



Financial Statements of

VANCOUVER COMMUNITY COLLEGE

And Independent Auditor's Report

Year ended March 31, 2023

VANCOUVER COMMUNITY COLLEGE

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 of the financial statements and schedules, 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 Vancouver Community College Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Finance and Audit Committee. The Finance and Audit Committee reviews the internal financial statements on a quarterly basis and external audited financial statements yearly. The Finance and Audit Committee also discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, KPMG LLP, conducts an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Vancouver Community College and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Vancouver Community College:



Ajay Patel
President and CEO
May 31, 2023



Jamie Choi
Executive Director, Finance & CFO
May 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of Vancouver Community 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 Vancouver Community College (the "Entity"), 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 debt for the year then ended
- the statement of cash flows 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 Entity 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 Entity 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, 2023 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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
May 31, 2023

VANCOUVER COMMUNITY COLLEGE

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 3)
Financial assets		
Cash and cash equivalents	\$ 68,754,053	\$ 54,516,168
Investments (note 4)	8,237,500	237,500
Accounts receivable	8,526,809	3,927,642
Due from government and government organizations (note 5)	1,386,322	1,300,165
Inventories for resale	903,989	941,818
	87,808,673	60,923,293
Liabilities		
Accounts payable and accrued liabilities (note 6)	52,264,368	43,745,404
Due to government and government organizations (note 5)	7,611	866,012
Employee future benefits (note 7)	2,676,000	2,737,000
Deferred tuition fees (note 8)	17,980,193	10,106,329
Deferred revenue (note 9)	9,024,894	11,281,506
Deferred capital contributions (note 10)	87,724,276	71,774,115
Asset retirement obligation (note 3)	4,862,938	4,862,938
Capital lease obligation (note 11)	401,723	1,044,270
	174,942,003	146,417,574
Net debt	(87,133,330)	(85,494,281)
Non-financial assets		
Tangible capital assets (note 12)	104,293,277	101,224,850
Inventories held for use	114,893	115,143
Prepaid expenses	968,023	1,286,754
	105,376,193	102,626,747
Accumulated surplus	\$ 18,242,863	\$ 17,132,466

Contractual obligations and contractual rights (notes 14 and 15)

Contingent liabilities (note 16)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Ajay Patel
President
May 31, 2023



Joey Hartman
Chair of the Board
May 31, 2023

VANCOUVER COMMUNITY COLLEGE

Statement of Operations and Accumulated Surplus

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

	Budget	2023	2022
	(note 2 j)		(Restated - note 3)
Revenue			
Province of British Columbia grants and contributions	\$ 64,505,734	\$ 55,928,520	\$ 63,908,975
Province of British Columbia contracts	2,167,223	2,749,801	3,775,143
Federal Government grants and contracts	4,612,496	4,486,964	4,518,369
Tuition and student fees	57,768,217	63,463,439	50,027,285
Sales of goods and services	3,677,220	4,788,600	3,576,645
Other grants and contracts	869,291	1,502,312	117,600
Miscellaneous income	2,793,978	3,162,922	2,570,296
Investment income	380,000	2,351,416	409,991
Revenue recognized from deferred capital contributions	5,351,640	5,533,824	5,769,288
	142,125,799	143,967,798	134,673,592
Expenses (note 17)			
Instruction and instructional support	135,647,335	136,047,016	130,535,747
Ancillary operations	5,318,464	5,772,926	4,645,514
Special purpose	1,160,000	1,037,459	963,998
	142,125,799	142,857,401	136,145,259
Annual surplus (deficit) before the undernoted	\$ -	\$ 1,110,397	\$ (1,471,667)
Gain on transfer of capital lease (note 11)	\$ -	-	\$ 1,356,625
Annual surplus (deficit)	\$ -	\$ 1,110,397	\$ (115,042)
Accumulated surplus, beginning of year (note 3)	17,132,466	17,132,466	17,247,508
Accumulated surplus, end of year	\$ 17,132,466	\$ 18,242,863	\$ 17,132,466

See accompanying notes to financial statements.

