OKANAGAN COLLEGE

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FINANCIAL STATEMENTS

MARCH 31, 2024

Okanagan College

Management's Report

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of, and have been prepared by, management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the notes to 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 is 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 Board of Governors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls and exercises these responsibilities through the Finance Audit Risk committee. The Finance Audit Risk committee reviews internal financial statements on a quarterly basis and external audited financial statements yearly. The Finance Audit Risk committee also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, the Office of the Auditor General of British Columbia, conduct 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 Okanagan 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 Okanagan College

Neil Fassina	Curtis Morcom
President	CFO & VP Corporate Services

Office of the
Auditor General
of British Columbia

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Independent Auditor's Report

To the Board of Governors of the Okanagan College, and
To the Minister of Post-Secondary Education and Future Skills, Province of British Columbia

Qualified Opinion

I have audited the accompanying financial statements of the Okanagan College ("the entity"), which comprise the statement of financial position as at March 31, 2024, and the statements of operations and accumulated surplus, remeasurement gains and losses, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2024, and the results of its operations, changes in its net debt, cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

As described in Note 1(a) to the Financial Statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian public sector accounting standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In my opinion, certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian public sector accounting standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of this departure on the current year consolidated financial statements is an overstatement of the liability for deferred contributions for tangible capital assets of $157 million, an understatement of opening accumulated surplus of $133.7 million and a current year understatement of revenue of $23.3 million. Accordingly, the current year surplus is understated by $23.3 million and net debt is overstated by $157 million.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the entity's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Other Matters

Without modifying my opinion, I advise the reader that I was not engaged to audit the comparative financial statements of Okanagan College as at March 31, 2023, for their fair presentation in accordance with Canadian public sector accounting standards. The financial statements of Okanagan College as at March 31, 2023 were audited by a professional accounting firm who previously reported on their compliance with Section 23.1 of the *Budget Transparency and Accountability Act* including Treasury Board Regulation 198/2011 prescribing the accounting policy for contributions. However, because that audit reported against a different framework than that of the current year, I must advise you that the comparative information in the financial statements and related disclosures were not audited in accordance with the Canadian public sector accounting standards framework, but rather in compliance with Section 23.1 of the *Budget Transparency and Accountability Act*.

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

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the 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 when the entity will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the entity's 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 my 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 aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Michael A. Pickup, FCPA, FCA
Auditor General of British Columbia

Victoria, British Columbia, Canada
June 19, 2024

OKANAGAN COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2024

	March 31 2024	March 31 2023 Restated (note 3)
Financial assets		
Cash and cash equivalents (note 4)	$ 26,303,017	$ 31,022,319
Investments (note 5)	12,964,043	11,959,044
Accounts receivable (note 6)		
Due from government and other government organizations	3,089,302	3,747,268
Other	1,914,568	1,449,968
Inventory for resale (note 7)	487,901	443,139
	44,758,831	48,621,738
Liabilities		
Accounts payable and accrued liabilities (note 9)		
Due to government and other government organizations	1,231,787	152,314
Other	28,861,315	23,110,855
Long term debt (note 10)	2,317,790	2,535,824
Deferred contributions (note 11)	7,487,704	10,442,382
Deferred revenue (note 12)	12,172,653	8,045,397
Deferred contributions for tangible capital assets (note 13)	156,996,068	133,698,346
Asset retirement obligation (note 14)	550,870	532,825
Employee future benefit obligations (note 15)	12,807,100	12,015,000
	222,425,287	190,532,943
Net debt	(177,666,456)	(141,911,205)
Non-financial assets		
Prepaid expenses and deposits	1,601,583	1,219,770
Tangible capital assets (note 8)	198,015,135	161,311,462
	199,616,718	162,531,232
Accumulated surplus (note 16)	$ 21,950,262	$ 20,620,027
Accumulated surplus is comprised of:		
Accumulated surplus	$ 19,928,061	$ 19,059,571
Accumulated remeasurement gains	2,022,201	1,560,456
	$ 21,950,262	$ 20,620,027

Contractual obligations (note 18)
Contingent liabilities (note 19)

Approved on behalf of the Board:

Dale Safinuk
Chair, Board of Governors
June 19, 2024

Neil Fassina
President

The accompanying notes are an integral part of these financial statements

OKANAGAN COLLEGE
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED MARCH 31, 2024

