

Consolidated Financial Statements of

DOUGLAS COLLEGE

And Independent Auditor's Report thereon

Year ended March 31, 2024

STATEMENT OF MANAGEMENT RESPONSIBILITY

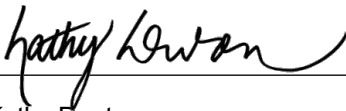
The consolidated financial statements have been prepared by management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

On behalf of Douglas College:



Kathy Denton
President & Chief Executive Officer



Kayoko Takeuchi
Vice President, Administrative Services &
Chief Financial Officer

June 20, 2024



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 consolidated financial statements of Douglas College (the "College"), which comprise:

- the consolidated statement of financial position as at March 31, 2024
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- and notes to the consolidated 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, 2024 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.

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.



Douglas College
Page 3

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 20, 2024

DOUGLAS COLLEGE

Consolidated Statement of Financial Position

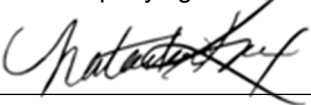
Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Financial assets		
Cash	\$ 164,276,277	\$ 90,949,396
Accounts receivable	2,213,478	1,612,878
Due from government (note 4)	7,481,506	7,631,110
Inventories held for resale	519,853	537,274
Portfolio investments (note 5)	48,276,061	96,223,070
Endowment investments - expendable (note 5)	4,309,588	-
	<u>227,076,763</u>	<u>196,953,728</u>
Liabilities		
Accounts payable and accrued liabilities	12,408,966	8,047,293
Salaries and wages payable	4,881,474	7,721,634
Accrued vacation pay	12,115,699	10,724,880
Employee future benefits (note 6)	1,468,600	1,230,000
Deferred revenue	28,298,804	36,711,349
Deferred leasehold inducements (note 7)	1,896,911	2,327,975
Deferred contributions (note 8)	10,696,170	4,106,073
Deferred capital contributions (note 9)	123,276,938	91,765,765
Obligations under capital lease (note 10)	15,732	137,479
Asset retirement obligations (note 11)	1,468,832	1,608,336
	<u>196,528,126</u>	<u>164,380,784</u>
Net financial assets	30,548,637	32,572,944
Non-financial assets		
Endowment investments - non-expendable (note 5)	17,553,600	-
Prepaid expenses	3,724,832	2,935,060
Tangible capital assets (note 12)	148,690,836	133,008,211
	<u>169,969,268</u>	<u>135,943,271</u>
Accumulated surplus	\$ 200,517,905	\$ 168,516,215
Accumulated surplus is comprised of:		
Accumulated surplus	\$ 196,988,207	\$ 168,647,707
Accumulated rereasurement gains (losses)	3,529,698	(131,492)
	<u>\$ 200,517,905</u>	<u>\$ 168,516,215</u>

Contractual obligations (note 15)

Contingent liabilities (note 16)

See accompanying notes to consolidated financial statements.


College Board Chair


Vice President, Administrative Services &
Chief Financial Officer

DOUGLAS COLLEGE

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2024, with comparative information for 2023

	2024 Budget (note 20)	2024 Actual	2023 Actual
Revenue:			
Province of British Columbia grants	\$ 75,535,000	\$ 67,181,977	\$ 72,075,744
Tuition fees	90,211,000	90,487,759	84,293,834
Contracts, contributions and donations	22,260,000	25,191,332	23,920,902
Amortization of deferred capital contributions	4,500,000	4,567,082	4,362,732
Ancillary	4,400,000	4,291,016	4,205,039
Investment income	4,500,000	11,970,277	3,757,813
Sundry	3,898,000	4,772,001	4,097,374
	205,304,000	208,461,444	196,713,438
Expenses (note 17):			
Instruction and support	196,551,000	193,749,298	179,183,113
Ancillary	3,803,000	3,925,246	3,659,970
	200,354,000	197,674,544	182,843,083
Annual operating surplus	4,950,000	10,786,900	13,870,355
Restricted endowment contributions:			
Addition as a result of acquisition of control of Douglas College Foundation (note 2(b))	-	16,556,146	-
Current year contributions	400,000	997,454	-
	400,000	17,553,600	-
Annual surplus	5,350,000	28,340,500	13,870,355
Accumulated surplus, beginning of year	179,776,000	168,647,707	154,777,352
Accumulated surplus, end of year	\$ 185,126,000	\$ 196,988,207	\$ 168,647,707