VANCOUVER COMMUNITY COLLEGE

Statement of Changes in Net Debt

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

	Budget	2023	2022
	(note 2 j)		(Restated - note 3)
Annual surplus (deficit)	\$ -	\$ 1,110,397	\$ (115,042)
Acquisition of tangible capital assets	(3,000,000)	(12,225,446)	(8,903,674)
Acquisition of tangible capital assets through capital lease	564,569	-	(22,234)
Amortization of tangible capital assets	9,021,893	9,157,019	9,793,072
Disposal of tangible capital assets	-	-	36,035
Transfer of tangible capital assets under capital lease (note 11)	-	-	8,609,094
	6,586,462	(3,068,427)	9,512,293
Acquisition of inventories	-	(114,893)	(115,143)
Acquisition of prepaid expenses	-	(968,023)	(1,286,754)
Use of inventories	-	115,143	101,611
Use of prepaid expenses	-	1,286,754	957,260
	-	318,981	(343,026)
Decrease (increase) in net debt	6,586,462	(1,639,049)	9,054,225
Net debt, beginning of year (note 3)	(85,494,281)	(85,494,281)	(94,548,506)
Net debt, end of year	\$ (78,907,819)	\$ (87,133,330)	\$ (85,494,281)

See accompanying notes to financial statements.

VANCOUVER COMMUNITY COLLEGE

Statement of Cash Flows

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

	2023	2022
Cash provided by (used in):		(Restated - note 3)
Operating activities:		
Annual surplus (deficit)	\$ 1,110,397	\$ (115,042)
Items not involving cash:		
Amortization of tangible capital assets	9,157,019	9,793,072
Revenue recognized from deferred capital contributions	(5,533,824)	(5,769,288)
Change in employee future benefits	(61,000)	150,000
Change in non-cash operating working capital:		
Increase in accounts receivable	(4,599,167)	(854,120)
Decrease (increase) in inventories for resale	37,829	(3,471)
Decrease in due from government and other government organizations	(86,157)	(1,111,352)
Decrease (increase) in prepaid expenses	318,731	(329,494)
Decrease (increase) in inventories held for use	250	(13,532)
Increase in accounts payable and accrued liabilities	8,518,964	9,345,390
Increase (decrease) in due to Province of British Columbia and other government organizations	(858,401)	124,569
Increase in deferred tuition fees	7,873,864	3,091,846
Increase (decrease) in deferred revenues	(2,256,612)	1,563,683
Gain on transfer of capital lease	-	(1,356,625)
Net change in cash from operating activities	13,621,893	14,515,636
Investing activities:		
Purchase of investments	(8,000,000)	-
Net change in cash from investing activities	(8,000,000)	-
Capital activities:		
Acquisition of tangible capital assets	(12,225,446)	(8,889,873)
Net change in cash from capital activities	(12,225,446)	(8,889,873)
Financing activities:		
Principle payment on capital lease obligation	(642,547)	(841,385)
Deferred capital contributions received	21,483,985	7,390,036
Net change in cash from financing activities	20,841,438	6,548,651
Net increase in cash and cash equivalents	14,237,885	12,174,414
Cash and cash equivalents, beginning of year	54,516,168	42,341,754
Cash and cash equivalents, end of year	\$ 68,754,053	\$ 54,516,168
Supplemental information on non-cash items:		
Gain on transfer of capital lease: (note 11)		
Transfer of tangible capital assets	\$ -	\$ (8,609,094)
Transfer of capital lease obligation	-	6,828,518
Transfer of deferred capital contributions	-	3,137,201
	\$ -	\$ 1,356,625
Tangible capital assets acquired through capital lease obligations	\$ -	\$ 22,234
Interest received during the year	2,351,416	409,991
Interest paid during the year	38,427	357,966

See accompanying notes to financial statements.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements

Year ended March 31, 2023

1. Authority, Purpose and Nature of Operations:

Vancouver Community College (the "College") is a post-secondary educational institution funded in part by the Province of British Columbia and incorporated under the College and Institute Act on November 28, 1978. The College is a not-for-profit entity governed by a Board of Governors, the majority of whom are appointed by the provincial government of British Columbia. The College is exempt from income taxes under Section 149 of the *Income Tax Act*.