	Budget 2024	2024	2023 Restated (note 3)
Revenue			
Government grants	$ 67,606,679	$ 80,073,426	$ 68,294,167
Tuition and other fees	47,835,830	50,298,425	41,914,135
Ancillary service sales	4,073,447	4,170,185	3,801,772
Contract services	4,390,110	3,771,380	2,825,286
Other administration fees and sundry	850,763	1,427,101	1,312,475
Investment income	1,050,000	2,311,431	1,487,696
Amortization of deferred contributions for tangible capital assets	5,659,603	5,811,882	5,701,612
	131,466,432	147,863,830	125,337,143
Expense (note 20)			
Instruction and academic support	75,258,292	83,748,590	70,301,134
Facility and institutional support	24,525,580	28,687,368	25,231,772
Enrolment management and student support	19,669,872	22,519,448	19,291,355
Ancillary operations	3,706,309	3,605,333	3,111,602
Amortization of tangible capital assets	8,166,952	8,295,651	8,213,325
Interest on long term debt	139,427	138,950	139,427
	131,466,432	146,995,340	126,288,615
Annual surplus (deficit)	-	868,490	(951,472)
Accumulated surplus, at beginning of year, as originally reported	19,059,571	19,059,571	23,211,061
Prior period adjustment (note 3)	-	-	(3,200,018)
Accumulated surplus, at beginning of year, as restated	19,059,571	19,059,571	20,011,043
Accumulated surplus, end of year	$ 19,059,571	$ 19,928,061	$ 19,059,571

The accompanying notes are an integral part of these financial statements

OKANAGAN COLLEGE
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2024

	2024	2023
Accumulated remeasurement gains, beginning of year	$ 1,560,456	$ 2,189,513
Unrealized gain (loss) on investments	687,812	(523,478)
Realized gain on investments, reclassified to statement of operations	(226,067)	(105,579)
Net remeasurement gains (losses) for the year	461,745	(629,057)
Accumulated remeasurement gains, end of year	$ 2,022,201	$ 1,560,456

OKANAGAN COLLEGE
STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2024

	Budget 2024	2024	2023 Restated (note 3)
Annual surplus (deficit)	$ -	$ 868,490	$ (951,472)
Acquisition of tangible capital assets	(50,491,000)	(44,999,324)	(20,599,215)
Amortization of tangible capital assets	8,166,952	8,295,651	8,213,325
	(42,324,048)	(35,835,183)	(13,337,362)
Acquisition of prepaid expenses and deposits	-	(1,601,583)	(1,219,770)
Use of prepaid expenses and deposits	-	1,219,770	658,952
	-	(381,813)	(560,818)
Net remeasurement gains (losses)	-	461,745	(629,057)
Increase in net debt	(42,324,048)	(35,755,251)	(14,527,237)
Net debt, beginning of year, as originally reported	(141,911,205)	(141,911,205)	(124,183,950)
Prior period adjustment (note 3)	-	-	(3,200,018)
Restated net debt, beginning of year	(141,911,205)	(141,911,205)	(127,383,968)
Net debt, end of year	$ (184,235,253)	$ (177,666,456)	$ (141,911,205)

The accompanying notes are an integral part of these financial statements

OKANAGAN COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2024

	2024	2023
		Restated (note 3)
Net cash inflow (outflow) related to the following activities		
Operating activities		
Annual surplus (deficit)	$ 868,490	$ (951,472)
Adjust for non-cash items:		
Realized gain on disposal of investments	(226,067)	(105,579)
Actuarial adjustment on long term debt	(25,149)	(14,237)
Accretion expense	18,045	16,197
Amortization of deferred contributions for tangible capital assets	(5,811,882)	(5,701,612)
Amortization of tangible capital assets	8,295,651	8,213,325
	3,119,088	1,456,622
Changes in non-cash working capital		
Accounts receivable	193,366	(3,093,206)
Prepaid expenses and deposits	(381,813)	(560,818)
Inventory for resale	(44,762)	12,906
Accounts payable and accrued liabilities	6,829,933	5,923,234
Deferred revenues	1,172,578	2,198,568
Employee future benefit obligations	792,100	124,000
	11,680,490	6,061,306
Capital activities		
Acquisition of tangible capital assets	(44,999,324)	(20,599,215)
Investing activities		
Purchase of investments	(913,053)	(1,109,137)
Proceeds from disposal of investments	595,866	300,000
	(317,187)	(809,137)
Financing activities		
Deferred contributions for tangible capital assets	29,109,604	18,797,149
Repayment of long term debt	(192,885)	(192,885)
	28,916,719	18,604,264
Increase in cash and cash equivalents	(4,719,302)	3,257,218
Cash and cash equivalents at beginning of year	31,022,319	27,765,101
Cash and cash equivalents at end of year	$ 26,303,017	$ 31,022,319

