OKANAGAN COLLEGE

OKANAGAN COLLEGE

FINANCIAL STATEMENTS

FISCAL YEAR ENDING MARCH 31, 2026

okanagancollege.ca

Okanagan COLLEGE

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, and Risk Committee. The Finance, Audit, and Risk Committee reviews internal financial statements on a quarterly basis and external audited financial statements yearly. The Finance, Audit, and 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 and Vice President, Corporate Services

Office of the
Auditor General
of British Columbia

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Victoria, 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, 2026, 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, 2026, and the results of its operations, change in its net debt, remeasurement gains and losses and cash flows 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 2(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 in 2012. As of March 31, 2026, the liability for deferred contributions for tangible capital assets are overstated by $202.2 million, the annual surplus and the accumulated surplus are understated by $202.2 million, and revenue is understated by $202.2 million. This represents the cumulative impact of this departure over time. Of this cumulative amount, $35.9 million represents the understatement of revenue and corresponding understatement of annual surplus in the current fiscal year.

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.

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.

B Parrish

Bridget Parrish, CPA, CA
Auditor General of British Columbia

Victoria, British Columbia, Canada
June 24, 2026

OKANAGAN COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2026

	2026	2025
Financial assets		
Cash and cash equivalents (note 4)	$ 33,842,311	$ 43,032,330
Investments (note 5)	16,809,751	15,214,709
Accounts receivable (note 6)		
Due from government and other government organizations	9,878,823	618,843
Other	4,417,824	1,676,808
Inventory for resale (note 7)	464,502	369,323
	65,413,211	60,912,013
Liabilities		
Accounts payable and accrued liabilities (note 9)		
Due to government and other government organizations	1,022,778	1,798,120
Other	36,100,250	20,435,871
Long term debt (note 10)	32,067,506	32,296,392
Deferred contributions (note 11)	8,577,026	7,361,694
Deferred revenue (note 12)	9,530,401	11,132,528
Deferred contributions for tangible capital assets (note 13)	202,176,719	166,261,686
Asset retirement obligation (note 14)	590,748	570,220
Employee future benefit obligations (note 15)	14,505,100	13,350,600
	304,570,528	253,207,111
Net debt	(239,157,317)	(192,295,098)
Non-financial assets		
Prepaid expenses and deposits	2,928,320	2,116,957
Tangible capital assets (note 8)	257,648,015	217,403,327
	260,576,335	219,520,284
Accumulated surplus (note 16)	$ 21,419,018	$ 27,225,186
Accumulated surplus is comprised of:		
Accumulated surplus	$ 18,007,915	$ 24,484,012
Accumulated remeasurement gains	3,411,103	2,741,174
	$ 21,419,018	$ 27,225,186

Contractual obligations (note 17)
Contingent liablities (note 18)

Approved on behalf of the Board:

Dustyn Baulkham
Chair, Board of Governors
June 23, 2026

Neil Fassina
President

OKANAGAN COLLEGE
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2026

	Budget 2026	2026	2025
Revenue			
Government grants	$ 80,229,841	$ 85,598,131	$ 83,940,145
Tuition and other fees	40,652,479	48,556,905	56,116,579
Ancillary service sales	8,693,776	7,569,310	6,177,930
Contract services	3,630,956	2,296,657	3,568,052
Other administration fees and sundry	786,560	1,423,378	1,502,998
Investment income	1,090,000	2,046,967	2,263,332
Amortization of deferred contributions for tangible capital assets	7,441,871	7,712,639	6,757,096
	142,525,483	155,203,987	160,326,132
Expense (note 21)			
Instruction and academic support	81,802,982	83,150,749	84,201,659
Facility and institutional support	27,815,286	35,077,633	30,413,311
Enrolment management and student support	21,723,533	23,885,048	25,403,566
Ancillary operations	6,917,055	5,637,309	4,933,255
Amortization of tangible capital assets	11,132,483	12,368,276	9,859,991
Interest on long term debt	1,465,199	1,561,069	958,399
	150,856,538	161,680,084	155,770,181
Annual (deficit) surplus	(8,331,055)	(6,476,097)	4,555,951
Accumulated surplus, beginning of year	24,484,012	24,484,012	19,928,061
Accumulated surplus, end of year	$ 16,152,957	$ 18,007,915	$ 24,484,012

