Financial Statements of

DOUGLAS COLLEGE

And Independent Auditor’s Report thereon

Year ended March 31, 2023

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, Finance and Investment Committee. The Audit, Finance and Investment 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 auditing standards, and expresses their opinion on the financial statements. The external auditor has full and free access to management of Douglas College and meets when required. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Douglas College:

Kathy Denton
President & Chief Executive Officer

June 22, 2023

Kayoko Takeuchi
Vice President, Administrative Services &
Chief Financial Officer

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Board of Douglas College, and

To the Minister of the Ministry of Post-Secondary Education and Future Skills, Province of British Columbia

Opinion

We have audited the financial statements of Douglas College (the "College"), which comprise:

- the statement of financial position as at March 31, 2023;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of remeasurement gains and losses for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2023 of the College 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter - Financial Reporting Framework

We draw attention to Note 2(a) to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

Emphasis of Matter - Comparative Information

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2022 has been restated.

Note 3 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022.

In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 College's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 22, 2023

DOUGLAS COLLEGE

Statement of Financial Position

Year ended March 31, 2023, with comparative information for 2022

		2023		2022
				(restated - note 3)
Financial assets				
Cash	$	90,949,396	$	75,673,318
Accounts receivable		1,612,878		1,300,862
Due from government (note 4)		7,631,110		3,563,036
Inventories held for resale		537,274		513,799
Investments (note 5)		96,223,070		95,852,134
		196,953,728		176,903,149
Liabilities				
Accounts payable and accrued liabilities		8,047,293		7,220,359
Salaries and wages payable		7,721,634		4,086,551
Accrued vacation pay		10,724,880		10,425,825
Employee future benefits (note 6)		1,230,000		1,055,400
Deferred revenue		36,711,349		34,896,394
Deferred leasehold inducements (note 7)		2,327,975		2,759,039
Deferred contributions (note 8)		4,106,073		7,067,129
Deferred capital contributions (note 9)		91,765,765		85,174,998
Obligations under capital lease (note 10)		137,479		266,564
Asset retirement obligations (note 11)		1,608,336		1,559,523
		164,380,784		154,511,782
Net financial assets		32,572,944		22,391,367
Non-financial assets				
Prepaid expenses		2,935,060		2,419,405
Tangible capital assets (note 12)		133,008,211		130,185,946
		135,943,271		132,605,351
Accumulated surplus	$	168,516,215	$	154,996,718
Accumulated surplus is comprised of:				
Accumulated surplus	$	168,647,707	$	154,777,352
Accumulated remeasurement gains (losses)		(131,492)		219,366
	$	168,516,215	$	154,996,718

Contractual obligations (note 15)
Contingent liabilities (note 16)
Subsequent event (note 21)

See accompanying notes to financial statements.

College Board Chair

Vice President, Administrative Services &
Chief Financial Officer

DOUGLAS COLLEGE

Statement of Operations and Accumulated Surplus

Year ended March 31, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
	(note 20)		(restated - note 3)
Revenue:			
Province of British Columbia grants	$ 69,060,000	$ 72,075,744	$ 68,645,661
Tuition fees	83,381,000	83,915,358	78,752,997
Contracts, contributions and other grants	19,871,000	23,920,902	20,725,693
Amortization of deferred capital contributions	4,300,000	4,362,732	4,628,883
Ancillary	5,900,000	4,205,039	3,846,203
Investment income	3,400,000	3,613,281	9,370,540
Sundry	3,987,000	4,097,374	4,092,553
	189,899,000	196,190,430	190,062,530
Expenses (note 17):			
Instruction and support	180,971,000	178,660,105	168,906,131
Ancillary	5,030,000	3,659,970	4,054,513
	186,001,000	182,320,075	172,960,644
Annual surplus	3,898,000	13,870,355	17,101,886
Accumulated surplus, beginning of year	154,558,000	154,777,352	138,865,481
Adjustment on adoption of the asset retirement obligation standard (note 3)	-	-	(1,190,015)
Accumulated surplus, beginning of year, as restated	154,558,000	154,777,352	137,675,466
Accumulated surplus, end of year	$ 158,456,000	$ 168,647,707	$ 154,777,352

See accompanying notes to financial statements.