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Okanagan College (the College) is a post-secondary educational institute funded by the Province of British Columbia (the Province) and incorporated under the College and Institute Act of British Columbia on November 26, 2004. The College is a not-for-profit entity governed by a Board of Governors, the majority of whom are appointed by the Province. The College is exempt from income tax under Section 149 of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements are the responsibility of, and have been prepared by, management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This Section requires that the financial statements be prepared in accordance with Canadian public sector accounting standards (PSAS) except regarding the accounting for government transfers as set out below.

In September 2010, the Province of British Columbia Treasury Board ("Treasury Board") provided directive through Government Organization Accounting Standards Regulation 257/2010 requiring all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sector to adopt Canadian public sector accounting standards of the Chartered Professional Accountants of Canada (CPA Canada) without not-for-profit provisions in their first fiscal year commencing on or after January 1, 2012. In March 2011, the Public Sector Accounting Board released a new *Section PS 3410 Government Transfers.* In November 2011, the Treasury Board provided a directive through Restricted Contributions Regulation 198/2011 providing direction for the reporting of restricted contributions whether they are received or receivable by the College before or after this regulation was in effect. The Treasury Board direction on the accounting treatment of restricted contributions is as described in Note 2(k).

Section 23.1 of the Budget Transparency and Accountability Act and its related regulations require the College to recognize government transfers and externally restricted contributions for tangible capital assets into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these transfers to be fully recognized as revenue in the year received. If these amounts were recognized as revenue in the year received, the financial statements of the College would be adjusted as follows:

- Year ended March 31, 2023 – increase in revenue and annual surplus of $13,095,538.
- March 31, 2023 – increase in accumulated surplus and decrease in deferred contributions for tangible capital assets of $133,698,346.
- Year ended March 31, 2024 – increase in revenue and annual surplus of $23,297,722.
- March 31, 2024 – increase in accumulated surplus and decrease in deferred contributions for tangible capital assets of $156,996,068.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments

A contract establishing a financial instrument creates, at its inception, rights and obligations to receive or deliver economic benefits. The financial assets and liabilities portray these rights and obligations in the financial statements. The College recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt.

All financial instruments are initially recorded at fair value. Canadian public sector accounting standards define the fair value of a financial instrument as the amount of the consideration that would be agreed upon between non-related parties in an arm's length transaction. The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The College’s investments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there was no transfer of securities between the different levels.

All financial assets and liabilities are subsequently recorded at cost or amortized cost except for investments, which are recorded at fair value. The associated transaction costs for financial instruments that are subsequently measured at cost or amortized cost are added to their carrying value upon initial recognition. Transaction costs associated with financial instruments subsequently measured at fair value are expensed as incurred. Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a liability.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. Any reversals of previously recognized impairment losses are recognized in the statement of operations in the year the reversal occurs to the extent that the reversal of the impairment loss does not exceed the original carrying value of the asset.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Inventory for resale

Inventories held for resale are recorded at the lower of cost and net realizable value. Costs are assigned using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(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.

(f) Prepaid expenses

Prepaid expenses include licenses and contract payments. Prepaid expenses are recognized as an expense in the future periods expected to benefit from them.

(g) Tangible capital assets

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

Category	Years
Site improvements	10
Buildings	40
Furniture and equipment	5
Computer equipment	5

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 their net book value.

(h) Debt and other financial liabilities

All debt and other financial liabilities are recorded using cost or amortized cost except for Okanagan College's sinking fund investment, which provides funding to repay the Series BCCP-181 Province of British Columbia $4,162,000 debenture maturing on June 9, 2029 (see Note 10). The value of the sinking fund investment at March 31, 2024, is $1,844,210 (2023 - $1,626,176). Fair value of the sinking fund investment is determined as provided by the Province of British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Asset retirement obligations

Liabilities are recognized for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs are capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the accretion expense is included in the Statement of Operations.

