

SELKIRK COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

SELKIRK COLLEGE
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For the Year Ended March 31, 2016

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Management's Responsibility for Financial Reporting

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 for approval. The external auditor has full and free access to the Finance/Audit Committee.



Angus Graeme, President & CEO

May 16, 2016



Barb Ihlen, Director of Finance & Ancillary Services

May 16, 2016



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Independent Auditor's Report

To the Board of Directors of 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, 2016, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, 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, 2016 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 to Note 14 which describes the significant differences between such basis of accounting and Canadian public sector accounting standards.


Chartered Accountants

Cranbrook, BC
May 16, 2016

SELKIRK COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2016

	<u>March 31,</u> <u>2016</u>	<u>March 31,</u> <u>2015</u>
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 9,621,136	\$ 6,441,472
Accounts receivable (Note 3)	2,258,437	2,014,114
Inventories for resale (Note 4)	588,073	468,580
Portfolio investments (Note 5)	<u>8,377,104</u>	<u>8,617,286</u>
Total Assets	<u>20,844,750</u>	<u>17,541,452</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	7,116,397	5,556,673
Deferred revenue (Note 7)	5,913,672	6,273,682
Employee future benefits (Note 8)	4,432,856	4,377,205
Deferred capital contributions (Note 9)	<u>18,971,247</u>	<u>16,053,651</u>
Total Liabilities	<u>36,434,172</u>	<u>32,261,211</u>
NET FINANCIAL DEBT	<u>(15,589,422)</u>	<u>(14,719,759)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	26,488,787	25,138,160
Inventories held for use	32,623	31,892
Prepaid expenses	<u>342,428</u>	<u>307,161</u>
Total Non-Financial Assets	<u>26,863,838</u>	<u>25,477,213</u>
ACCUMULATED SURPLUS (Note 12)	<u>\$ 11,274,416</u>	<u>\$ 10,757,454</u>

D. Wallace

Chairperson, Board of Directors

Director of Finance & Ancillary Services

SELKIRK COLLEGE**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**For the Year Ended March 31, 2016

	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
REVENUE			
Government grants	\$ 26,057,305	\$ 26,003,636	\$ 25,974,917
Industry Trades Authority funding	1,939,344	2,040,901	2,020,300
Tuition	8,803,790	10,250,275	8,527,209
Sales	2,205,680	2,490,428	2,266,322
Investment income	250,000	481,582	283,004
Donations	200,000	201,030	132,695
Amortization of deferred capital contributions	1,049,836	1,102,763	1,019,621
Contracts and other revenue	<u>2,622,886</u>	<u>3,055,160</u>	<u>2,873,675</u>
	<u>43,128,841</u>	<u>45,625,775</u>	<u>43,097,743</u>
EXPENSES			
Academic programming and student support	27,118,934	28,844,513	26,937,628
Research & Innovation	866,790	935,645	923,713
Administrative support	4,825,531	4,927,160	4,470,978
Facilities support	8,029,200	8,026,270	8,236,070
Ancillary services	1,828,386	1,930,579	2,026,711
Foundation	<u>460,000</u>	<u>494,631</u>	<u>486,199</u>
	<u>43,128,841</u>	<u>45,158,798</u>	<u>43,081,299</u>
Annual surplus before endowment funding	-	466,977	16,444
Endowment contributions	<u>-</u>	<u>49,985</u>	<u>65,334</u>
ANNUAL SURPLUS	<u>-</u>	<u>516,962</u>	<u>81,778</u>
Accumulated surplus, beginning of year	<u>10,757,454</u>	<u>10,757,454</u>	<u>10,675,676</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 10,757,454</u>	<u>\$ 11,274,416</u>	<u>\$ 10,757,454</u>

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

SELKIRK COLLEGE**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT**For the Year Ended March 31, 2016