The College serves a diverse urban community by providing excellent programs and services that prepare learners for ongoing education, direct entry into employment, career advancement and greater participation in the community.

2. Significant accounting policies:

These financial statements of the College are prepared by management in accordance with the basis of accounting described below. Significant accounting policies are as follows:

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

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

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors. 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.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian Public Sector Accounting Standards which requires government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with Public Sector Accounting Standard PS3410. 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) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) Financial instruments:

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

(i) Fair value category: Portfolio investments in equity instruments that are quoted in an active market and derivative instruments 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 is 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 reversed from the Statement of Remeasurement Gains and Losses.

(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 investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

(iii) The College does not have any financial instruments that are recorded at fair value and hence does not have any remeasurement gains and losses.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

(iv) The following items are included in the cost category and measured as follows:

- (A) Accounts receivable are measured at amortized cost using the effective interest method.
- (B) Investments are comprised of a term deposit that is capable of prompt liquidation and redeemable annually for the next 4-years. The investments are cashable on demand and are recorded at amortized cost based on the transaction price on the trade date. All interest income, gains and losses are recognized in the Statement of Operations and Accumulated Surplus in the period in which they arise.
- (C) Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

(d) Inventories for resale:

Inventories held for resale, including books and school 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 the estimated selling price less any costs to sell. Inventories are written down to net realizable value when the cost of inventories is estimated not to be recoverable. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of write down previously recorded is reversed.

(e) 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.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest during construction is capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value.

Asset	Basis
Buildings	30 - 50 years
Building improvements	15 years
Furniture and equipment	5 years
Leasehold improvements	Remaining lease term
Computer hardware and software	4 years
Computer equipment under capital lease	3 - 5 years

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) Tangible capital assets (continued):

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the College's ability to provide goods and services.

Leases of tangible capital assets which transfer substantially all the benefits and risks of ownership are accounted for as leased tangible capital assets. Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs. The maximum-recorded value of the leased assets cannot exceed the leased property's fair value when determining the discount rate to be used.

(ii) Inventories held for use:

Inventories held for use 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 cost to replace the items.

(iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period where the service benefits are received.

(f) Employee future benefits:

(i) The College and its employees make contributions to the College Pension and Municipal Pension Plans which are multi-employer joint trustee plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings. Defined contribution plan accounting is applied because the assets and liabilities of the plan are not segregated by employer. Contributions are expensed as they become payable.

(ii) Sick leave benefits are also available to the College's employees. The costs of these benefits are actuarially determined based on length of service and best estimates of benefit usage, retirement ages and expected future salary and wage increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected employee average remaining service life.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(f) Employee future benefits (continued):

(iii) The College provides long-service and gratuity benefits to the employees. The costs of these benefits are actuarially determined based on length of service and best estimates of benefit usage, retirement ages and expected future salary and wage increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected employee average remaining service life.

(iv) Employees who are retiring at age 55 or over and who receive pension under the provisions of the Pension Act, receive a benefit where the College pays for the premiums of Group Life Insurance coverage in the amount of \$10,000 for a period of 5-years from the date of retirement.

(v) Certain College employees are entitled to the continuation of health and dental benefits while on disability leave. The costs of insured benefits reflected in these financial statements are the employer's portion of the insurance premiums owed for coverage of employees during the period.

The most recent valuation of the College's future employee benefits as described in (ii) to (v) was estimated by an actuarial valuation completed on March 31, 2021 with results extrapolated to March 31, 2023.

(g) Revenue recognition:

(i) Fees for services:

Tuition fees are collected in advance and recognized as revenue at the time services are provided. 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.