(j) Employee future benefits

The College and its employees make contributions to the College Pension Plan and the Municipal Pension Plan which are multi-employer joint trusteed 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 averaged over five years. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as defined contribution plans and any College contributions to the plans are expensed as incurred.

Sick leave benefits and retirement severance benefits are also available to the College's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans is 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 average remaining service life of the employees.

(k) Revenue recognition

Revenue from tuition fees is recognized as revenue over the course of the program. Any portion of the tuition fee revenue relating to the period after March 31 is deferred to the next fiscal year.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the College or the transfer of property is completed.

The accounting treatment for restricted contributions is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that meets the criteria for liability recognition in which case the transfer is recognized as revenue over the period that the liability is extinguished. See Note 2 (a) for the impact of this policy on these financial statements.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions placed 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

recorded and referred to as deferred contributions for tangible capital assets and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred contributions for tangible capital assets and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

II. Contributions restricted for specific purposes other than those to be held in perpetuity or for the acquisition or development of a depreciable tangible capital asset are recorded as deferred revenues and recognized in revenue in the year in which the stipulation or restriction on the contribution has been met.

III. Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent, are recorded as direct increases to accumulated surplus for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.

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

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties.

Donations and post construction contributions for tangible capital assets that are not externally restricted are recognized as revenue when they are received. Post construction capital contributions are contributions received after the completion of a tangible capital asset.

Ancillary sales are recognized when the product or service is provided to the consumer.

Contributed goods and services received and used in operations of the College are recognized as revenues and expenses only to the extent that their fair values can be reasonably determined or estimated.

(l) Expenses

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

(m) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the annual budget approved by the Board of Governors of the College on March 21, 2023. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

(n) 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the useful life of tangible capital assets and amortization of deferred contributions for tangible capital assets, the amount of allowance for doubtful accounts, deferral of tuition revenue, asset retirement obligation, and the valuation of employee future benefit obligations. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

3. PRIOR PERIOD ADJUSTMENT

During the year, Okanagan College identified an inadvertent omission of vacation pay in accrued liabilities. The impact of the prior period adjustment on the March 31, 2023 comparative amounts included $3,200,018 accrued vacation pay, which resulted in the opening accumulated surplus being restated from $22,259,589 to $19,059,571, and opening net debt being restated from $(138,711,187) to $(141,911,205).

4. CASH AND CASH EQUIVALENTS

	2024	2023
Cash	**$ 13,359,187**	$ 25,733,674
Cash equivalents	**12,943,830**	5,288,645
	$ 26,303,017	$ 31,022,319

5. INVESTMENTS

Portfolio investments:

	2024	2023
Investments held at fair value:		
Fixed income	**$ 5,820,201**	$ 5,452,922
Equity investments	**6,606,600**	5,994,194
Alternative investments – pooled mortgage	**537,242**	511,928
	$ 12,964,043	$ 11,959,044

6. ACCOUNTS RECEIVABLE

The following table shows the categories of accounts receivable and the related provision for doubtful accounts:

(a) Due from government and other government organizations:

	2024	2023
Due from Provincial government	**2,135,696**	3,190,233
Due from Federal government	**702,653**	364,166
Due from other government organizations	**250,953**	192,869
	$ 3,089,302	$ 3,747,268

(b) Due from other:

	2024	2023
Student receivables	**$ 696,478**	$ 949,269
Other trade receivables	**1,638,292**	1,115,253
	2,334,770	2,064,522
Allowance for doubtful accounts	**(420,202)**	(614,554)
	$ 1,914,568	$ 1,449,968

7. INVENTORY FOR RESALE

Inventories recognized in the statement of financial position can be analyzed as follows:

	2024	2023
Bookstore	**$ 461,994**	$ 441,933
Other	**25,907**	1,206
	$ 487,901	$ 443,139

In 2024, a total of $1,710,939 (2023 - $1,579,127) of inventories were included in the Statement of Operations and Accumulated Surplus as an expense. This includes an amount of $9,379 (2023 - $27,011) resulting from write-down of inventories.

None of the inventories are pledged as security for liabilities.

