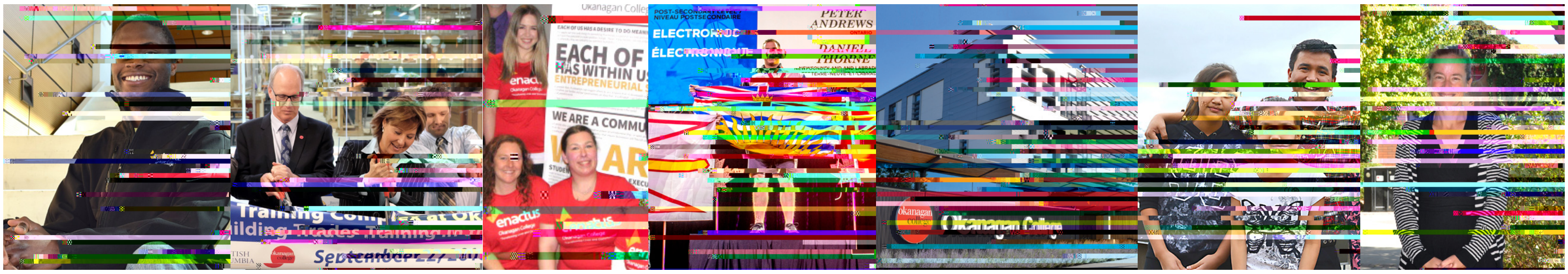

OKANAGAN COLLEGE

FINANCIAL STATEMENTS

MARCH 31, 2017

OKANAGAN COLLEGE
STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2017

	Budget 2017	2017	2016
Annual surplus	$ -	$ 1,163,825	$ 293,795
Acquisition of tangible capital assets	(6,882,000)	(6,314,604)	(25,319,339)
Amortization of tangible capital assets	6,851,439	7,053,607	6,472,765
	(30,561)	1,902,828	(18,552,779)
Acquisition of prepaid expenses	-	(798,888)	(561,126)
Use of prepaid expenses	-	561,126	562,748
	-	(237,762)	1,622
Net remeasurement gains (losses)	-	530,603	(467,086)
Decrease (increase) in net debt	(30,561)	2,195,669	(19,018,243)
Net debt, beginning of year	(112,546,985)	(112,546,985)	(93,528,742)
Net debt, end of year	$ (112,577,546)	$ (110,351,316)	$ (112,546,985)

		2017		2016
Net cash inflow (outflow) related to the following activities				
Operating activities				
Annual surplus	$	1,163,825	$	293,795
Adjust for non-cash items:				
Realized gain on disposal of investments		(41,981)		(40,391)
Actuarial adjustment on long term debt		3,411		(10,592)
Contributed tangible capital assets (note 6)		(150,311)		(930,720)
		(5,368,555)		(4,829,972)
Amortization of tangible capital assets		7,053,607		6,472,765
		2,659,996		954,885
Changes in non-cash working capital				
Accounts receivable		227,011		436,166
Prepaid expenses		(237,762)		1,622

1. 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition (continued)

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. ACCOUNTS RECEIVABLE

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

	2017	2016
Student receivables	$ 1419,2410	$ 1 605,2690
Trade receivables	2,650,9390	2,723,8210
	3,070,1800	3,329,0901
Less: Allowance for doubtful accounts	(190,528)	(222,427)
	$ 12,879,6520	$ 3,106,6631

4. INVENTORY FOR RESALE

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

	2017	2016
Bookstore		

6. 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, 2017	Land and site improvements	Buildings	Furniture and equipment	Computer equipment	Leasehold improvements	Assets under construction	2017 Total
Cost							
Opening balance	$ $0 10,60u66,	s					

6. TANGIBLE CAPITAL ASSETS (continued)

Assets under construction

Assets under construction as at March 31, 2017, represent work in progress of $724,191 (2016 - $nil) on the construction of a new trades training house on the Kelowna Campus, a daycare building on the Penticton Campus, and a trades training facility on the Vernon Campus. Amortization of these assets will commence when the assets are put into service.

Contributed tangible capital

8. 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 pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2016, the College Pension Plan has about 14,000 active members, and approximately 7,000 retired members. As at December 31, 2015, the Municipal Pension Plan has about 189,000 active members, including approximately 5,800 from colleges.

The most recent actuarial [illegible]

9. 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 unamortized amount of externally restricted contributions received for the purchase of tangible capital assets.

	2017	2016
Balance, beginning of year	$ 101,254,766	$ 86,640,182
Deferred contributions received from:		
Ministry of Advanced Education	3,631,094	16,195,113
Federal Strategic Investment Fund	500,000	-
Donations	441,601	3,249,443
	105,827,461	106,084,738
Less: Amounts amortized to revenue	(5,368,555)	(4,829,972)
Balance, end of year	$ 100,458,906	$ 101,254,766

10. ACCUMULATED SURPLUS

The following table shows the changes in accumulated surplus:

	Operating surplus (deficit)	Unfunded employee future benefit obligations	Investment in tangible capital assets	Remeasurement gains and losses	2017 Total	2016 Total
Accumulated surplus, beginning of year	$ 5,480,166	$ (13,044,300)	$ 18,646,710	$ 791,564	$ 11,874,140	$ 12,047,431
Annual surplus (deficit)	2,705,688	146,600	(1,688,463)	-	1,163,825	293,795
Net remeasurement (losses) gains for the year	-	-	-	530,603	530,603	(467,086)
Acquisition of tangible capital assets	(1,741,909)	-	1,741,909	-	-	-
Repayment of long term debt	(192,885)	-	192,885	-	-	-
Accumulated surplus, end of year	$ 6,251,060	$ (12,897,700)	$ 18,893,041	$ 1,322,167	$ 13,568,568	$ 11,874,140

11. COMMITMENTS AND CONTINGENCIES

(a) The College has entered into various leases, agreements and contracts with third parties for various services with periods ranging from one to thirty

14. FINANCIAL RISK MANAGEMENT (continued)

(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

15. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- 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.

16. COMPARATIVE FIGURES

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