,493	(30,957)
Endowment contributions	-	84,717	115,998
ANNUAL SURPLUS	-	334,210	85,041
Accumulated surplus, beginning of year	10,517,783	10,517,783	10,432,742
ACCUMULATED SURPLUS, end of year	$ 10,517,783	$ 10,851,993	$ 10,517,783

The accompanying notes form an integral part of these consolidated financial statements

SELKIRK COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)
For the Year Ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Annual surplus (deficit)	$ -	$ 334,210	$ 85,041
Acquisition of tangible capital assets	-	(2,203,997)	(3,499,678)
Amortization of tangible capital assets	1,795,000	1,811,794	2,020,253
	1,795,000	(392,203)	(1,479,425)
Acquisition of supplies inventories	-	(4,199)	-
Acquisition of prepaid expense	-	(430,851)	(262,007)
Consumption of supplies inventories	-	-	9,955
Use of prepaid expense	-	262,007	608,196
	-	(173,043)	356,144
Change in net financial assets/net debt	1,795,000	(231,036)	(1,038,240)
Net financial assets (net debt), beginning of year	(14,994,913)	(14,994,913)	(13,956,673)
Net financial assets (net debt), end of year	$ (13,199,913)	$ (15,225,949)	$ (14,994,913)

The accompanying notes form an integral part of these consolidated financial statements

SELKIRK COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2013

	2013	2012
Cash Provided by (Used In)		
Operating Activities		
Annual surplus	$ 334,210	$ 85,041
Items not requiring an outlay of cash:		
Amortization of tangible capital assets	1,811,794	2,020,253
Amortization of deferred capital contributions	(1,116,514)	(1,023,399)
	1,029,490	1,081,895
Changes in Non-Cash Working Capital		
Accounts receivable	1,370	2,516,693
Prepaid expenses and deposits	(168,844)	346,189
Inventory for resale	(3,319)	(18,249)
Inventory held for use	(4,199)	9,955
Accounts payable and accrued liabilities	1,401,645	(1,002,680)
Deferred revenue	(881,675)	500,723
Accrued payroll benefits	249,790	(138,547)
	594,768	2,214,084
Capital Activities		
Acquisition of tangible capital assets	(2,203,997)	(3,499,678)
Deferred capital contributions received	641,417	1,543,413
	(1,562,580)	(1,956,265)
Financing Activities		
Increase in sinking fund investment	-	924,360
Repayment of debenture payable	-	(1,931,000)
	-	(1,006,640)
Investing Activities		
(Increase)/decrease in investments, net	3,375	(187,851)
Net increase/(decrease) in Cash and Cash Equivalents	65,053	145,223
Cash and Cash Equivalents, beginning of year	4,328,958	4,183,735
Cash and Cash Equivalents, end of year	$ 4,394,011	$ 4,328,958

Supplementary Cash flow information		
Interest paid	$ -	$ 183,445

The accompanying notes form an integral part of these consolidated financial statements

1. Authority and Purpose

Selkirk College (the College) operates under the authority of the *College and Institute Act* of British Columbia. The College is a not-for-profit entity governed by a Board of Governors.

The College is a registered charity and is therefore exempt from income taxes under section 149 of the *Income Tax Act*.

Selkirk College is a comprehensive college offering a full range of undergraduate, graduate, continuing studies programs, and applied research.

The College is economically dependent on the Provincial Government's Ministry of Advanced Education for the provision of operating and capital funding.

2. Summary of Significant Accounting Policies

(a) Basis of accounting

In 2010, directive was provided by the Province of British Columbia Treasury Board (Treasury Board) through Government Organization Accounting Standards Regulation 257/2010 requiring all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards (PSAS) established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) without any PS4200 elections from their first fiscal year commencing after January 1, 2012. Selkirk College transition date is effective April 1, 2011.

In March 2011, PSAB released a new public sector accounting standard PS 3410 "Government Transfers". In November 2011, Treasury Board provided a directive in Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and 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 2(j)(i) and 2(j)(ii).