DOUGLAS COLLEGE

Statement of Changes in Net Financial Assets

Year ended March 31, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
	(note 20)		(restated - note 3)
Annual surplus	$ 3,898,000	$ 13,870,355	$ 17,101,886
Acquisition of tangible capital assets	(17,401,000)	(13,200,474)	(6,793,031)
Amortization of tangible capital assets	10,900,000	10,378,209	10,950,444
	(6,501,000)	(2,822,265)	4,157,413
Acquisition of prepaid expenses	-	(2,458,414)	(1,981,359)
Use of prepaid expenses	-	1,942,759	2,051,670
	-	(515,655)	70,311
Net remeasurement losses	(800,000)	(350,858)	(4,996,442)
Change in net financial assets (debt)	(3,403,000)	10,181,577	16,333,168
Net financial assets, beginning of year	22,158,000	22,391,367	7,570,391
Adjustment on adoption of the asset retirement obligation standard (note 3)	-	-	(1,512,192)
Net financial assets, beginning of year as restated	22,158,000	22,391,367	6,058,199
Net financial assets, end of year	$ 18,755,000	$ 32,572,944	$ 22,391,367

See accompanying notes to financial statements.

DOUGLAS COLLEGE
Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
		(restated - note 3)
Cash flows provided by (used in):		
Operating activities:		
Annual surplus	$ 13,870,355	$ 17,101,886
Items not involving cash:		
Amortization of tangible capital assets	10,378,209	10,950,444
Amortization of deferred capital contributions	(4,362,732)	(4,628,883)
Amortization of deferred leasehold inducements	(431,064)	(476,030)
Asset retirement obligations accretion expense	48,813	47,331
	19,503,581	22,994,748
Changes in non-cash operating working capital:		
Accounts receivable	(312,016)	200,423
Due from government	(4,068,074)	(1,491,399)
Prepaid expenses	(515,655)	70,311
Inventories held for resale	(23,475)	111,308
Accounts payable and accrued liabilities	826,934	1,242,052
Salaries and wages payable	3,635,083	266,222
Accrued vacation pay	299,055	50,079
Employee future benefits	174,600	156,000
Deferred revenue	1,814,955	8,009,888
Deferred contributions	(2,961,056)	2,482,746
	18,373,932	34,092,378
Capital activities:		
Acquisition of tangible capital assets	(13,200,474)	(6,793,031)
Financing activities:		
Deferred capital contributions received	10,953,499	5,449,927
Payment of obligations under capital lease	(129,085)	(126,813)
Deferred leasehold inducement received	-	142,857
	10,824,414	5,465,971
Investing activities:		
Net acquisitions of investments	(721,794)	(8,602,260)
Increase in cash	15,276,078	24,163,058
Cash, beginning of year	75,673,318	51,510,260
Cash, end of year	$ 90,949,396	$ 75,673,318

See accompanying notes to financial statements.

DOUGLAS COLLEGE
Statement of Remeasurement Gains and Losses

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Accumulated remeasurement gains, beginning of year	$ 219,366	$ 5,215,808
Unrealized gains (losses) attributed to fair value of investments:		
Equities pooled funds	(1,019,220)	4,558,446
Fixed income	(673,102)	(2,342,766)
Remeasurement (gains) losses realized and reclassified to the Statement of Operations and Accumulated Surplus:		
Equities pooled funds	220,263	(8,441,033)
Fixed income	1,121,201	1,228,911
Net remeasurement losses for the year	(350,858)	(4,996,442)
Accumulated remeasurement gains (losses), end of year	$ (131,492)	$ 219,366

See accompanying notes to financial statements.

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 Post-Secondary Education and Future Skills (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 PS 4200 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.

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

2. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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 PS 3410; 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 PS 3100.

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

(b) 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 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, liabilities for contaminated sites and asset retirement obligations, 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.

(c) Foreign currency translation:

Foreign currency transactions are translated into Canadian dollars at the exchange rate prevailing at the date of the transactions. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or Statement of Financial Position date is recognized in the Statement of Remeasurement Gains and Losses.

(d) Financial instruments:

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

(*i*) Fair value category: Investments 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 Accumulated Surplus and related balances are reversed from the Statement of Remeasurement Gains and Losses.

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

(*ii*) Cost category: 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 financial assets are recorded on the trade date. Transaction costs related to the acquisition of financial assets 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 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.

(e) Inventories held for resale:

Inventories held for resale 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.

(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, 2023. The next valuation will be as at March 31, 2024.

(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 against supplies and services expense.