8. TANGIBLE CAPITAL ASSETS

The following tables show the cost, additions, transfers, disposals, accumulated amortization, and net book value of the College's tangible capital assets:

As at March 31, 2024	Land and site improvements	Buildings	Furniture and equipment	Computer equipment	Assets under construction	2024 Total
Cost						
Opening balance	$ 19,858,156	$ 206,896,672	$ 64,678,369	$ 18,587,722	$ 15,475,320	$ 325,496,239
Additions	19,014	3,981,095	1,480,199	933,478	38,585,538	44,999,324
Closing Balance	19,877,170	210,877,767	66,158,568	19,521,200	54,060,858	370,495,563
Accumulated Amortization						
Opening balance	12,786,350	74,214,978	60,912,510	16,270,939	-	164,184,777
Amortization	1,054,434	4,755,298	1,574,932	910,987	-	8,295,651
Closing balance	13,840,784	78,970,276	62,487,442	17,181,926	-	172,480,428
Net book value	**$ 6,036,386**	**$ 131,907,491**	**$ 3,671,126**	**$ 2,339,274**	**$ 54,060,858**	**$ 198,015,135**

As at March 31, 2023	Land and site improvements	Buildings	Furniture and equipment	Computer equipment	Assets under construction	2023 Total
Cost						
Opening balance	$ 19,778,644	$ 203,384,343	$ 63,371,299	$ 17,579,364	$ 783,374	$ 304,897,024
Additions	79,512	3,512,329	1,307,070	1,008,358	14,691,946	20,599,215
Closing Balance	19,858,156	206,896,672	64,678,369	18,587,722	15,475,320	325,496,239
Accumulated Amortization						
Opening balance	11,722,080	69,549,422	59,335,578	15,364,372	-	155,971,452
Amortization	1,064,270	4,665,556	1,576,932	906,567	-	8,213,325
Closing balance	12,786,350	74,214,978	60,912,510	16,270,939	-	164,184,777
Net book value	**$ 7,071,806**	**$ 132,681,694**	**$ 3,765,859**	**$ 2,316,783**	**$ 15,475,320**	**$ 161,311,462**

Assets under construction

Assets under construction as at March 31, 2024, represent work in progress of $54,060,858 (2023 - $15,475,320) on the housing projects in Kelowna, Salmon Arm and Vernon, the Wellness Centre in Kelowna, and the Centre for Food, Wine and Tourism in Kelowna. Amortization of these assets will commence when the assets are put into service.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table shows the categories of accounts payable and accrued liabilities:

(a) Due to government and other government organizations:

	2024	2023
Due to Provincial government	**$ 48,457**	$ 18,246
Due to Federal government	**1,091,698**	(98)
Due to other government organizations	**91,632**	134,166
	$ 1,231,787	$ 152,314

(b) Due to other:

	2024	2023 Restated (note 3)
Trade payables	**$ 6,428,491**	$ 5,299,671
Accrued payables	**6,129,072**	1,837,262
Wage payables	**4,802,563**	4,224,843
Accrued vacation payables	**3,195,706**	3,200,018
Student deposits	**8,305,483**	8,549,061
	$ 28,861,315	$ 23,110,855

10. LONG TERM DEBT

	2024	2023
Province of British Columbia - Centre for Learning $4,162,000 bond, 3.35%, unsecured, sinking fund contributions at $192,885 annually plus semi-annual interest of $69,714, due June 9, 2029. Debt is reported net of sinking fund. The sinking fund balance in 2024 is $1,844,210 (2023 - $1,626,176).	**$ 2,317,790**	$ 2,535,824

(a) Sinking fund installments and retirement provisions

Aggregate payments for the next five fiscal years to meet sinking fund installments on externally restricted sinking funds are:

2024-2025	$ 192,885
2025-2026	192,885
2026-2027	192,885
2027-2028	192,885
2028-2029	192,885
	$ 964,425

10. **LONG TERM DEBT** (continued)

(b) Operating line of credit

The College has an operating line of credit with TD Canada Trust for an authorized amount of $2,500,000, bearing interest at bank prime rate minus 0.5% on outstanding balances. On March 31, 2024, the balance outstanding on the operating line of credit was $nil (2023 - $nil).