Further, the Office of the Comptroller General (OCG) provided direction in memorandum ref. 250955 on the treatment of endowment funds, financial instruments, pension plans and employee future benefits. The OCG direction requires:

(i) the College to treat endowment contributions as described in Note 2(j)(iii);

(ii) the College to implement PS 3450 Financial Instrument as at April 1, 2012; and

(iii) the College to apply the discount rate for pension plans and/or employee future benefits at the next valuation date or within three years of transition to PSAS.

These consolidated financial statements have been prepared in accordance with the financial reporting framework described above.

2. Summary of Significant Accounting Policies (continued)

(b) Reporting entity

The reporting entity includes Selkirk College and all related entities which are accountable for the administration of their financial affairs and resources to the College and are either owned or controlled by the College.

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, changes in net debt, and cash flows of SelAir Pilot's Association, which is an non-profit organization controlled by Selkirk College.

On consolidation all inter-fund and inter-organizational transactions, balances, and activities have been eliminated.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash-on-hand, bank balances, and guaranteed investment certificates or other highly liquid investments with a term to maturity of three months or less from the date of acquisition.

(d) 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. Other financial instruments which the College has designated to be recorded at fair value include cash and cash equivalents and sinking funds. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. All financial instruments held by the College with unrealized gains and losses are endowment assets. Any unrealized gains and losses as a result of a change in fair value for the period are reported as deferred revenue on the statement of financial position. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus as investment income, or on the Statement of Financial Position as deferred revenue if not yet spent as externally designated.

(ii) Cost category: All other financial instruments held by the College are measured at cost or amortized cost and include accounts receivable, accounts payable and accrued liabilities, and debentures payable. Gains and losses are recognized in the Statement of Operations and Accumulated Surplus 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 is included in the cost of the related investments.

2. Summary of Significant Accounting Policies (continued)

(e) Inventories for resale

Inventories held for resale, including books and college supplies are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is defined as the estimated selling price less any estimated costs necessary to make the sale.

(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) Tangible capital assets

Tangible capital assets are reported on the consolidated statement of financial position as non-financial assets. Purchased capital assets are recorded at cost and include amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful life as follows:

Asset	Rate
Buildings and renovations	40 years
Siteworks	10 years
Furniture and equipment	5 years
Leasehold improvements	5-40 years
SelAir Aircraft	5 years
Computer equipment and software	1-3 years

Assets under construction are not amortized until the asset is available for productive use. When there has been a change in circumstances and the service potential of a tangible capital asset has declined, the asset is written down based upon the relative loss of the service potential. If a tangible capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

2. Summary of Significant Accounting Policies (continued)

(h) Inventories held for use

Inventories held for use are reported on the consolidated statement of financial position as non-financial assets and are recorded at the lower of cost and replacement cost.

Cost includes the original purchase cost, plus shipping and applicable duties. Replacement cost is the estimated current price to replace the items.

(i) Employee future benefits

Employee future benefits include vacation pay, banked overtime, sick leave benefits and other compensated absences, extended health benefits, retirement severance benefits, pension benefits, and post-retirement benefits available to the College's current and past employees. The benefits that accumulate and do not vest are actuarially determined and reflect management's best estimate of future trends associated with such benefits and interest rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized over the estimated average remaining service life of the employee groups on a straight line basis.

The College and its employees make contributions to the College Pension Plan and the Municipal Pension Plan. These plans are defined benefit plans, providing a pension on retirement based on the member's age, length of service, and earnings. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as a defined contribution plan and any contributions made by the College to the plans are expensed as incurred.

(j) Revenue recognition

Tuition, student fees, and the sale of goods and services are reported as revenue as the services are provided or at the time the products are delivered, and collection is reasonably assured.

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.