See accompanying notes to consolidated financial statements

DOUGLAS COLLEGE

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2024, with comparative information for 2023

	2024 Budget (note 20)	2024 Actual	2023 Actual
Annual surplus	\$ 5,350,000	\$ 28,340,500	\$ 13,870,355
Exclude items not affecting net financial assets:			
Addition of endowment contributions as a result of acquisition of control of Douglas College Foundation (note 2(b))	-	(16,556,146)	-
Restricted endowment contributions	(400,000)	(997,454)	-
	(400,000)	(17,553,600)	-
Acquisition of tangible capital assets	(43,835,000)	(25,873,435)	(13,200,474)
Amortization of tangible capital assets	10,700,000	10,190,810	10,378,209
	(33,135,000)	(15,682,625)	(2,822,265)
Acquisition of prepaid expenses	-	(3,220,086)	(2,458,414)
Use of prepaid expenses	-	2,430,314	1,942,759
	-	(789,772)	(515,655)
Net remeasurement gains (losses)	(200,000)	3,661,190	(350,858)
Change in net financial assets (debt)	(28,385,000)	(2,024,307)	10,181,577
Net financial assets, beginning of year	18,755,000	32,572,944	22,391,367
Net financial assets (debt), end of year	\$ (9,630,000)	\$ 30,548,637	\$ 32,572,944

See accompanying notes to consolidated financial statements.

DOUGLAS COLLEGE

Consolidated Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash flows provided by (used in):		
Operating activities:		
Annual surplus	\$ 28,340,500	\$ 13,870,355
Items not involving cash:		
Amortization of tangible capital assets	10,190,810	10,378,209
Amortization of deferred capital contributions	(4,567,082)	(4,362,732)
Amortization of deferred leasehold inducements	(431,064)	(431,064)
Asset retirement obligations - accretion expense	49,259	48,813
Asset retirement obligations - change in discount rate	(188,763)	-
	33,393,660	19,503,581
Changes in non-cash operating working capital:		
Accounts receivable	(600,600)	(312,016)
Due from government	149,604	(4,068,074)
Prepaid expenses	(789,772)	(515,655)
Inventories held for resale	17,421	(23,475)
Accounts payable and accrued liabilities	4,361,673	826,934
Salaries and wages payable	(2,840,160)	3,635,083
Accrued vacation pay	1,390,819	299,055
Employee future benefits	238,600	174,600
Deferred revenue	(8,412,545)	1,814,955
Deferred contributions	6,590,097	(2,961,056)
	33,498,797	18,373,932
Capital activities:		
Acquisition of tangible capital assets	(25,873,435)	(13,200,474)
Financing activities:		
Deferred capital contributions received	36,078,255	10,953,499
Payment of obligations under capital lease	(121,747)	(129,085)
	35,956,508	10,824,414
Investing activities:		
Net acquisitions of investments	47,298,611	(721,794)
Addition of endowment contributions as a result of acquisition of control of Douglas College Foundation (note 2(b))	(16,556,146)	-
Restricted endowment contributions	(997,454)	-
	29,745,011	(721,794)
Increase in cash	73,326,881	15,276,078
Cash, beginning of year	90,949,396	75,673,318
Cash, end of year	\$ 164,276,277	\$ 90,949,396

See accompanying notes to consolidated financial statements.

DOUGLAS COLLEGE

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Accumulated remeasurement gains (losses), beginning of year	\$ (131,492)	\$ 219,366
Unrealized gains (losses) attributed to fair value of investments:		
Equities	4,758,364	(1,019,220)
Fixed income	197,773	(673,102)
Remeasurement (gains) losses realized and reclassified to the Consolidated Statement of Operations and Accumulated Surplus:		
Equities	(1,170,065)	220,263
Fixed income	(124,882)	1,121,201
Net remeasurement gains (losses) for the year	3,661,190	(350,858)
Accumulated remeasurement gains (losses), end of year	\$ 3,529,698	\$ (131,492)

See accompanying notes to consolidated financial statements.

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements

Year ended March 31, 2024

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 registered charity and exempt from income tax under Section 149 of the Income Tax Act.