	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
Annual surplus (deficit)	\$ -	\$ 516,962	\$ 81,778
Acquisition of tangible capital assets	-	(3,091,899)	(623,229)
Amortization of tangible capital assets	1,366,517	1,364,642	1,452,054
Gain on disposal of tangible capital assets	-	(8,880)	-
Proceeds on sale of tangible capital assets	<u>-</u>	<u>385,510</u>	<u>-</u>
	<u>1,366,517</u>	<u>(1,350,627)</u>	<u>828,825</u>
Consumption (acquisition) of supplies inventories	-	(731)	1,175
Use of (acquisition of) prepaid expense	<u>-</u>	<u>(35,267)</u>	<u>35,048</u>
	<u>-</u>	<u>(35,998)</u>	<u>36,223</u>
Change in net financial debt	1,366,517	(869,663)	946,826
Net financial debt, beginning of year	<u>(14,719,759)</u>	<u>(14,719,759)</u>	<u>(15,666,585)</u>
Net financial debt, end of year	<u>\$ (13,353,242)</u>	<u>\$ (15,589,422)</u>	<u>\$ (14,719,759)</u>

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, 2016

	<u>2016</u>	<u>2015</u>
Cash Provided by (Used In)		
Operating Activities		
Annual surplus	\$ 516,962	\$ 81,778
Items not requiring an outlay of cash:		
Amortization of tangible capital assets	1,364,642	1,452,054
Amortization of deferred capital contributions	(1,102,763)	(1,019,621)
(Gain)/Loss on sale of assets	(8,880)	-
	<u>769,961</u>	<u>514,211</u>
Changes in Non-Cash Working Capital		
Accounts receivable	(244,323)	(461,879)
Prepaid expenses and deposits	(35,267)	35,048
Inventory for resale	(119,493)	16,664
Inventory held for use	(731)	1,175
Accounts payable and accrued liabilities	1,559,724	1,389,251
Deferred revenue	313,608	1,586,005
Accrued payroll benefits	55,651	(156,074)
	<u>1,529,169</u>	<u>2,410,190</u>
Capital Activities		
Acquisition of tangible capital assets	(3,091,899)	(623,229)
Disposition of tangible capital assets	385,510	-
Deferred capital contributions received	4,020,359	544,353
	<u>1,313,970</u>	<u>(78,876)</u>
Investing Activities		
(Increase)/decrease in investments, net	(433,436)	(85,193)
Net increase/(decrease) in Cash and Cash Equivalents	3,179,664	2,760,332
Cash and Cash Equivalents, beginning of year	<u>6,441,472</u>	<u>3,681,140</u>
Cash and Cash Equivalents, end of year	<u>\$ 9,621,136</u>	<u>\$ 6,441,472</u>

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

SELKIRK COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

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 was 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(k)(i) and 2(k)(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.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2016

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 a 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.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2016

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
Computer equipment and software	1-3 years

Amortization of assets under construction will not commence until the asset is put into service.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2016

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) Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization 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 includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

(k) 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.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2016

2. Summary of Significant Accounting Policies (continued)

(k) Revenue recognition (continued)

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:

- (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.

(l) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the 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.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2016

(m) Budget figures

Budget figures have been provided for comparative purposes and were approved by the Board of Governors of the College on June 2, 2015. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2016

3. Accounts receivable

Accounts receivable consists of the following:

	2016	2015
Federal government	\$ 415,213	\$ 90,910
Provincial government	620,072	231,615
Other	1,223,152	1,691,589
	<u>\$2,258,437</u>	<u>\$2,014,114</u>

4. Inventories for resale

	2016	2015
Bookstore	\$ 541,563	\$ 380,696
Cafeteria	46,510	41,153
Fuel	-	10,653
Maintenance	-	33,380
Pilot Store	-	2,698
	<u>\$ 588,073</u>	<u>\$ 468,580</u>

In 2016, a total of \$936,938 (2015 - \$1,025,679) 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.

5. 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	
	2016	2015	2016	2015
Portfolio investments in equity instruments that are quoted in an active market:				
Equities	\$3,885,147	\$3,484,278	\$4,204,674	\$4,359,629
Fixed Income	4,099,419	4,063,380	4,164,213	4,245,968
Financial assets:				
Life Annuity	8,217	11,689	8,217	11,689
	<u>\$7,992,783</u>	<u>\$7,559,347</u>	<u>\$8,377,104</u>	<u>\$8,617,286</u>

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2016

5. 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 \$21,979 (2015 - \$20,794).