Restricted contributions and grants received or receivable are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

2. Summary of Significant Accounting Policies (continued)

(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 as deferred capital contributions and recognized in revenue at the same rate that amortization of the 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 for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the fiscal period in which the stipulation or restriction on the contribution have 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 any restricted 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-down's on non-portfolio investments where the loss in value is determined to be other-than-temporary.

For investments recorded at fair value, unrealized gains and losses are recorded in the Statement of Remeasurement Gains and Losses. Currently, such fair value differences are not significant, and therefore, a Statement of Remeasurement Gains and Losses has not been prepared.

(k) 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 fair value of financial instruments, useful life of tangible capital assets, and the present value of employee future benefits and commitments. Where actual results differ from these estimates and assumptions, the impact will be recorded in periods when the difference becomes known.

(l) Budget figures

Budget figures have been provided for comparative purposes and were approved by the Board of Governors of the College on May 22, 2012. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

3. First Time Adoption of New Financial Reporting Framework

Effective April 1, 2012, the College adopted the financial reporting framework described in note 2(a). These are the College's first consolidated financial statements prepared in accordance with this framework and the transitional provisions of section PS 2125 First Time Adoption by Government Organizations have been applied. Section PS 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions.

The impact of the adoption to this financial reporting framework on accumulated surplus (deficit) at April 1, 2011, the date of transition, and the comparative annual surplus is presented below.

The College has elected to use the following exemptions allowed upon first-time adoption:

- Retirement and post-employment benefits
    - The College has elected to delay application of the new discount rate until the sooner of date of the next actuarial valuation or three years of transition date, and has also elected to record all cumulative gains and losses from inception to date of transition into accumulated surplus.
- Business combinations
    - The College has elected not to apply Business Combinations, section PS 2510, to business combinations before transition date and has consistently applied this to all business combinations.
- Tangible capital asset impairment
    - The College has elected to apply the conditions for a write-down of tangible capital assets in section PS 3150 on a prospective basis from the date of transition.

3. First Time Adoption of New Financial Reporting Framework (continued)

Key adjustments on the College's financial statements resulting from the adoption of these accounting standards are as follows:

(a) Previously, the College was not required to record an accrued benefit obligation related to sick leave benefits that do not vest. Canadian public sector accounting standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the College in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The liability for employee future benefits as at April 1, 2011 was increased by $230,000, and as at March 31, 2012, was increased by $252,917 related to the accrual for accumulated sick leave entitlement, determined by actuarial estimations and management's best estimate.

(b) The College has examined prior deferred revenue and deferred contribution balances in accordance with section PS 3100 Restricted Assets and Revenue and section PS 3410 Government Transfers and has adjusted the balances accordingly.

Summary of adjustments:

	April 1, 2011 Previously stated	Adjustments	April 1, 2011 Restated
Statement of Financial Position:			
Employee future benefits	*4,120,250*	*230,000*	*4,350,250*
Accumulated surplus	*10,662,742*	*(230,000)*	*10,432,742*

	March 31, 2012 Previously stated	Adjustments	March 31, 2012 Restated
Statement of Financial Position:			
Employee future benefits	*3,958,786*	*252,917*	*4,211,703*
Deferred revenue	*4,500,155*	*72,630*	*4,572,785*
Accumulated surplus	*10,843,330*	*(325,547)*	*10,517,783*

Previously stated amounts were audited by another auditor with a report date of May 22, 2012. The restated amounts presented for comparative purposes are unaudited.

4. Accounts receivable

Accounts receivable consists of the following:

	2013	2012
Federal government	$371,136	$445,310
Provincial government	161,865	459,070
Other	1,094,533	724,524
	$1,627,534	$1,628,904

5. Inventories for resale

	2013	2012
Bookstore	$384,379	$337,726
Cafeteria	40,755	37,543
Fuel	11,341	11,341
Maintenance	66,345	89,700
Pilot Store	7,644	30,835
	$510,464	$507,145

In 2013, a total of $942,914 (2012 - $1,039,069) of inventories were included in the Statement of Operations and Accumulated Surplus as an expense. None of the inventories are pledged as security for liabilities.