(ii) Contributions:

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

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 in accordance with Regulation 198/2011 (Note 2(a)) which requires that they be 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.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(g) Revenue recognition (continued):

(ii) Contributions (continued):

Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred revenue and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

(iii) Investment income:

Investment income includes interest recorded on an effective interest method, dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

(h) Expense recognition:

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

(i) Foreign currency translation:

The College's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the Statement of Financial Position date. 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 Operations and Accumulated Surplus.

(j) Budget information:

The budget information has been derived from the 2022/23 Budget approved by the Board of Governors of the College on March 30, 2022. The Budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

(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 useful lives of tangible capital assets, amortization of related deferred capital contributions, the present value of employee future benefits, and provisions for contingencies and commitments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(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 College's asset retirement obligation is primarily related to the removal of asbestos in buildings.

The estimate of the asset retirement obligation includes undiscounted costs directly attributable to the asset retirement activities and is recorded as a liability and increase to the related tangible capital assets. The amount capitalized in tangible capital assets is amortized using the amortization accounting policy outlined in Note 2(e)(i).

The carrying value of the liability is reconsidered at each financial reporting date with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the asset retirement obligation liability and tangible capital assets.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Asset retirement obligation:

On April 1, 2022, the College adopted Canadian 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. 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 obligation liability	\$ -	\$ 4,862,938	\$ 4,862,938
Tangible capital assets	97,579,930	3,644,920	101,224,850
Accumulated surplus	18,350,484	(1,218,018)	17,132,466
Statement of operations and accumulated surplus:			
Instruction and instructional support	130,414,174	121,573	130,535,747
Annual surplus (deficit)	6,531	(121,573)	(115,042)
Accumulated surplus, beginning of year	18,343,953	(1,096,445)	17,247,508
Statement of changes in net debt:			
Annual surplus (deficit)	6,531	(121,573)	(115,042)
Amortization of tangible capital assets	9,671,499	121,573	9,793,072
Net debt, beginning of year	(89,685,568)	(4,862,938)	(94,548,506)
Statement of cash flows:			
Cash flows from operating activities:			
Annual surplus (deficit)	6,531	(121,573)	(115,042)
Amortization of tangible capital assets	9,671,499	121,573	9,793,072

4. Investments:

Investments consist of:

- (a) \$237,500 - a guaranteed investment certificate ("GIC") with an automatic monthly renewal that bears interest of 0.2% per annum.
- (b) \$10 million - Five-in-One GIC, with a \$2 million distribution amount redeemable annually in April, that bears interest of 3.6% per annum. As at March 31, 2023, \$2 million has been classified as cash and cash equivalents due to the redeemable nature of the distribution amount.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

5. Due from / to government and government organizations:

	2023		2022	
Due from the Province of British Columbia	\$	20,300	\$	72,351
Due from the Federal Government		1,366,022		1,227,814
	\$	1,386,322	\$	1,300,165
Due to the Province of British Columbia	\$	7,611	\$	13,048
Due to BCIT		-		852,964
	\$	7,611	\$	866,012

The amounts due from and due to are due on demand and are non-interest bearing.

6. Accounts payable and accrued liabilities:

	2023		2022	
Accounts payable and accrued liabilities	\$	10,543,074	\$	9,240,609
Salaries and benefits payable		9,240,783	\$	6,776,117
Accrued vacation payable		3,504,885	\$	3,563,707
Student deposits		28,975,626	\$	24,164,971
	\$	52,264,368	\$	43,745,404

7. Employee future benefits:

(a) Pension plan:

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits 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.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

7. Employee future benefits (continued):

(a) Pension plan (continued):

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 \$7,401,858 (2022 - \$7,433,104) for employer contributions to the plans in fiscal 2023.

The next valuation for the College Pension Plan will be as at August 31, 2024. 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.