OKANAGAN COLLEGE

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

FOR THE YEAR ENDED MARCH 31, 2026

	2026	2025
Accumulated remeasurement gains, beginning of year	$ 2,741,174	$ 2,022,201
Unrealized gain on investments	1,107,568	889,395
Realized gain on investments, reclassified to statement of operations	(437,639)	(170,422)
Net remeasurement gains for the year	669,929	718,973
Accumulated remeasurement gains, end of year	$ 3,411,103	$ 2,741,174

OKANAGAN COLLEGE
STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2026

	Budget 2026	2026	2025
Annual (deficit) surplus	$ (8,331,055)	$ (6,476,097)	$ 4,555,951
Acquisition of tangible capital assets	(36,452,150)	(52,624,923)	(29,248,183)
Disposal of tangible capital assets	-	11,960	-
Amortization of tangible capital assets	11,132,483	12,368,276	9,859,991
	(33,650,722)	(46,720,785)	(14,832,241)
Acquisition of prepaid expenses and deposits	-	(2,928,320)	(2,116,957)
Use of prepaid expenses and deposits	-	2,116,957	1,601,583
	-	(811,363)	(515,374)
Net remeasurement gains	-	669,929	718,973
Increase in net debt	(33,650,722)	(46,862,219)	(14,628,642)
Net debt, beginning of year		(192,295,098)	(177,666,456)
Net debt, end of year	$ (33,650,722)	$ (239,157,317)	$ (192,295,098)

OKANAGAN COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2026

	2026	2025
Net cash inflow (outflow) related to the following activities		
Operating activities		
Annual (deficit) surplus	$ (6,476,097)	$ 4,555,951
Adjust for non-cash items:		
Realized gain on disposal of investments	(437,639)	(170,422)
Realized gain on disposal of tangible capital assets	(35,838)	-
Actuarial adjustment on long term debt	(40,564)	(160,939)
Accretion expense	20,528	19,350
Amortization of deferred contributions for tangible capital assets	(7,712,639)	(6,757,096)
Amortization of tangible capital assets	12,368,276	9,859,991
	(2,313,973)	7,346,835
Changes in non-cash working capital:		
Accounts receivable	(12,000,996)	2,708,219
Prepaid expenses and deposits	(811,363)	(515,374)
Inventory for resale	(95,179)	118,578
Accounts payable and accrued liabilities	14,889,037	(7,859,111)
Deferred revenues	(386,795)	(1,166,135)
Employee future benefit obligations	1,154,500	543,500
	435,231	1,176,512
Capital activities		
Acquisition of tangible capital assets	(52,624,924)	(29,248,183)
Proceeds from disposal of tangible capital assets	47,798	-
	(52,577,126)	(29,248,183)
Investing activities		
Purchase of investments	(1,387,472)	(2,211,272)
Proceeds from disposal of investments	900,000	850,000
	(487,472)	(1,361,272)
Financing activities		
Deferred contributions for tangible capital assets	43,632,234	16,022,714
Proceeds of long term debt	-	30,332,426
Repayment of long term debt	(192,885)	(192,885)
	43,439,349	46,162,255
(Decrease) increase in cash and cash equivalents	(9,190,019)	16,729,313
Cash and cash equivalents at beginning of year	43,032,330	26,303,017
Cash and cash equivalents at end of year	$ 33,842,311	$ 43,032,330
Supplemental cash flow information		
Cash paid for interest	1,561,069	958,399
Cash receipts from interest	1,167,054	1,792,207

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. As a result, revenue recognized in the statement of operations and certain related deferred capital contributions are recorded differently under Canadian public sector accounting standards.

(b) Cash and cash equivalents

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

(c) Financial instruments

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments consist of cash and cash equivalents, investments, accounts receivable, and accounts payable and accrued liabilities.

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. Tangible capital assets 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	3

Estimated useful lives of tangible capital assets are reviewed on a regular basis and revised when appropriate.

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 the College's sinking fund investment which is recorded at fair value.

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 and Accumulated Surplus.

(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.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 11, 2025. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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. CHANGE IN ACCOUNTING ESTIMATE

During the year, the College revised its estimate of the useful life of computer equipment from five years to three years to better reflect the period over which the assets are expected to provide economic benefits. This change has been accounted for prospectively as a change in accounting estimate. As a result, amortization expense for the year ended March 31, 2026 increased by $896,085.