These consolidated financial statements incorporate the financial position and results of operations and accumulated surplus and cash flows of the College and its controlled foundation, the Douglas College Foundation (the “Foundation”). The Foundation was established to advance education and community services and other charitable activities beneficial to the College. The Foundation is a controlled not-for-profit organization and is incorporated under the Societies Act (British Columbia). The Foundation is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act.

2. Significant accounting policies:

(a) Basis of accounting:

These consolidated 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 consolidated 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 taxpayer 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.

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- (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 taxpayer supported organizations, these contributions include government transfers and externally restricted contributions.

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

- Government transfers that do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard 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 Consolidated Statement of Operations and Accumulated Surplus and certain related deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(b) Basis of consolidation:

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the College and its controlled organization. All balances and transactions between the College and the consolidated entity have been eliminated on consolidation.

On April 17, 2023, there was an amendment to the Foundation's bylaws which resulted in the Foundation being controlled by the College and thus its operations are consolidated into these financial statements. The impact of the acquisition of control of the Foundation was \$16,556,146 which resulted in an increase to Accumulated Surplus.

(c) Measurement uncertainty:

The preparation of the consolidated 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 consolidated 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, the fair value of investments, 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 consolidated financial statements and are reviewed annually to reflect new information as it becomes available.

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(c) Measurement uncertainty (continued):

Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

(d) 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 Consolidated Statement of Financial Position date is recognized in the Consolidated Statement of Remeasurement Gains and Losses.

(e) 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 Consolidated 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 Consolidated Statement of Operations and Accumulated Surplus and related balances are reversed from the Consolidated Statement of Remeasurement Gains and Losses. Unrealized gains and losses on endowment investments where earnings are restricted as to use are recorded as deferred contributions and recognized in revenue when disposed and when related expenses are incurred.

(ii) Amortized cost category: Gains and losses are recognized in the Consolidated 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.

(f) 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 operations less any costs to sell.

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(g) 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, 2024. The next valuation will be as at March 31, 2025.

(h) 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.

(i) 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.

(j) Prepaid expenses:

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

(k) 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.

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(k) Tangible capital assets (continued):

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.

(l) 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.

(m) 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(k).

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(n) Revenue recognition:

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

Restricted donations and grants are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.
- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent, are recorded as endowment donations on the Consolidated Statement of Operations and Accumulated Surplus for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.

Tuition fees, student fees and sales of goods and services are recognized 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 recorded as deferred revenue.

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

Contract revenues are recognized as revenue 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. Revenues from transactions with performance obligations are recognized when (at a point in time) or as (over a period of time) the College satisfies the performance obligations, which occurs when control of the benefits associated with the promised goods or services has passed to the payor.

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(n) Revenue recognition (continued):

Revenue from transactions without performance obligations are recognized at the transaction amount when the College has the right to claim or retain an inflow of economic resources received or receivable and there is a past transaction or event that gives rise to an asset.

(o) Expenses:

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

3. Adoption of new accounting standards:

(a) Adoption of PS 3400 *Revenue*:

On April 1, 2023, the College adopted Canadian public sector accounting standard PS 3400 *Revenue* ("PS 3400"). The new accounting standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. The College determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements.

(b) Adoption of PSG-8 *Purchased Intangibles*:

On April 1, 2023, the College adopted public sector guideline PSG-8 *Purchased Intangibles* ("PSG-8"). The new accounting guideline permits recognition of purchased intangibles that are acquired through an arm's length exchange transaction between willing parties provided the purchased intangible meets the recognition criteria for an asset. The College has determined that it does not have any purchased intangible, and therefore, the new guideline did not have an impact on the amounts presented in the financial statements.

4. Due from government:

	2024	2023
Provincial government	\$ 5,712,233	\$ 6,123,740
Federal government	1,769,273	1,507,370
	<u>\$ 7,481,506</u>	<u>\$ 7,631,110</u>

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

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.