(b) Employee future benefits:

		2023	2022
Sick leave (i)	\$	1,296,000	\$ 1,292,000
Long-service and gratuity (ii)		239,000	266,000
Long term disability health & dental benefits (iii)		1,053,000	1,082,000
Retiree life insurance benefits (iv)		88,000	97,000
Accrued benefit liability, end of year	\$	2,676,000	\$ 2,737,000

(i) Certain employees of the College are entitled to sick leave benefits in accordance with the terms and conditions of their employment contracts. These include post-retirement benefits, benefits that are expected to be provided after employment but prior to retirement and which vest or accumulate during service; and compensated absence benefits, benefits paid during employment, including sick pay benefits that accumulate and are payable upon a future illness or injury-related absence. The benefit expense associated with the covered benefits attributed to the accounting period is included in the College's Statement of Operations and Accumulated Surplus and the accrued benefit liability for the benefits attributed to employee service to the accounting date are included in the College's Statement of Financial Position.

(ii) Certain excluded employees (employed prior to August 2010) earn 3-days per year in addition to vacation in accordance with the terms and conditions of their employment contracts. The current gratuity plan for support staff ceased to accumulate as of December 31, 2016, and the balance of gratuity plan will not increase in the future.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

7. Employee future benefits (continued):

(b) Employee future benefits (continued):

(iii) Certain employees of the College are entitled to the continuation of extended health, dental and Medical Service Plan (“MSP”) benefits in accordance with the terms and conditions of their employment contracts. Coverage is extended to disabled employees, their spouses and dependent children while on disability. Faculty and exempt employees receive these benefits from their date of disability to the earlier of recovery from disability and return to work or age 65.

(iv) Employees who are retiring at age 55 or over and who receive pension under the provisions of the Pension Act, receive a benefit where the College pays for the premiums of Group Life Insurance coverage in the amount of \$10,000 for a period of 5-years from the date of retirement.

	2023	2022
Balance, beginning of the year	2,782,000	2,757,000
Current benefit cost	123,000	130,000
Interest cost	98,000	72,000
Benefits paid	(213,000)	(281,000)
Plan amendments	-	97,000
Expense for long term disability health & dental benefits	(67,000)	120,000
Recognized actuarial (gain)/loss	(20,000)	(113,000)
Accrued benefit obligation, end of year	\$ 2,703,000	\$ 2,782,000

Accrued benefit obligation, end of year consists of:

Accrued obligation, end of year	\$ 2,703,000	\$ 2,782,000
Unamortized actuarial gain	(27,000)	(45,000)
Accrued benefit liability, end of year	\$ 2,676,000	\$ 2,737,000

The significant actuarial assumptions adopted in measuring the College’s accrued benefit obligations are as follows:

	2023	2022
Discount rates	4.00%	3.50%
Expected future base wage and salary increases	2.50%	2.50%

8. Deferred tuition fees:

Deferred tuition includes tuition received in advance of the related activity performed.

	Opening balance	Receipts during year	Recognized as revenue	2023
Deferred tuition	\$ 10,106,329	\$ 71,337,303	\$ (63,463,439)	\$ 17,980,193

	Opening balance	Receipts during year	Recognized as revenue	2022
Deferred tuition	\$ 7,014,483	\$ 53,119,131	\$ (50,027,285)	\$ 10,106,329

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Deferred revenue:

Deferred revenue includes grants, contributions and contract fees received in advance of the related activity performed.

	Opening balance	Receipts during year	Recognized as revenue	2023
Deferred contract	\$ 3,514,384	\$ 7,416,448	\$ (8,666,645)	\$ 2,264,187
Deferred contributions	7,767,122	10,077,856	(11,084,271)	6,760,707
Deferred revenue and contribution	\$ 11,281,506	\$ 17,494,304	\$ (19,750,916)	\$ 9,024,894

	Opening balance	Receipts during year	Recognized as revenue	2022
Deferred contract	\$ 2,445,790	\$ 9,327,400	\$ (8,258,806)	\$ 3,514,384
Deferred contributions	7,272,033	11,593,363	(11,098,274)	7,767,122
Deferred revenue and contribution	\$ 9,717,823	\$ 20,920,763	\$ (19,357,080)	\$ 11,281,506

10. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of externally restricted grants and other funding received for the purchase of tangible capital assets. Amortization of deferred capital contributions is recorded as revenue in the Statement of Operations and Accumulated Surplus over the useful life of the related asset.