11. DEFERRED CONTRIBUTIONS

The following table shows the categories of deferred contributions:

	April 1, 2023	**Receipts during year**	**Transferred to revenue**	**March 31, 2024**
Provincial	$6,899,696	$6,352,025	$ (8,057,867)	**$ 5,193,854**
Federal	1,907,609	1,083,349	(1,815,391)	**1,175,567**
Other	1,635,077	6,191,521	(6,708,315)	**1,118,283**
	$ 10,442,382	$ 13,626,895	$ (16,581,573)	**$ 7,487,704**

12. DEFERRED REVENUES

The following table shows the categories of deferred revenues:

	April 1, 2023	**Receipts during year**	**Transferred to revenue**	**March 31, 2024**
Deferred tuition	$7,142,875	$53,945,450	$ (50,298,425)	**$ 10,789,899**
Deferred contract fees	658,570	1,664,404	(1,373,503)	**949,472**
Deferred other revenue	243,952	2,328,800	(2,139,470)	**433,282**
	$ 8,045,397	$ 57,938,654	$ (53,811,399)	**$ 12,172,653**

13. DEFERRED CONTRIBUTIONS FOR TANGIBLE CAPITAL ASSETS

The amortization of deferred contributions for tangible capital assets is recorded as revenue in the statement of operations and accumulated surplus, and deferred contributions for tangible capital assets represents the contributions received for the purchase and/or construction of tangible capital assets, and the unamortized portion of deferred capital contributions for assets in use.

	2024	2023
Balance, beginning of year	**$ 133,698,346**	$120,602,809
Deferred contributions received from:		
Provincial government	**28,802,313**	18,641,344
Federal government	**78,988**	41,081
Donations	**164,829**	114,724
Other	**63,474**	-
	162,807,950	139,399,958
Less: Amounts amortized to revenue	**(5,811,882)**	(5,701,612)
Balance, end of year	**$ 156,996,068**	$133,698,346

14. ASSET RETIREMENT OBLIGATION

The asset retirement obligation is related to asbestos and other hazardous materials that have been identified in the Colleges buildings. The estimated undiscounted asset retirement obligation is $956,926 (2023 - $956,926). A discount rate of 3.47% (2023 – 3.13%), the BC weighted average effective rate as at March 31, 2023, was used to calculate the present value of the asset retirement obligation. The modified retroactive application was adopted in fiscal 2023, and the timing of these expenditures is estimated to occur between 2024 and 2043 with regular replacement, renovation, or disposal of assets.

	2024	2023
Opening balance	**$ 532,825**	$ 516,628
Accretion costs	**18,045**	16,197
Balance, end of year	**$ 550,870**	$ 532,825

15. EMPLOYEE FUTURE BENEFITS

(a) Pension benefits

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trusteed pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the 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 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 Okanagan College paid $7,695,754 (2023 - $6,752,254) 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.

(b) Employee future benefit obligations

The College does not establish plan assets to fund the employee future benefit obligations. The College has been providing and will continue to provide for the payment of these benefits as they become due.

Employees of the College are entitled to sick leave in accordance with the terms and conditions of their employment contracts. Sick leave credits accumulate for employees of the College. As they render services, they earn the right to the sick leave benefit. The College recognizes a liability and an expense for sick leave in the period in which employees render services in return for the benefits.

15. EMPLOYEE FUTURE BENEFITS (continued)

Retirement benefit payments represent the College's share of the cost to provide certain employees with various benefits upon retirement. These retirement benefits are determined based on collective bargaining agreements and/or the terms and conditions of employment, which provides a retiring allowance for eligible employees based on the years of service with Okanagan College. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation completed as at March 31, 2024.

Information about liabilities for the College's employee future benefit obligations is as follows:

	Sick Leave	Retirement and other	2024	2023
Benefit obligation balance, beginning of year	$ 5,119,900	$10,650,800	**$ 15,770,700**	$ 15,742,600
Current service cost	471,800	917,200	**1,389,000**	1,322,900
Interest cost	147,000	301,100	**448,100**	445,900
Benefits paid	(607,300)	(1,163,400)	**(1,770,700)**	(1,740,700)
Actuarial loss/(gain)	43,800	(305,600)	**(261,800)**	-
Other	-	28,300	**28,300**	-
Benefit Obligation Balance, end of year	5,175,200	10,428,400	**15,603,600**	15,770,700
Unamortized actuarial loss			**(2,796,500)**	(3,755,700)
Benefit Liability Balance, end of year			**$ 12,807,100**	$ 12,015,000

Components of net benefit expense	**2024**	2023
Service cost	**$ 1,389,000**	$ 1,322,900
Interest cost	**448,100**	445,900
Amortization of net actuarial loss	**697,400**	630,300
Other	**28,300**	-
Net benefit expense	**$ 2,562,800**	$ 2,399,100