6. Portfolio Investments

The investment portfolio is invested through a professional portfolio manager and consists of Canadian equity, bond and income funds. Financial assets and liabilities recorded at fair value are comprised of the following:

	Cost		Market Value	
	2013	2012	2013	2012
Portfolio investments in equity instruments that are quoted in an active market:				
Equities	$3,315,932	$3,356,101	$3,649,233	$3,439,676
Fixed Income	3,426,926	3,327,792	3,565,408	3,394,223
Corporate Stocks	38,337	38,337	32,700	33,590
Financial assets				
Term deposit – maturing October 2013, 5.1% interest	244,036	232,162	244,036	232,162
Life Annuity	19,719	21,305	19,719	21,305
	$7,044,950	$6,975,697	$7,511,096	$7,120,956

6. Portfolio Investments (continued)

The College also holds a beneficial interest in funds held by the Vancouver Foundation. The fund is held in perpetuity and controlled by the Vancouver Foundation. As these amounts are not controlled by the College and are not an asset owned by the College, these fund balances are not recorded in the financial statements. Investment income earned on the fund is paid to the College annually. Investment income received by the College from the fund was $19,608 (2012 - $19,320).

Market risk is the risk that changes in market prices, 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 risk.

Interest rate risk is the risk that the fair value of 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.

7. Accounts payable

Accounts payable includes $199,141 (2012 - $339,226) payable to the federal government for taxes withheld and $23,713 (2012 – 27,083) for HST.

8. Deferred Revenue

	Beginning Balance	Unrealized Gain/(Loss)	Additions	Revenue Recognized	Ending Balance
Endowment Funds	$ 758,930	393,515	37,992	(191,664)	$ 998,773
Tuition	825,277		910,772	(825,277)	910,772
Industry Trades Authority	484,205		471,703	(484,205)	471,703
Other	2,421,220			(778,569)	1,642,651
SelAir	83,153			(22,427)	60,726
	$4,572,785	393,515	1,420,467	(2,302,142)	$4,084,625

9. Employee future benefits

a. Accumulated sick leave benefit and other retirement benefit arrangements liability:

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. The College recognizes a liability and an expense for sick leave in the period in which employees render services in return for the benefits.

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 in March 2010.
The accrued sick leave benefit liability is included as part of the employee future benefits.

Information about the accrued sick leave benefit liabilities for the College's employee benefit plans is as follows:

	March 31, 2013	March 31, 2012
Accrued benefit obligation		
Balance, beginning of year	$947,433	$941,274
Current service cost	79,914	76,495
Interest cost	34,394	32,422
Benefits paid	(59,000)	(52,000)
Actuarial loss (gain)	(50,758)	(50,758)
Accrued benefit obligation, end of year	$951,983	$947,433

(b) Accrued payroll benefits

The College accrues retirement allowances, holiday pay and sick leave as they are earned by the employee, however, it is expected that these unfunded liabilities will be met on a continuous basis over the long-term. Payment of these amounts will be funded from revenues of the period in which they are settled.

	March 31, 2013	March 31, 2012	April 1, 2011
Holiday Pay	$2,840,393	$2,613,906	$2,726,439
Sick Leave	951,983	947,433	941,274
Banked overtime	24,811	38,878	51,477
Retirement allowance	644,306	611,486	631,060
	$4,461,493	$4,211,703	$4,350,250

9. Employee future benefits (continued)

(c) Pension Liability

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed pension plans. The board of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are based on a formula. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has about 176,000 active members, with approximately 5,700 from Colleges.

The most recent actuarial valuation for the College Pension Plans as at August 31, 2009 indicated a $1 million funding surplus for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent actuarial valuation for the Municipal Pension Plans as at December 31, 2009 indicated a $1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan.

The College paid $2,002,956 for employer contributions to the plans in fiscal 2013 ($2,088,938 – 2012).