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.

6. Accounts payable

Accounts payable includes \$349,999 (2015 - \$285,978) payable to the federal government for payroll deductions withheld and \$18,496 (2015 - \$14,822) for GST.

7. Deferred Revenue

	Beginning Balance	Unrealized Gain/(Loss)	Additions	Revenue Recognized	Ending Balance
Endowment Funds	\$ 2,008,648	\$ (673,618)	\$ 456,578	\$ (244,392)	\$ 1,547,216
Tuition	1,358,743		10,527,968	(10,244,779)	1,641,932
Industry Trades Authority	590,547		1,894,610	(2,043,281)	441,876
Other	2,310,818		3,010,540	(3,038,710)	2,282,648
SelAir	4,926		-	(4,926)	-
	<u>\$ 6,273,682</u>	<u>\$ (673,618)</u>	<u>\$ 15,889,696</u>	<u>\$(15,576,088)</u>	<u>\$ 5,913,672</u>

8. 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.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2016

8. Employee future benefits (continued)

Retirement benefit payments represent the College's share of the cost to provide employees with various benefits upon retirement. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation completed in March 2014. 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:

	2016	2015
Accrued benefit obligation		
Balance, beginning of year	\$1,007,340	\$1,031,026
Current service cost	231,791	164,840
Interest cost	42,600	38,800
Benefits paid	(138,800)	(173,900)
Actuarial loss (gain)	-	(53,426)
Accrued benefit obligation, end of year	<u>\$1,142,931</u>	<u>\$1,007,340</u>

(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.

	2016	2015
Holiday Pay	\$2,735,207	\$2,794,390
Sick Leave	1,142,931	1,007,340
Banked overtime	43,939	32,112
Retirement allowance	510,779	543,363
	<u>\$4,432,856</u>	<u>\$4,377,205</u>

(c) Pension Liability

The college and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trusted 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, 2015, the College Pension Plan has about 14,000 active members, and approximately 6,500 retired members. As at December 31, 2014, the Municipal Pension Plan has about 185,000 active members, with approximately 5,800 from colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012 indicated a \$105 million funding deficit for basic pension benefits. The next valuation will be August 31, 2015, with results available in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012 indicated a \$1,370 million funding deficit for

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2016

8. Employee future benefits (continued)

basic pension benefits. The next valuation will be December 31, 2015, with results available in 2016.

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.

Selkirk College paid \$2,318,996 for employer contributions to the plan in fiscal 2016 (\$2,257,161 - 2015).

9. 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:

	2016	2015
Balance, beginning of year	\$ 16,053,651	\$ 16,528,919
Contributions received during the year	4,020,359	544,353
Revenue recognized from deferred capital contributions	(1,102,763)	(1,019,621)
Balance, end of year	<u>\$ 18,971,247</u>	<u>\$ 16,053,651</u>

Selkirk College received contributions of \$943,625 that remain unspent at the end of fiscal year 2016.

10. Operating lease commitments

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

	Tenth Street Campus	Grand Forks Campus	Total
2016/17	331,054	68,000	399,054
2017/18	331,054	68,000	399,054
2018/19	331,054	68,000	399,054
2019/20	331,054	68,000	399,054
Thereafter	1,892,095	22,667	1,914,762
	<u>\$ 3,216,311</u>	<u>\$ 294,667</u>	<u>\$ 3,510,978</u>

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2016

11. Tangible capital assets

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.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