(h) Contaminated sites:

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

(*i*) An environmental standard exists;

(*ii*) Contamination exceeds the environmental standard;

(*iii*) The College is directly responsible or accepts responsibility;

(*iv*) It is expected that future economic benefits will be given up; and

(*v*) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of costs directly attributable to remediation activities and the cost of post-remediation operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

2. Significant accounting policies (continued):

(i) Prepaid expenses:

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

(j) Tangible capital assets:

Tangible capital assets are initially 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.

Asset	Period
Buildings	25 - 75 years
Furniture and equipment	4 - 5 years
Leased capital equipment	Lesser of 4 years or lease term
Leasehold improvements	Lesser 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.

(k) Leased tangible capital assets:

Leases that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(l) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

(i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;

(*ii*) The past transaction or event giving rise to the liability has occurred;

(*iii*) It is expected that future economic benefits will be given up; and

(*iv*) A reasonable estimate of the amount can be made.

The liability is measured at the best estimate of the future cash flows required to settle the liability, discounted using a present value calculation, and adjusted yearly for accretion expense. The estimated amount of the asset retirement obligation is capitalized as part of the carrying value of the related tangible capital asset and amortized over the life of the asset following the amortization accounting policies outlines in note 2(j).

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2. Significant accounting policies (continued):

(l) Asset retirement obligation (continued):

Under the modified retroactive transitional method, the discount rate and assumptions used on initial recognition are those at the date of adoption of the accounting standard, which is April 1, 2022. Subsequent to the initial adoption, the asset retirement obligation is adjusted each year for changes in factors such as the amount and timing of expected underlying cash flows or the discount rate, with the offsetting amount recorded to the carrying amount of the related tangible capital asset.

(m) 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 classed 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.

(n) Expenses:

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

3. Changes in accounting policies:

PS 3280 Asset Retirement Obligations:

On April 1, 2022, the College adopted public sector accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos or other hazardous materials removal in retired buildings, by public sector entities.

The College has recognized an asset retirement obligation relating to buildings owned by the College that were originally constructed between 1981 and 2008. As at implementation of the accounting standard, the buildings had an average expected remaining useful life of 45 years.

3. Changes in accounting policies (continued):

The College has adopted the new accounting standard using the modified retroactive transitional provisions, which results in the restatement of the comparative information as at and for the year ended March 31, 2022 as follows:

	As previously stated	Adjustment	As restated
Statement of Financial Position:			
Asset retirement obligations	$ -	$ 1,559,523	$ 1,559,523
Net financial assets	23,950,890	(1,559,523)	22,391,367
Tangible capital assets	129,871,276	314,670	130,185,946
Accumulated surplus	156,241,571	(1,244,853)	154,996,718
Statement of Operations and Accumulated Surplus:			
Instruction and support expenses	168,851,293	54,838	168,906,131
Annual surplus	17,156,724	(54,838)	17,101,886
Accumulated surplus, beginning of year	138,865,481	(1,190,015)	137,675,466
Accumulated surplus, end of year	156,022,205	(1,244,853)	154,777,352
Statement of Changes in Net Financial Assets			
Annual surplus	17,156,724	(54,838)	17,101,886
Amortization of tangible capital assets	10,942,937	7,507	10,950,444
Change in net financial assets	16,380,499	(47,331)	16,333,168
Net financial assets, beginning of year	7,570,391	(1,512,192)	6,058,199
Net financial assets, end of year	23,950,890	(1,559,523)	22,391,367
Statement of Cash Flows:			
Annual surplus	17,156,724	(54,838)	17,101,886
Amortization of tangible capital assets	10,942,937	7,507	10,950,444
Asset retirement obligations accretion expense	-	47,331	47,331

4. Due from government:

	2023	2022
Provincial government	$ 6,123,740	$ 2,381,838
Federal government	1,507,370	1,181,198
	$ 7,631,110	$ 3,563,036

5. Financial instruments:

Financial instruments measured at fair value held within each type of investment are classified according to a hierarchy that 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:

	2023	2022
Level 1:		
Money market pooled funds	$ 1,024,663	$ 1,938,585
Canadian equities	24,719,207	24,939,263
United States equities	24,205,160	24,993,812
	49,949,030	51,871,660
Level 2:		
Fixed income:		
Government	24,157,933	23,868,413
Corporate	22,116,107	20,112,061
	46,274,040	43,980,474
	$ 96,223,070	$ 95,852,134

The nature and extent of risks arising from investments and how they have been managed are described in note 13.