10. Debenture payable

Debenture payable reported on the consolidated statement of financial position is comprised of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Selkirk College issued a debenture to construct a residence and is responsible annually for a sinking fund contribution of $26,414 and debenture interest payments of $183,445. Interest on the debenture is at 9.5%, and matured in 2012.	$ -	$ -	$1,931,000
Sinking fund balance			(924,360)
	$ -	$ -	$1,006,640

The debenture was paid in full in the 2011/12 fiscal year.

11. Deferred contributions

Deferred contributions represent the unspent balance of annual capital allowance (ACA) funds and externally restricted funds received for which the related expenses and purchase of tangible capital assets have not yet been incurred. Changes in deferred contributions are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Capital Contributions	$ 25,237	$ 180,000	$ 702,857
ACA Funding	-	218,786	468,358
	$ 25,237	$ 398,786	$1,171,215

	March 31, 2013		
	Capital	ACA	Total
Balance, beginning of year	$ 180,000	$ 218,786	$ 398,786
Contributions received during the year	860,203	556,508	1,416,711
Revenue recognized from deferred contributions	(1,014,966)	(775,294)	(1,790,260)
Balance, end of year	$ 25,237	$ -	$ 25,237

	March 31, 2012		
	Capital	ACA	Total
Balance, beginning of year	$ 702,857	$ 468,358	$ 1,171,215
Contributions received during the year	1,792,985	368,751	2,161,736
Revenue recognized from deferred contributions	(2,315,842)	(618,323)	(2,934,165)
Balance, end of year	$ 180,000	$ 218,786	$ 398,786

12. Deferred capital contributions

Contributions specified and used for the acquisition of tangible capital assets are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. Treasury Board provided direction on accounting treatment as disclosed in note 2. Changes in the deferred capital contributions balance are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Balance, beginning of year	$16,299,757	$15,007,314	$11,354,358
Contributions received during the year	1,014,966	2,315,842	4,981,618
Revenue recognized from deferred capital contributions	(1,116,514)	(1,023,399)	(1,328,662)
Balance, end of year	$16,198,209	$16,299,757	$15,007,314

13. Operating lease commitments

The College has annual contractual operating lease payments over the next five years for the Trail, Tenth Street and Grand Forks campuses, as follows:

	Trail Campus	Tenth Street Campus	Grand Forks Campus	Total
2013/14	$ 198,956	$ 394,895	$ 52,635	$ 646,486
2014/15	198,956	394,895	52,635	646,486
2015/16	149,217	394,895	17,545	561,657
2016/17	-	394,895	-	394,895
2017/18	-	394,895	-	394,895
	$ 547,129	$1,974,475	$ 122,815	$2,644,419

14. Tangible capital assets

Assets under construction have not been amortized. Amortization of these assets will commence when the asset is put into service.

The College has no direct insurance coverage against liability or loss of any of its property and equipment except vehicles. The Ministry of Advanced Education's University, College & Institute Protection Program provides the College with property insurance and claims for loss of College property must be submitted to the Province of British Columbia to be considered for compensation. SelAir has direct insurance coverage against liability or loss of its property and equipment.

14. Tangible capital assets (continued)

	Land and land improvements	Buildings	Furniture and equipment	Computer equipment and software	Leasehold improvements	Siteworks	SelAir Aircraft	Assets under-construction	2013 Total
Cost									
Opening Balance	$ 90,000	$ 36,156,996	$ 24,503,703	$ 1,697,583	$ 12,687,299	$ 1,358,531	$ 857,663	$ 909,809	$ 78,261,584
Additions	-	98,697	1,053,392	-	794,347	-	257,561	-	2,203,997
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	909,809	690	-	-	-	(690)	(909,809)	-
Closing Balance	90,000	37,165,502	25,557,785	1,697,583	13,481,646	1,358,531	1,114,534	-	80,465,581
Accumulated amortization									
Opening Balance	-	20,254,171	23,658,406	1,560,267	5,607,768	1,246,319	715,537	-	53,042,468
Amortization	-	916,548	373,342	81,173	338,745	37,058	64,928	-	1,811,794
Transfers	-	-	690	-	-	-	(690)	-	-
Write-downs	-	-	-	-	-	-	-	-	-
Closing Balance	-	21,170,719	24,032,438	1,641,440	5,946,513	1,283,377	779,775	-	54,854,262
Net book value	$90,000	$15,994,783	$1,525,347	$56,143	$7,535,133	$75,154	$334,759	$ -	$25,611,319