The actuarial assumptions adopted in preparing the College's accrued benefit liability are as follows:

	2024	2023
Interest (discount) rate	**4.443%**	2.780%
Wages and salary escalation rate range	**2 – 5.6%**	2 – 4%
Expected average remaining service life of employees	**9 years**	9 years

16. ACCUMULATED SURPLUS

The following table shows the changes in accumulated surplus:

	Operating surplus	Unfunded employee future benefit obligations	Investment in tangible capital assets	Remeasurement gains and losses	2024 Total	2023 Total Restated
Accumulated surplus, as previously stated	$6,530,106	$ (12,015,000)	$ 24,544,465	$ 1,560,456	$ 20,620,027	$ 25,400,574
Prior period adjustment (note 3)	-	-	-	-	-	(3,200,018)
Restated accumulated surplus, beginning of year	6,530,106	(12,015,000)	24,544,465	1,560,456	20,620,027	22,200,556
Annual surplus (deficit)	4,137,255	(792,100)	(2,476,665)	-	868,490	(951,472)
Net remeasurement gains (losses) for the year	-	-	-	461,745	461,745	(629,057)
Acquisition of tangible capital assets	(15,889,720)	-	15,889,720	-	-	-
Repayment of long term debt	(192,885)	-	192,885	-	-	-
Accumulated surplus, end of year	**$ (5,415,244)**	**$ (12,807,100)**	**$38,150,405**	**$ 2,022,201**	**$ 21,950,262**	**$ 20,620,027**

17. RELATED PARTY TRANSACTIONS

(a) Other agency operations:

The College is related through common ownership 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 considered to be in the normal course of operations and are recorded at the exchange amount.

(b) Okanagan College Foundation:

The Okanagan College Foundation (the "Foundation") is a separate society formed by the community to facilitate investment in post-secondary education in the region. Their purpose as it relates to Okanagan College is to further the goals, objectives, and strategic interests of Okanagan College; stimulate and provide financial support for the development and expansion of educational programs, services, capital projects, and other initiatives as recommended by Okanagan College that support the mission and goals of Okanagan College; and provide financial support to enable students to participate in learning at Okanagan College and other institutions providing post-secondary education in Canada. The Foundation is a registered charity under the provisions of the Income Tax Act of Canada. The net assets and results of operations of the Foundation have not been included in these financial statements.

Under the Capital Campaign Line of Credit Agreement between Okanagan College and the Foundation, the College may provide funds to the Foundation, up to a maximum of $1,250,000, by way of a line of credit so as to cover the costs to be incurred by the Foundation in operating and running the Capital Campaign(s).

17. RELATED PARTY TRANSACTIONS (continued)

The line of credit payable shall be made free of interest provided that the Foundation shall comply strictly with the terms of the agreement. The Foundation shall repay amounts owed on the line of credit payable pursuant to the terms of this Agreement on the following basis:

- On March 31 in each year, repayment of a minimum of 20% of the pledge payments that are received, to a maximum amount of all outstanding credit; and
- At any time forthwith upon demand from the College.

The balance outstanding of the line of credit payable under the Capital Campaign Line of Credit Agreement as at March 31, 2024 was $nil (2023 - $nil). During the year, Okanagan College approved $291,623 (2023 - $93,712) for forgiveness of the line of credit agreement.

During the year, the Foundation awarded to Okanagan College grants in the amount of $575,583 (2023 - $282,894) to fund specific programs and transferred $197,008 (2023 -$127,383) raised in the capital campaigns to support the Kelowna Health Sciences Building and playgrounds for Kelowna and Penticton.

18. CONTRACTUAL OBLIGATIONS

The College has entered into multi-year contracts for construction, property leases, and delivery of services. These contractual obligations will become liabilities in the future when the terms of contracts are met. Amounts related to the unperformed portion of the contracts are shown in the table below.