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

Investments recorded at fair value are comprised of the following:

	2024	2023
Level 1:		
Money market pooled funds	\$ 289,803	\$ 1,024,663
Canadian equities	14,652,234	24,719,207
United States equities	14,678,014	24,205,160
	29,620,051	49,949,030
Level 2:		
Fixed income:		
Government	2,378,146	24,157,933
Corporate	16,277,864	22,116,107
	18,656,010	46,274,040
Portfolio investments	\$ 48,276,061	\$ 96,223,070
	2024	2023
Vancouver Foundation (a)	\$ 17,115,732	\$ -
Cash (c)	4,747,456	-
Endowment investments	\$ 21,863,188	\$ -

- (a) The 'Douglas College Foundation Fund' was established as an endowment fund on June 27, 2007 with the Vancouver Foundation. In accordance with the deed of gift and provisions of the Vancouver Foundation Act, these funds are retractable, with notice.

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

5. Financial instruments (continued):

- (b) The 'Douglas College Student Trust Fund' was established as an endowment fund on July 9, 1984 with the Vancouver Foundation. In accordance with the deed of gift and provisions of the Vancouver Foundation Act, the capital of the fund is non-retractable and held permanently by Vancouver Foundation. As such, this Trust fund is not recorded in these consolidated financial statements. The fair value and related cost base of this fund at March 31, 2024 is \$1,874,845 and \$1,175,299, respectively. Investment income distributions are received quarterly from the Vancouver Foundation.
- (c) Cash restricted as endowment funds, and held for investment purposes, are maintained in an operating bank account.

Endowments investments are recorded as financial assets (expendable) and non-financial assets (non-expendable). The non-expendable component represents the original donation that is held in perpetuity and its use is restricted by the donors. The expendable portion is the total amount of the endowment assets less the non-expendable component and represents the accumulated net unrealized investment earnings less the accumulated spend.

				2024
	Expendable	Non-expendable		Total
Balance, beginning of year	\$ -	\$ -	\$ -	-
Addition of endowment contributions as a result of acquisition of control of Douglas College Foundation	-	16,556,146		16,556,146
Contributions received during the year	-	997,454		997,454
Fair value change on non-expendable endowment investments	4,309,588	-		4,309,588
Balance, end of year	\$ 4,309,588	\$ 17,553,600	\$	21,863,188

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

6. Employee future benefits:

The College pays 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:

	2024	2023
Accrued benefit obligation, beginning of the year	\$ 1,230,000	\$ 1,055,400
Increase in accrued benefit obligation	238,600	174,600
Accrued benefit obligation, end of the year	\$ 1,468,600	\$ 1,230,000

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:

	2024	2023
Discount rate	4.28%	3.81%
Medical trend	6.29%	6.43%
Dental trend	5.20%	5.27%

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.

	2024	2023
Balance, beginning of the year	\$ 2,327,975	\$ 2,759,039
Less amortization recorded net of rent expense	(431,064)	(431,064)
Balance, end of year	\$ 1,896,911	\$ 2,327,975

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

8. Deferred contributions:

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

	2024	2023
Provincial	\$ 3,145,062	\$ 2,686,464
Federal	348,671	763,311
Other	7,202,437	656,298
	<u>\$ 10,696,170</u>	<u>\$ 4,106,073</u>

Changes in the deferred contribution balance are as follows:

				2024
	Provincial	Federal	Other	Total
Balance, beginning of year	\$ 2,686,464	\$ 763,311	\$ 656,298	\$ 4,106,073
Contributions received during the year	13,265,413	7,058,870	9,420,824	29,745,107
Revenue recognized from deferred contributions	(12,806,815)	(7,473,510)	(2,874,685)	(23,155,010)
Balance, end of year	<u>\$ 3,145,062</u>	<u>\$ 348,671</u>	<u>\$ 7,202,437</u>	<u>\$ 10,696,170</u>

				2023
	Provincial	Federal	Other	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	<u>\$ 2,686,464</u>	<u>\$ 763,311</u>	<u>\$ 656,298</u>	<u>\$ 4,106,073</u>

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

9. Deferred capital contributions:

	2024	2023
Balance, beginning of year	\$ 91,765,765	\$ 85,174,998
Contributions received during the year	36,078,255	10,953,499
Amortization of deferred capital contributions	(4,567,082)	(4,362,732)
Balance, end of year	\$ 123,276,938	\$ 91,765,765

Included in the balance at March 31, 2024 are unspent deferred capital contributions of \$15,319,523 (2023 - \$1,865,000).