14. Tangible capital assets (continued)

	Land and land improvements	Buildings	Furniture and equipment	Computer equipment and software	Leasehold improvements	Siteworks	SelAir Aircraft	Assets under-construction	2012 Total
Cost									
Opening Balance	$90,000	$36,156,996	$23,789,776	$1,618,744	$5,652,121	$1,358,531	$1,192,546	$5,303,479	$75,162,193
Additions	-	-	713,926	78,840	2,348,035	-	65,405	293,473	3,499,679
Disposals	-	-	-	-	-	-	(400,288)	-	(400,288)
Transfers	-	-	-	-	4,687,143	-	-	(4,687,143)	-
Closing Balance	90,000	36,156,996	24,503,702	1,697,584	12,687,299	1,358,531	857,663	909,809	78,261,584
Accumulated amortization									
Opening Balance	-	19,350,241	23,365,496	1,450,809	4,959,350	1,214,685	1,081,921	-	51,422,502
Amortization	-	903,930	292,910	109,458	648,418	31,634	33,904	-	2,020,254
Disposals	-	-	-	-	-	-	(400,288)	-	(400,288)
Write-downs	-	-	-	-	-	-	-	-	-
Closing Balance	-	20,254,171	23,658,406	1,560,267	5,607,768	1,246,319	715,537	-	53,042,468
Net book value	$90,000	$15,902,825	$845,296	$137,317	$7,079,531	$112,212	$142,126	$909,809	$25,219,116

15. Accumulated surplus (deficit)

Accumulated surplus (deficit) is comprised of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Investment in tangible capital assets	$9,413,110	$8,919,359	$7,725,736
Endowment fund	6,492,604	6,407,887	6,291,889
Internally restricted	284,059	351,692	351,619
Unrestricted	(876,287)	(949,452)	413,748
Unfunded employee future benefits	(4,461,493)	(4,211,703)	(4,350,250)
Balance, end of year	$10,851,993	$10,517,783	$10,432,742

16. Expenses by object

The following is a summary of expenses by object:

	2013	2012
Salaries, wages and benefits	$30,915,845	$29,556,540
Supplies and services	8,982,461	9,896,710
Operating lease payments	665,929	669,110
Awards and donation payments	390,053	395,802
Management fees	43,632	42,471
Interest expense	-	183,445
Amortization of property and equipment	1,811,794	2,020,254
Bad debt expense, net of recovery	112,980	-
	$42,922,694	$42,764,332

17. Impact of Accounting for Capital Contributions on a Deferral Basis

As set out in Notes 2(a) and (j), the College is required to defer recognition of government transfers for capital and recognize them in revenue over the life of the funded asset. This policy is not in accordance with PSAS which requires that such transfers be deferred only if the funding agreements contain stipulations that create a liability and then to recognize revenue over the period that the liability is extinguished.

The impact of this difference from PSAS is as follows:

As at April 1, 2011	overstate liabilities, overstate net debt and understate accumulated surplus by $15,007,314
As at March 31, 2012	overstate liabilities, overstate net debt and understate accumulated surplus by $16,299,757
As at March 31, 2013	overstate liabilities, overstate net debt and understate accumulated surplus by $16,198,209
Year ended March 31, 2012	understate revenue and understate annual surplus by $1,292,443
Year ended March 31, 2013	overstate revenue and overstate annual surplus by $101,548