Contractual obligations related to construction, property leases, and delivery of services are as follows:

	2025	2026	2027	2028	2029	Thereafter	Total
Construction	$ 22,249,475	$ 875,000	$ -	$ -	$ -	$ -	$ 23,124,475
Property leases	428,506	390,256	374,483	378,914	379,884	8,923,484	10,875,527
Service contracts	1,154,452	371,285	68,839	23,200	-	-	1,617,776
	$ 23,832,433	**$ 1,636,541**	**$ 443,322**	**$ 402,114**	**$ 379,884**	**$ 8,923,484**	**$ 35,617,778**

19. CONTINGENT LIABILITIES

The College is involved in litigation from time to time, which arises in the normal course of operations. Liabilities related to litigation are recognized in the financial statements when the outcome becomes reasonably determinable. In management's judgement, there is currently no significant negative exposure from existing litigation.

The College is a member of the University, College and Institute Protection Program (UCIPP), which is an actuarially valuated program of self-insurance for the Province of British Columbia that has been in place since 1987. It is one of several self-insurance programs operated within the Insurance and Risk Management Account (IRMA), a special account established under the Financial Administration Act and managed and operated by the Risk Management Branch of the Ministry of Finance. Annually, an independent actuarial firm reviews the claims history, funding levels, and balances in the various programs making up IRMA to ensure it is adequately funded to cover both known claims and incurred (but not reported) losses.

20. SEGMENTED INFORMATION

Segmentation is defined by the College as groups of activities that have in common that they serve a particular purpose that is unique and meaningful in the post-secondary sector and is well understood by the readers. Costs in these activities are salaries, wages, contracts, benefits, and non-personnel costs such as consulting, travel, printing, supplies, services, repairs, and maintenance.

The College has identified the following segments and associated groups of activities based upon the functional areas of service as provided by various departments within the College:

(a) Instruction and academic support - This segment includes direct department cost and academic support costs of delivering programs. These costs include personnel and non-personnel operating costs directly held in academic departments.

(b) Facility and institutional support - This segment captures costs associated with the operation of the following support departments: Board of Governors, Executive Offices, Financial Services, Human Resources, Facilities and Business Services, Information Technology Services, Legal Affairs, and Public Affairs. Costs included within these departments are costs associated with staff recruitment and termination, legal fees, custodial services, grounds maintenance, security, occupational health and safety, and shipping and receiving. In addition, institutional costs such as investment fees, insurance premiums, bank charges, audit fees and employee related costs are included here.

(c) Enrolment management and student support - This segment, unique to the post-secondary sector, includes enrolment management and student service costs such as student recruitment, student registration, student placement, student counseling and library services. It also includes administrative costs in the Regional Dean’s offices in all campus locations, and operating costs for scholarships, fundraising and alumni administration.

(d) Ancillary operations - This segment includes the activities of the ancillary operations. An ancillary operation is one that provides goods and services to students, staff or others, and that charges a fee directly related to the cost of providing the goods or services. Ancillary operations include parking, food services, student residence and bookstores. Costs associated with this segment include administration and support costs related to these activities.

(e) Amortization of tangible capital assets - This segment includes the amortization costs of all depreciable assets. Depreciable assets include site improvements, buildings, furniture and equipment and computer equipment.

(f) Interest on long term debt - Disclosure is required as a separate item under PS 3230.15(f) of the Canadian public sector accounting standards.

21. EXPENSES BY OBJECT

Total expenses by object are itemized as follows:

	Budget 2024	2024	2023 Restated (note 3)
Salary and benefits	$ 97,237,193	**$ 108,378,861**	$ 92,699,340
Supplies and services	25,922,860	**30,181,878**	25,236,523
Amortization of tangible capital assets	8,166,952	**8,295,651**	8,213,325
Interest on long term debt	139,427	**138,950**	139,427
	$ 131,466,432	**$ 146,995,340**	$126,288,615

22. FINANCIAL RISK MANAGEMENT

The College has exposure to the following risks with respect to its financial instruments: credit risk, market risk and liquidity risk.

The Board of Governors ensures that 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 cash and cash equivalents, investments, and accounts receivable.

The College manages its credit risk through a prudent investment policy approved by the College's Board of Governors. The College's accounts receivable are numerous and diverse and therefore the College has no significant concentration of credit risk. Accounts receivable are carefully monitored and are actively pursued, which includes the use of a collection agency for balances more than three months old. The College's exposure to credit risk is minimal and there was no significant change in exposure from the prior year.

(b) Market risk

Market risk is the risk that changes in market factors, 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 investments.

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

22. **FINANCIAL 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 forecast 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 its reputation.

23. COMPARATIVE FIGURES

Certain comparative figures from the prior year have been reclassified to conform to the presentation format adopted for the current year.