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% (2023 -1.64%) per annum. The principal and interest payments are as follows:

	2024	2023
2024	\$ -	\$ 123,092
2025	15,765	15,765
Total minimum lease payments	15,765	138,857
Less amounts representing interest	(33)	(1,378)
Present value of net minimum capital lease payments	\$ 15,732	\$ 137,479

Total interest payments on capital leases for the year were \$1,345 (2023 - \$3,634).

11. 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. 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 3.47% (2023 3.13%) per annum. As at March 31, 2024, the undiscounted cash flows are \$5,472,032 (2023 - \$5,469,196).

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

	2024	2023
Balance, beginning of year	\$ 1,608,336	\$ 1,559,523
Accretion expense	49,259	48,813
Adjustment for change in discount rate	(188,763)	-
Balance, end of year	\$ 1,468,832	\$ 1,608,336

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

12. Tangible capital assets:

Cost	Balance, March 31, 2023	Additions	Disposals	Balance, March 31, 2024
Land and land improvements	\$ 4,939,557	\$ -	\$ -	\$ 4,939,557
Buildings	224,827,387	21,328,267	-	246,155,654
Furniture and equipment	24,745,147	4,545,168	(4,262,292)	25,028,023
Leasehold improvements	9,939,185	-	-	9,939,185
	<u>\$ 264,451,276</u>	<u>\$ 25,873,435</u>	<u>\$ (4,262,292)</u>	<u>\$ 286,062,419</u>

Accumulated amortization	Balance, March 31, 2023	Amortization expense	Disposals	Balance, March 31, 2024
Land and land improvements	\$ -	\$ -	\$ -	\$ -
Buildings	111,018,692	4,937,121	-	115,955,813
Furniture and equipment	15,767,033	4,253,767	(4,262,292)	15,758,508
Leasehold improvements	4,657,340	999,922	-	5,657,262
	<u>\$ 131,443,065</u>	<u>\$ 10,190,810</u>	<u>\$ (4,262,292)</u>	<u>\$ 137,371,583</u>

Net book value	Balance, March 31, 2023		Balance, March 31, 2024
Land and land improvements	\$ 4,939,557		\$ 4,939,557
Buildings	113,808,695		130,199,841
Furniture and equipment	8,978,114		9,269,515
Leasehold improvements	5,281,845		4,281,923
	<u>\$ 133,008,211</u>		<u>\$ 148,690,836</u>

Included in buildings is \$23,578,681 of assets under construction that will not be amortized until the assets are available for productive use (2023 - buildings of \$4,285,027).

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

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 A, AA, AAA or BBB 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 applicable investment policies.

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

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:

2025	\$ 18,619,680
2026	13,166,961
2027	11,675,362
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
2025	\$ 21,927,258	\$ 5,587,000	\$ 4,593,006
2026	231,429	1,544,300	4,476,514
2027	271,812	625,800	4,519,696
2028	965,812	36,100	3,696,474
2029	-	-	1,453,769

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

16. Contingent liabilities:

- (a) 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 consolidated 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 consolidated 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.
- (b) As at March 31, 2024, the College has issued two letters of credits as security for costs related to the Academic Building and Student Housing project to the City of New Westminster totaling \$1,744,365 (2023 - nil) which expire on December 21, 2024 and January 14, 2025. There is an automatic renewal that occurs each year thereafter and will terminate once the City of New Westminster advises the College that the guarantees are no longer required.

17. Expenses by object:

The following is a summary of expenses by object:

	2024	2023
Salaries and benefits	\$ 144,039,134	\$ 132,286,409
Supplies and services	38,040,074	36,166,324
Cost of goods sold	2,493,676	2,248,456
Amortization of tangible capital assets	10,190,810	10,378,209
Scholarships, bursaries and awards	2,910,850	1,763,685
	<u>\$ 197,674,544</u>	<u>\$ 182,843,083</u>

18. Pension plans:

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the plans, including investment of assets and administration of benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2023, the College Pension Plan has about 17,200 active members, and approximately 10,700 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

DOUGLAS COLLEGE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

18. Pension plans (continued):

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 \$10,794,317 (2023 - \$9,567,552) for employer contributions to the plans in fiscal 2024.

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.

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:

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.

20. Budget information:

Budget information has been provided for comparative purposes and reflects the consolidated budget approved by the Board on May 25, 2023.

21. Comparative information:

Certain comparative information has been reclassified to conform with the consolidated financial statement presentation adopted for the current year. There was no impact on the annual surplus.