	2023	2022
Balance at beginning of the year	\$ 71,774,115	\$ 73,290,568
Contributions received	21,483,985	7,390,036
Adjustment - lease transfer to BCIT (Note 11)	-	(3,137,201)
Less amortization to revenue	(5,533,824)	(5,769,288)
	\$ 87,724,276	\$ 71,774,115

Deferred capital contributions are comprised of the following:

	2023	2022
Unamortized capital contributions	\$ 71,316,641	\$ 70,246,580
Unspent contributions	16,407,635	1,527,535
	\$ 87,724,276	\$ 71,774,115

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. Capital lease obligation:

(a) Annacis Island Campus:

During 2014/15, Vancouver Community College and BCIT entered into a Memorandum of Understanding to share a facility space on Annacis Island in Delta, British Columbia. As part of this arrangement, Vancouver Community College and BCIT entered into a joint lease agreement for a building with a third party.

In 2021/22, the College transferred its share of the joint lease to BCIT without consideration. As a result, the carrying values as at transfer date of the related tangible capital assets of \$8,609,094, capital lease obligation of \$6,828,518, and unamortized deferred capital contributions of \$3,137,201 were written off resulting in a recognition of an extraordinary gain of \$1,356,623 in the Statement of Operations and Accumulated Surplus.

Total interest paid on the capital lease for year 2022 was \$288,437.

(b) Computer and copier equipment

During 2017/18 up to 2022/23, the College has entered into various capital leases for computer and copier equipment. The future minimum lease payments for all computer and copier equipment capital lease is as follows:

2024	\$	278,620
2025		137,370
2026		4,011
Total minimum lease payments		420,001
Less amounts representing interest (Nil to 1.85% per annum)		(18,278)
Present value of net minimum capital lease payments		\$ 401,723
Total interest on the capital leases for the year		\$ 38,427

Capital lease obligation for computer and copier equipment as of March 31, 2022 was \$1,044,270.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

12. Tangible capital assets:

2023	Land	Buildings	Building improvements	Building - construction in progress	Furniture and equipment	Computer hardware and software	Computer equipment under capital lease	2023 Total
Cost								
Opening balance	\$ 7,744,768	\$ 149,277,585	\$ 33,292,751	\$ -	\$ 31,642,669	\$ 21,547,554	\$ 7,031,215	\$ 250,536,542
Additions	-	-	3,761,078	3,802,585	3,477,524	1,184,259	-	12,225,446
Disposals	-	-	-	-	(2,613,297)	-	-	(2,613,297)
Ending	7,744,768	149,277,585	37,053,829	3,802,585	32,506,896	22,731,813	7,031,215	260,148,691
Accumulated amortization								
Opening balance	-	89,757,852	8,298,600	-	26,206,810	19,456,655	5,591,775	149,311,692
Disposals	-	-	-	-	(2,613,297)	-	-	(2,613,297)
Amortization	-	2,722,789	2,344,888	-	1,987,783	1,150,604	950,955	9,157,019
Closing balance	-	92,480,641	10,643,488	-	25,581,296	20,607,259	6,542,730	155,855,414
Net book value	\$ 7,744,768	\$ 56,796,944	\$ 26,410,341	\$ 3,802,585	\$ 6,925,600	\$ 2,124,554	\$ 488,485	\$ 104,293,277

