

CONSOLIDATED FINANCIAL STATEMENTS PLAN AND REPORT

2020 REPORTING CYCLE

SELKIRK COLLEGE
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FOR THE YEAR ENDED MARCH 31, 2020

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements and related financial information are the responsibility of Selkirk College management and have been approved by the Board of Governors of Selkirk College. The financial statements have been prepared by management in conformity with Canadian public sector accounting standards and Treasury Board direction outlined in note 2(a).

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded. The Board of Governors has established a code of ethics and corporate directives, which require communication of the code to the employees.

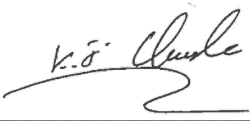
The Board of Governors carries out its responsibility for the financial statements through the Board Finance/Audit Committee. This Committee meets with management and the external auditor to discuss and review financial matters and recommends the financial statements to the Board for approval. The external auditor has full and free access to the Finance/Audit Committee.

The financial statements for the year ended March 31, 2020 have been reported on by BDO Canada LLP. The Independent Auditors' Report outlines the scope of the audit and provides the audit opinion on the consolidated financial statements.



Angus Graeme, President & CEO

May 15, 2020



Kerry Clarke, Vice President College Services, CFO

May 15, 2020



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Independent Auditor's Report

To the Board of Directors of Selkirk College and
the Minister of Advanced Education, Skills and Training of the Province of British Columbia

Opinion

We have audited the accompanying financial statements of Selkirk College (the College), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, changes in net debt and cash flows for the year ended March 31, 2020, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements of Selkirk College for the year ended March 31, 2020 are prepared in all material respects in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(a) to the financial statements which describes the basis of accounting used in the preparation of these financial statements and to Note 17 which describes the significant differences between such basis of accounting and Canadian public sector accounting standards.

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

Management is responsible for the preparation and presentation of these financial statements in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, which requires Canadian public sector accounting standards modified by B.C. Regulation 198/2011 "Restricted Contributions", and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (Continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants

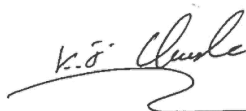
Cranbrook, BC
May 15, 2020

SELKIRK COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

	2020	2019 (Restated Note 16)
	<u> </u>	<u> </u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 13,894,853	\$ 12,137,595
Accounts receivable (Note 4)	2,767,120	2,860,378
Inventories for resale (Note 5)	<u>413,356</u>	<u>345,848</u>
	<u>17,075,329</u>	<u>15,343,821</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	8,971,358	6,195,593
Deferred revenue (Note 7)	7,940,641	8,044,407
Employee future benefits (Note 8)	5,217,149	5,015,810
Deferred capital contributions (Note 9)	<u>48,455,298</u>	<u>45,344,560</u>
	<u>70,584,446</u>	<u>64,600,370</u>
NET DEBT (Note 16)	<u>(53,509,117)</u>	<u>(49,256,549)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	58,543,378	52,501,775
Investments (Note 11)	8,989,482	9,602,600
Inventories held for use	28,997	61,471
Prepaid expenses	<u>643,532</u>	<u>643,019</u>
	<u>68,205,389</u>	<u>62,808,865</u>
ACCUMULATED SURPLUS (Note 12)	<u>\$ 14,696,272</u>	<u>\$ 13,552,316</u>



Chairperson, Board of Governors



Vice President College Services, CFO

The accompanying notes form an integral part of these consolidated financial statements

SELKIRK COLLEGE**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS****FOR THE YEAR ENDED MARCH 31**

	Budget (Note 2m)	2020	2019
REVENUE			
Government grants	\$ 31,288,416	\$ 31,378,270	\$ 28,808,275
Industry Trades Authority funding	1,845,816	1,816,138	1,788,208
Tuition	13,643,718	14,007,235	12,796,422
Sales	2,542,600	2,276,145	2,372,414
Investment income	350,000	878,498	588,301
Donations	200,000	361,504	247,434
Amortization of deferred capital contributions	2,154,610	2,222,221	1,774,682
Contracts and other revenue	<u>4,469,974</u>	<u>4,390,425</u>	<u>3,574,200</u>
	<u>56,495,134</u>	<u>57,330,436</u>	<u>51,949,936</u>
EXPENSES (Note 15)			
Education programming	28,087,645	27,987,760	25,740,028
Student support	6,453,821	6,264,874	5,624,141
Research and innovation	2,338,000	2,643,563	1,515,068
Administrative support	6,557,353	6,687,814	6,266,857
Facilities support	10,371,202	10,437,838	9,694,817
Ancillary services	2,227,113	2,180,147	2,213,439
Awards and related costs	<u>460,000</u>	<u>805,524</u>	<u>513,206</u>
	<u>56,495,134</u>	<u>57,007,520</u>	<u>51,567,556</u>
Annual surplus before endowment contributions	-	322,916	382,380
Endowment contributions	<u>-</u>	<u>821,040</u>	<u>96,080</u>
ANNUAL SURPLUS	-	1,143,956	478,460
ACCUMULATED SURPLUS, beginning of year	<u>13,552,316</u>	<u>13,552,316</u>	<u>13,073,856</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 13,552,316</u>	<u>\$ 14,696,272</u>	<u>\$ 13,552,316</u>