6. Employee future benefits:

The College covers the cost of extended health and dental coverage for eligible employees on disability leave. The total expense for the period is the sum of the actual cash benefits paid in the year and the change in the accrued benefit obligation.

The accrued benefit obligation is equal to the actuarial present value of the cost of future benefits to be paid for eligible employees who were, at the time, on disability leave as follows:

	2023	2022
Accrued benefit obligation, beginning of the year	$ 1,055,400	$ 899,400
Increase in accrued benefit obligation	174,600	156,000
Accrued benefit obligation, end of the year	$ 1,230,000	$ 1,055,400

As the College recognizes actuarial gains or losses immediately, the accrued benefit obligation equals the accrued benefit liability.

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

	2023	2022
Discount rate	3.81%	3.22%
Medical trend	6.43%	6.58%
Dental trend	5.27%	5.35%

7. Deferred leasehold inducements:

Deferred leasehold inducements relate to leasehold improvements at the Anvil Centre location with an initial lease term of 10 years, and the Langley WorkBC location with an initial lease term of 9 years.

	2023	2022
Balance, beginning of the year	$ 2,759,039	$ 3,092,212
Leasehold inducement additions	-	142,857
Less amortization recorded net of rent expense	(431,064)	(476,030)
Balance, end of year	$ 2,327,975	$ 2,759,039

8. Deferred contributions:

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

	2023	2022
Provincial	$ 2,686,464	$ 4,087,712
Federal	763,311	2,306,885
Other	656,298	672,532
	$ 4,106,073	$ 7,067,129

Changes in the deferred contribution balance are as follows:

	Provincial	Federal	Other	2023 Total
Balance, beginning of year	$ 4,087,712	$ 2,306,885	$ 672,532	$ 7,067,129
Contributions received during the year	11,182,470	6,504,721	887,459	18,574,650
Revenue recognized from deferred contributions	(12,583,718)	(8,048,295)	(903,693)	(21,535,706)
Balance, end of year	$ 2,686,464	$ 763,311	$ 656,298	$ 4,106,073

	Provincial	Federal	Other	2022 Total
Balance, beginning of year	$ 4,178,993	$ 103,633	$ 301,757	$ 4,584,383
Contributions received during the year	13,967,004	7,519,500	1,181,535	22,668,039
Revenue recognized from deferred contributions	(14,058,285)	(5,316,248)	(810,760)	(20,185,293)
Balance, end of year	$ 4,087,712	$ 2,306,885	$ 672,532	$ 7,067,129

9. Deferred capital contributions:

	2023	2022
Balance, beginning of year	$ 85,174,998	$ 84,353,954
Contributions received during the year	10,953,499	5,449,927
Amortization of deferred capital contributions	(4,362,732)	(4,628,883)
Balance, end of year	$ 91,765,765	$ 85,174,998

Included in the balance at March 31, 2023 are unspent deferred capital contributions of $1,865,000 (2022 - $2,482,883).

10. Obligations under capital lease

The College has entered into capital leases to finance computers and equipment at an estimated cost of borrowing of 1.64% (2022 -1.64%) per annum. The principal and interest payments are as follows:

	2023	2022
2023	$ -	$ 132,719
2024	123,092	123,092
2025	15,765	15,765
Total minimum lease payments	138,857	271,576
Less amounts representing interest	(1,378)	(5,012)
Present value of net minimum capital lease payments	$ 137,479	$ 266,564

Total interest payments on capital leases for the year were $3,634 (2022 - $5,905).

11. Asset retirement obligations:

Following the adoption of PS3280 Asset Retirement Obligations, the College recognized a legal obligation relating to the removal and post-removal care of asbestos and other hazardous materials present in its buildings as estimated at April 1, 2022. These buildings have an average estimated remaining useful life of 45 years.

Estimated costs have been discounted at the present value using a discount rate of 3.13% per annum. As at March 31, 2023, the undiscounted cash flows are $5,469,196.

The transition and recognition of the asset retirement obligation involved an accompanying increase to the Buildings capital asset and the restatement of prior year numbers (see note 3).