4. CASH AND CASH EQUIVALENTS

	2026	2025
Cash	**$ 28,595,982**	$ 38,052,834
Cash equivalents	**5,246,329**	4,979,496
	$ 33,842,311	$ 43,032,330

5. INVESTMENTS

Portfolio investments:

	2026	2025
Investments held at fair value:		
Fixed income	**$ 7,001,290**	$ 6,188,616
Equity investments	**9,207,177**	8,444,371
Alternative investments – pooled mortgage	**601,284**	581,722
	$ 16,809,751	$ 15,214,709

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:

	2026	2025
Due from Provincial government	**$ 9,153,281**	$ 191,612
Due from Federal government	**580,792**	334,150
Due from other government organizations	**144,750**	93,081
	$ 9,878,823	$ 618,843

(b) Due from other:

	2026	2025
Student receivables	**$ 544,431**	$ 976,584
Other trade receivables	**4,179,867**	1,160,688
	4,724,298	2,137,272
Allowance for doubtful accounts	**(306,474)**	(460,464)
	$ 4,417,824	$ 1,676,808

7. INVENTORY FOR RESALE

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

	2026	2025
Bookstore	**$ 394,350**	$ 354,530
Other	**70,152**	14,793
	$ 464,502	$ 369,323

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:

Cost	April 1, 2025	Additions	Disposals/ Transfers	March 31, 2026
Land	$ 672,538	$ -	$ -	**$ 672,538**
Site improvements	25,559,632	2,540,863	-	**28,100,495**
Buildings	276,399,032	2,039,191	-	**278,438,223**
Furniture and equipment	72,021,126	1,071,520	(324,344)	**72,768,302**
Computer equipment	20,472,729	1,249,967	(1,037,331)	**20,685,365**
Assets under construction	4,594,248	45,723,381	-	**50,317,629**
Total	$ 399,719,305	$ 52,624,922	$ (1,361,675)	**$ 450,982,552**

Accumulated Amortization	April 1, 2025	Amortization Expense	Disposals	March 31, 2026
Site improvements	$ 15,199,946	$ 1,763,505	$ -	**$ 16,963,451**
Buildings	84,585,220	6,458,929	-	**91,044,149**
Furniture and equipment	64,441,496	2,285,323	(312,387)	**66,414,432**
Computer equipment	18,089,317	1,860,519	(1,037,331)	**18,912,505**
Total	$ 182,315,979	$ 12,368,276	$ (1,349,718)	**$ 193,334,537**

Cost	April 1, 2024	Additions	Disposals/ Transfers	March 31, 2025
Land	$ 672,538	$ -	$ -	**$ 672,538**
Site improvements	19,204,632	505,094	5,849,907	**25,559,633**
Buildings	210,877,767	4,925,638	60,595,625	**276,399,030**
Furniture and equipment	66,158,568	2,610,724	3,251,837	**72,021,129**
Computer equipment	19,521,200	951,528	-	**20,472,728**
Assets under construction	54,060,858	20,255,199	(69,721,809)	**4,594,248**
Total	$ 370,495,563	$ 29,248,183	$ (24,440)	**$ 399,719,306**

Accumulated Amortization	April 1, 2024	Amortization Expense	Disposals	March 31, 2025
Site improvements	13,840,784	$ 1,359,162	$ -	**$ 15,199,946**
Buildings	78,970,276	5,614,944	-	**84,585,220**
Furniture and equipment	62,487,442	1,978,494	(24,440)	**64,441,496**
Computer equipment	17,181,926	907,391	-	**18,089,317**
Total	$ 172,480,428	$ 9,859,991	$ (24,440)	**$ 182,315,979**

8. TANGIBLE CAPITAL ASSETS (continued)

Net Book Value	March 31, 2026	March 31, 2025
Land	**$ 672,538**	$ 672,538
Site improvements	**11,137,044**	10,359,686
Buildings	**187,394,074**	191,813,812
Furniture and equipment	**6,353,870**	7,579,631
Computer equipment	**1,772,860**	2,383,412
Assets under construction	**50,317,629**	4,594,248
Total	**$ 257,648,015**	$ 217,403,327

Assets under construction

Assets under construction as at March 31, 2026, represent work in progress of $50,317,629 (2025 - $4,594,248) on housing in Penticton, 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:

	2026	2025
Due to Provincial government	**$ 563,920**	$ 527,043
Due to Federal government	**407,848**	1,265,652
Due to other government organizations	**51,010**	5,425
	$ 1,022,778	$ 1,798,120

(b) Due to other:

	2026	2025
Trade payables	**$ 7,243,070**	$ 2,861,996
Accrued payables	**13,618,302**	1,883,463
Wage payables	**6,799,040**	4,623,669
Accrued vacation payables	**3,252,689**	3,493,083
Employee retirement incentive program	**2,176,592**	2,566,828
Student deposits	**3,010,557**	5,006,832
	$ 36,100,250	$ 20,435,871

10. LONG TERM DEBT

	2026	2025
Province of British Columbia – Housing $30,619,000 bonds, unsecured, bears interest at 4.25% payable semi-annually, with the principal repayable at maturity on December 18, 2053.	**$ 30,336,989**	$ 30,332,426
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 2026 is $2,431,483 (2025 - $2,198,034).	**$1,730,517**	$1,963,966
	$ 32,067,506	$ 32,296,392

The principle portion of the debt repayments over the next five years and thereafter are as follows:

2026-2027	$ -
2027-2028	-
2028-2029	-
2029-2030	4,162,000
2030-2031	-
Thereafter	30,619,000

(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:

2026-2027	$ 192,885
2027-2028	192,885
2028-2029	192,885
2029-2030	96,443
2030-2031	-
	$ 675,098

(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, 2026, the balance outstanding on the operating line of credit was $nil (2025 - $nil).

11. DEFERRED CONTRIBUTIONS

The following table shows the categories of deferred contributions:

	April 1, 2025	Receipts during year	Transferred to revenue	March 31, 2026
Provincial	$ 6,259,075	$14,918,529	$ (13,405,172)	**$ 7,772,432**
Federal	1,102,619	860,945	(1,158,970)	**804,594**
	$ 7,361,694	$ 15,779,474	$ (14,564,142)	**$ 8,577,026**

12. DEFERRED REVENUES

The following table shows the categories of deferred revenues:

	April 1, 2025	Receipts during year	Transferred to revenue	March 31, 2026
Deferred tuition	$ 9,957,548	$46,824,177	$ (48,556,905)	**$ 8,224,820**
Deferred contract fees	564,745	1,221,736	(1,206,373)	**580,108**
Deferred other revenue	610,235	4,462,714	(4,347,476)	**725,473**
	$ 11,132,528	$ 52,508,627	$ (54,110,754)	**$ 9,530,401**

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.

	2026	2025
Balance, beginning of year	**$ 166,261,686**	$156,996,068
Deferred contributions received from:		
Provincial government	**39,778,673**	14,369,747
Federal government	**3,841**	651,325
Donations	**3,800,957**	972,885
Other	**44,201**	28,757
	209,889,358	173,018,782
Less: Amounts amortized to revenue	**(7,712,639)**	(6,757,096)
Balance, end of year	**$ 202,176,719**	$166,261,686

14. ASSET RETIREMENT OBLIGATION

The asset retirement obligation is related to asbestos and other hazardous materials that have been identified in the College's buildings. The estimated undiscounted asset retirement obligation is $956,926 (2025 - $956,926). A discount rate of 3.60% (2025 – 3.64%), the BC weighted average effective rate as at March 31, 2025, 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 2026 and 2043 with regular replacement, renovation, or disposal of assets.

	2026	2025
Opening balance	**$ 570,220**	$ 550,870
Accretion costs	**20,528**	19,350
Balance, end of year	**$ 590,748**	$ 570,220

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, 2025, the College Pension Plan has about 17,500 active members, and approximately 11,800 retired members. As at December 31, 2024, the Municipal Pension Plan has about 273,000 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, 2024, indicated a $3.8 million unfunded liability for basic pension benefits. This was covered by a transfer from the rate stabilization account leaving the basic pension account balanced at the valuation date on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2024, indicated a $2,675 million funding surplus for basic pension benefits on a going concern basis.
The next valuation for the College Pension Plan will be as at August 31, 2027. The next valuation for the Municipal Pension Plan will be as at December 31, 2027.

The College paid $7,572,265 (2025 - $7,874,133) for employer contributions to the plans in fiscal 2026.