2022	Land	Buildings (Restated - note 3)	Building improvements	Building under capital lease	Furniture and equipment	Leasehold improvements	Computer hardware and software	Computer equipment under capital lease	2022 Total (Restated - note 3)
Cost									
Opening balance	\$ 7,744,768	\$ 149,277,585	\$ 27,678,945	\$ 7,350,333	\$ 30,000,728	\$ 4,202,525	\$ 20,717,623	\$ 7,008,981	\$ 253,981,488
Additions	-	-	5,613,806	-	2,383,685	-	906,183	22,234	8,925,908
Disposals	-	-	-	(7,350,333)	(741,744)	(4,202,525)	(76,252)	-	(12,370,854)
Ending	7,744,768	149,277,585	33,292,751	-	31,642,669	-	21,547,554	7,031,215	250,536,542
Accumulated amortization									
Opening balance	-	86,422,560	6,266,211	1,633,421	25,315,770	925,239	18,388,322	4,292,822	143,244,345
Disposals	-	-	-	(1,878,437)	(705,702)	(1,065,328)	(76,258)	-	(3,725,725)
Amortization	-	3,335,292	2,032,389	245,016	1,596,742	140,089	1,144,591	1,298,953	9,793,072
Closing balance	-	89,757,852	8,298,600	-	26,206,810	-	19,456,655	5,591,775	149,311,692
Net book value	\$ 7,744,768	\$ 59,519,733	\$ 24,994,151	\$ -	\$ 5,435,859	\$ -	\$ 2,090,899	\$ 1,439,440	\$ 101,224,850

13. Associated organization:

The Vancouver Community College Foundation ("the Foundation") is a separate society formed to raise funds to further the interests of the College and to provide scholarships and bursaries for students of the College. The College does not control the Foundation; therefore, the Foundation's assets, liabilities, revenues and expenses are not included in these financial statements.

The College had the following transactions with the Foundation:

	2023	2022
Foundation contributed awards and bursaries to the College	\$ 592,801	\$ 542,722
Foundation provided project funding and equipment to the College	235,216	1,274,646
Foundation reimbursed the College for salaries expenses	589,266	488,594
College contributed grants to the Foundation for operating expenses	625,779	560,511

As of March 31, 2023, the College had accounts receivable from the Foundation of \$205,047 (2022 - \$131,889) for expenses that were paid for by the College on behalf of the Foundation. At March 31, 2023, the Foundation had net assets of \$19.7 million (2022 - \$18.3 million).

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

13. Associated organization (continued):

For the year ended March 31, 2023, gift in kind donations from the Foundation to the College were \$12,438 (2022 - \$1,000).

The College contributed \$750,000 (2022 - \$900,000) to the Foundation for the restricted purpose of future campus projects and \$500,000 (2022 - nil) for the entrance awards for VCC students.

14. Contractual obligations:

(a) Building construction contracts:

During the year ended March 31, 2009, the College completed construction of a new campus building. At year end, the College has an outstanding letter of credit with the City of Vancouver, secured by a term deposit for \$237,500. This letter of credit will be held until Phase II of the campus redevelopment has been completed.

(b) Service contracts:

The College entered into a number of long term service contracts for equipment rentals and services with expected payments as follows:

2024	\$	5,224,656
2025		1,359,434
2026		125,330
	\$	6,709,420

15. Contractual rights:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The College's contractual rights arise because of contracts entered into to lease building space and to provide educational services.

The following table summarize the contractual rights of the College for future assets:

2024	\$	4,944,379
2025		4,705,103
2026		466,708
2027		114,590
	\$	10,230,780

16. Contingent liabilities:

The College is currently engaged in or party to certain pending matters. A reasonable estimate of these future contingent liabilities is made and is recorded in the financial statements as a liability where the outcome is assessed as likely and the amount is determinable. No amounts are recorded where the outcomes of amounts or losses are uncertain.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2023

17. Expenses by object:

The following is a summary of expenses by object:

	2023	2022
		(Restated - note 3)
Salaries and benefits	\$ 101,903,910	\$ 99,458,675
Supplies and services	20,894,656	17,527,063
Building and telecom	7,706,796	6,810,822
Cost of goods sold	3,195,020	2,555,627
Amortization	9,157,019	9,793,072
	\$ 142,857,401	\$ 136,145,259

18. Financial 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 of Governors ensures that the College has identified its major risks and ensures that management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to the College if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the College consisting of investments and accounts receivable. The College assesses these financial assets, on a continuous basis for any amounts that are not collectible or realizable.

(b) Market and interest risk:

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.

(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 and financing 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.