Changes to the asset retirement obligations in the year are as follows:

	2023	2022
Balance, beginning of year	$ 1,559,523	$ -
Adjustment on adoption of the asset retirement obligation standard (note 3)	-	1,512,192
Balance, beginning of year, as restated	1,559,523	1,512,192
Accretion expense	48,813	47,331
Balance, end of year	$ 1,608,336	$ 1,559,523

12. Tangible capital assets:

Cost	Balance, March 31, 2022	Additions	Disposals	Balance, March 31, 2023
	(restated - note 3)			
Land and land improvements	$ 4,939,557	$ -	$ -	$ 4,939,557
Buildings	215,119,891	9,707,496	-	224,827,387
Furniture and equipment	25,334,228	3,489,441	(4,078,522)	24,745,147
Leasehold improvements	9,935,648	3,537	-	9,939,185
	$ 255,329,324	$ 13,200,474	$ (4,078,522)	$ 264,451,276

Accumulated amortization	Balance, March 31, 2022	Disposals	Amortization expense	Balance, March 31, 2023
	(restated - note 3)			
Land and land improvements	$ -	$ -	$ -	$ -
Buildings	106,039,595	-	4,979,097	111,018,692
Furniture and equipment	15,445,868	(4,078,522)	4,399,687	15,767,033
Leasehold improvements	3,657,915	-	999,425	4,657,340
	$ 125,143,378	$ (4,078,522)	$ 10,378,209	$ 131,443,065

Net book value	Balance, March 31, 2022	Balance, March 31, 2023
	(restated - note 3)	
Land and land improvements	$ 4,939,557	$ 4,939,557
Buildings	109,080,296	113,808,695
Furniture and equipment	9,888,360	8,978,114
Leasehold improvements	6,277,733	5,281,845
	$ 130,185,946	$ 133,008,211

Included in buildings is $4,285,027 of assets under construction that will not be amortized until the assets are available for productive use (2022 - buildings $4,129,960).

13. 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 government and investments.

The College is exposed to credit risk in the event of non-performance by a debtor. 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.

- 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.

- 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.

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 A62 ("A62"). The bond mandate is managed in a segregated, laddered, buy-and-hold portfolio, subject to the quality constraints of A62.

13. Risk management (continued):

(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.

There has been no change to any of the risk exposure from the prior period.

14. Contractual rights:

The College has entered into multi-year contracts with third party entities to receive the following amounts:

2024	$ 18,601,827
2025	6,054,850
2026	2,522,883
2027	2,367,923
2028	165,730

15. Contractual obligations:

The nature of the College's activities can result in multi-year 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:

	Construction Contracts	Service Contracts	Operating Leases
2024	$ 6,765,358	$ 5,196,200	$ 4,489,336
2025	399,865	2,022,700	4,569,294
2026	312,378	1,108,400	4,466,121
2027	322,878	346,400	4,509,135
2028	26,700	36,100	3,684,515
Thereafter	-	-	1,448,821

16. 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 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.

17. Expenses by object:

The following is a summary of expenses by object:

	2023	2022
		(restated - note 3)
Salaries and benefits	$ 132,286,409	$ 125,992,280
Supplies and services	36,068,968	31,786,348
Cost of goods sold	2,248,456	2,570,728
Amortization of tangible capital assets	10,378,209	10,950,444
Scholarships, bursaries and awards	1,338,033	1,660,844
	$ 182,320,075	$ 172,960,644

18. Pension plans:

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trusteed pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2022, the College Pension Plan has about 16,600 active members, and approximately 10,100 retired members. As at December 31, 2022, the Municipal Pension Plan has about 240,000 active members, including approximately 7,000 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, 2021, indicated a $202 million surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2021, indicated a $3,761 million funding surplus for basic pension benefits on a going concern basis.

The College paid $9,567,552 (2022 - $9,529,389) for employer contributions to the plans in fiscal 2023.

The next valuation for the College Pension Plan will be as at August 31, 2024, with results available in 2025. The next valuation for the Municipal Pension Plan will be December 31, 2024, with results available in 2025.

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 each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

19. 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 the provincial government are shown in note 4.

(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. The assets of the Foundation as at March 31, 2023 total $23,478,689 (2022 - $23,498,407), of which $19,914,671 (2022 - $20,113,421) 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 $1,548,184 in fiscal 2023 (2022 - $1,845,731) to the Foundation to support student financial aid.

20. Budget information:

Budget information has been provided for comparative purposes and reflects the budget approved by the Board on March 24, 2022.

21. Subsequent event:

On April 17, 2023, there was an amendment to the Foundation's bylaws which resulted in the Foundation being controlled by the College. This will result in the consolidation of the College and Foundation financial results for fiscal 2024.