15. EMPLOYEE FUTURE BENEFITS (continued)

(a) Pension benefits (continued)

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.

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, 2026, and the next valuation update will be as at March 31, 2027.

15. EMPLOYEE FUTURE BENEFITS (continued)

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

	Sick Leave	Retirement and other	2026	2025
Benefit obligation balance, beginning of year	$ 5,096,800	$10,433,000	**$ 15,529,800**	$15,603,600
Current service cost	446,200	833,900	**1,280,100**	1,219,100
Interest cost	233,700	469,200	**702,900**	695,100
Benefits paid	(565,400)	(1,046,800)	**(1,612,200)**	(1,988,000)
Actuarial loss/(gain)	(177,500)	42,400	**(135,100)**	-
Other	-	166,400	**166,400**	-
Benefit Obligation Balance, end of year	5,033,800	10,898,100	**15,931,900**	15,529,800
Unamortized actuarial loss			**(1,426,800)**	(2,179,200)
Benefit Liability Balance, end of year			**$ 14,505,100**	$ 13,350,600

Components of net benefit expense	2026	2025
Service cost	**$ 1,280,100**	$ 1,219,100
Interest cost	**702,900**	695,100
Amortization of net actuarial loss	**617,300**	617,300
Other	**166,400**	-
Net benefit expense	**$ 2,766,700**	$ 2,531,500

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

	2026	2025
Interest (discount) rate	**3.80%**	4.443%
Wages and salary escalation rate range	**2.4 – 6%**	2 – 5.6%
Expected average remaining service life of employees	**9 years**	9 years

16. ACCUMULATED SURPLUS

Accumulated surplus is comprised of the following:

	2026	2025
Investment in tangible capital assets	**$ 22,860,840**	$ 18,275,028
Internally restricted		
Faculty and department reserves	**1,916,024**	2,377,251
Ancillary reserves	**1,503,927**	666,939
Unrestricted	**6,232,224**	16,515,394
Unfunded employee future benefit obligations	**(14,505,100)**	(13,350,600)
Accumulated remeasurement gains	**3,411,103**	2,741,174
	$ 21,419,018	$ 27,225,186

Investment in tangible capital assets represents the cost of capital assets acquired by the College, net of funding from restricted capital contributions, debt, and asset retirement obligations.

Faculty and department reserves are professional development and alumni funds permitted to carry forward at the end of each year per the collective agreements.

Ancillary reserves represent accumulated funds held for the capital requirements of ancillaries for Parking Services and Housing.

Unrestricted represents amounts from the College's operating activities.

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.

17. RELATED PARTY TRANSACTIONS (continued)

(b) Okanagan College Foundation (continued)

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).

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, 2026 was $45,841 (2025 - $nil). During the year, Okanagan College approved $460,000 (2025 - $460,180) for forgiveness of the line of credit agreement.

During the year, the Foundation awarded to Okanagan College grants in the amount of $342,115 (2025 - $496,447) to fund specific programs and transferred $3,739,146 (2025 -$661,294) raised in capital campaigns to support the construction of the Kelowna Recreation and Wellness Center and other program support.

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, leases (equipment, fleet vehicles, and property), and delivery of services are as follows:

	2027	2028	2029	2030	2031	Thereafter	Total
Construction	$ 41,691,713	$ 4,819,141	$ -	$ -	$ -	$ -	$ 46,510,854
Leases	485,739	467,315	393,135	379,242	386,615	8,181,615	10,293,661
Service contracts	2,364,999	2,064,253	1,363,845	384,981	286,161	18,877	6,483,116
	$ 44,542,451	**$ 7,350,709**	**$ 1,756,981**	**$764,223**	**$ 672,776**	**$ 8,200,492**	**$ 63,287,631**

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. EXPENSES BY OBJECT

Total expenses by object are itemized as follows:

	Budget 2026	**2026**	2025
Salary and benefits	$ 108,268,390	**$ 112,432,498**	$113,117,001
Supplies and services	29,990,466	**35,318,241**	31,834,790
Amortization of tangible capital assets	11,132,483	**12,368,276**	9,859,991
Interest on long term debt	1,465,199	**1,561,069**	958,399
	$ 150,856,538	**$ 161,680,084**	$155,770,181

21. 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.

21. FINANCIAL RISK MANAGEMENT (continued)

(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.

(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.