11. Tangible capital assets (continued)

	Land and land improvements	Buildings	Furniture and Equipment	Computer equipment and software	Leasehold improvements	Siteworks	SelAir Aircraft	Assets under- construction	2016 Total
Cost									
Opening Balance	\$ 90,000	\$ 38,077,971	\$ 26,027,860	\$ 1,868,867	\$ 13,820,721	\$ 1,462,199	\$ 1,190,288	\$ 229,630	\$ 82,767,536
Additions	-	2,650,621	414,903	-	-	-	-	26,375	3,091,899
Disposals	-	-	(864,604)	-	-	-	(1,190,288)	-	(2,054,892)
Transfers	-	229,630	-	-	-	-	-	(229,630)	-
Closing Balance	90,000	40,958,222	25,578,159	1,868,867	13,820,721	1,462,199	-	26,375	83,804,543
Accumulated amortization									
Opening Balance	-	22,353,294	24,863,633	1,747,009	6,394,304	1,348,277	922,859	-	57,629,376
Amortization	-	633,002	447,926	34,817	226,032	22,865	-	-	1,364,642
Disposal	-	-	(755,403)	-	-	-	(922,859)	-	(1,678,262)
	-	22,986,296	24,556,156	1,781,826	6,620,336	1,371,142	-	-	57,315,756
Net Book Value	\$ 90,000	\$ 17,971,926	\$ 1,022,003	\$ 87,041	\$ 7,200,385	\$ 91,057	\$ -	\$ 26,375	\$ 26,488,787

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

11. Tangible capital assets (continued)

	Land and land improvements	Buildings	Furniture and equipment	Computer equipment and software	Leasehold improvements	Siteworks	SelAir Aircraft	Assets under- construction	2015 Total
Cost									
Opening Balance	\$90,000	\$38,077,971	\$25,748,792	\$1,871,667	\$13,820,721	\$1,462,199	\$1,165,417	-	\$82,236,767
Additions	-	-	314,723	-	-	-	78,877	229,630	623,230
Disposals	-	-	(35,655)	(2,800)	-	-	(54,006)	-	(92,461)
Transfers	-	-	-	-	-	-	-	-	-
Closing Balance	90,000	38,077,971	26,027,860	1,868,867	13,820,721	1,462,199	1,190,288	229,630	82,767,536
Accumulated amortization									
Opening Balance	-	\$21,756,295	\$24,454,649	\$1,701,852	\$6,168,273	\$1,317,202	\$871,512	-	\$56,269,783
Amortization	-	596,999	443,992	47,957	226,031	31,075	106,000	-	1,452,054
Disposal	-	-	(35,008)	(2,800)	-	-	(54,653)	-	(92,461)
Closing Balance	-	22,353,294	24,863,633	1,747,009	6,394,304	1,348,277	922,859	-	57,629,376
Net book value	\$90,000	\$15,724,677	\$1,164,227	\$121,858	\$7,426,416	\$113,922	\$267,428	\$229,630	\$25,138,160

SELKIRK COLLEGE
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12. Accumulated surplus

Accumulated surplus is comprised of the following:

	2016	2015 Restated
Investment in tangible capital assets	\$8,291,165	\$9,084,509
Endowment fund	6,964,049	6,914,064
Internally restricted	9,751	50,602
Unrestricted	442,307	(914,516)
Unfunded employee future benefits	(4,432,856)	(4,377,205)
Balance, end of year	<u>\$11,274,416</u>	<u>\$10,757,454</u>

13. Expenses by object

The following is a summary of expenses by object:

	2016	2015
Salaries, wages and benefits	\$ 32,807,836	\$ 31,385,759
Supplies and services	9,766,697	9,282,645
Operating lease payments	619,147	515,413
Awards and donation payments	494,861	397,274
Management fees	49,691	47,513
Amortization of property and equipment	1,364,642	1,452,054
Bad debt expense, net of recovery	55,924	641
	<u>\$ 45,158,798</u>	<u>\$ 43,081,299</u>

14. 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:

Year ended March 31, 2015	overstate revenue and overstate annual surplus by \$475,268
Year ended March 31, 2015	overstate liabilities, overstate net debt and understate accumulated surplus by \$16,053,651
Year ended March 31, 2016	understate revenue and understate annual surplus by \$1,973,971
Year ended March 31, 2016	overstate liabilities, overstate net debt and understate accumulated surplus by \$18,027,622.