The accompanying notes form an integral part of these consolidated financial statements

SELKIRK COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED MARCH 31

	Budget (Note 2m)	2020	2019 (Restated Note 16)
	<u> </u>	<u> </u>	<u> </u>
ANNUAL SURPLUS	\$ <u>-</u>	\$ <u>1,143,956</u>	\$ <u>478,460</u>
Acquisition of tangible capital assets	-	(8,308,792)	(12,706,154)
Amortization of tangible capital assets	<u>2,213,325</u>	<u>2,267,189</u>	<u>1,802,213</u>
	<u>2,213,325</u>	<u>(6,041,603)</u>	<u>(10,903,941)</u>
Consumption (acquisition) of inventories held for use	-	32,474	(34,331)
(Acquisition) consumption of prepaid expenses	-	(513)	119,875
Net effect of remeasurement gains	<u>-</u>	<u>613,118</u>	<u>(268,321)</u>
	<u>-</u>	<u>645,079</u>	<u>(182,777)</u>
CHANGE IN NET DEBT	2,213,325	(4,252,568)	(10,608,258)
NET DEBT, beginning of year, as previously stated	(49,256,549)	(49,256,549)	(29,314,012)
Restatement of investments as non-financial assets (Note 16)	<u>-</u>	<u>-</u>	<u>(9,334,279)</u>
NET DEBT, beginning of year, as restated	<u>(49,256,549)</u>	<u>(49,256,549)</u>	<u>(38,648,291)</u>
NET DEBT, end of year	\$ <u>(47,043,224)</u>	\$ <u>(53,509,117)</u>	\$ <u>(49,256,549)</u>

The accompanying notes form an integral part of these consolidated financial statements

SELKIRK COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Annual Surplus	\$ 1,143,956	\$ 478,460
Items Not Requiring an Outlay of Cash		
Amortization of tangible capital assets	2,267,189	1,802,213
Amortization of deferred capital contributions	<u>(2,222,221)</u>	<u>(1,774,682)</u>
	<u>1,188,924</u>	<u>505,991</u>
Changes in Non-Cash Working Capital		
Accounts receivable	93,258	(1,176,238)
Prepaid expenses	(513)	119,875
Inventories for resale	(67,508)	68,760
Inventories held for use	32,474	(34,331)
Accounts payable and accrued liabilities	2,775,765	(1,328,252)
Deferred revenue	(103,766)	293,702
Employee future benefits	<u>201,339</u>	<u>181,767</u>
	<u>2,931,049</u>	<u>(1,874,717)</u>
CASH FLOWS (USED IN) FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(8,308,792)	(12,706,154)
Deferred capital contributions received	<u>5,332,959</u>	<u>14,358,186</u>
	<u>(2,975,833)</u>	<u>1,652,032</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Decrease (increase) in investments, net	<u>613,118</u>	<u>(503,102)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,757,258	(219,796)
CASH AND CASH EQUIVALENTS, beginning of year	<u>12,137,595</u>	<u>12,357,391</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 13,894,853</u>	<u>\$ 12,137,595</u>

The accompanying notes form an integral part of these consolidated financial statements

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

1. Authority and Purpose

Selkirk College (the College) is incorporated under the authority of the *College and Institute Act* of British Columbia. The College is a not-for-profit entity governed by a Board of Governors and is exempt from income tax under section 149 of the *Income Tax Act*.

The College is a comprehensive college offering a full range of undergraduate, graduate, continuing studies programs, and applied research.

The College is economically dependent on the Provincial Government's Ministry of Advanced Education, Skills and Training (AEST) for the provision of operating and capital funding.

2. Summary of Significant Accounting Policies

(a) Basis of accounting

In 2010, directive was provided by the Province of British Columbia Treasury Board (Treasury Board) through Government Organization Accounting Standards Regulation 257/2010 requiring all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) without any PS4200 elections from their first fiscal year commencing after January 1, 2012. Selkirk College's transition date was effective April 1, 2011.

In March 2011, PSAB released a new Canadian Public Sector Accounting Standard PS 3410 "Government Transfers". In November 2011, Treasury Board provided a directive in Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and 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)(i) and 2(k)(ii).

Further, the Office of the Comptroller General (OCG) provided direction in memorandum ref. 250955 on the treatment of endowment funds, financial instruments, pension plans and employee future benefits. The OCG direction requires:

- (i) the College to treat endowment contributions as described in Note 2(k)(iii);
- (ii) the College to implement PS 3450 Financial Instruments as at April 1, 2012; and
- (iii) the College to apply the discount rate for pension plans and/or employee future benefits at the next valuation date or within three years of transition to PSAS.

These consolidated financial statements have been prepared in accordance with the financial reporting framework described above.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

2. Summary of Significant Accounting Policies (continued)

(b) Reporting entity

The reporting entity includes Selkirk College and all related entities, which are accountable for the administration of their financial affairs and resources to the College and are either owned or controlled by the College.

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, change in net debt, and cash flows of the Selkirk College Foundation, which is a non-profit organization and registered charity controlled by Selkirk College.

On consolidation, all inter-fund and inter-organizational transactions, balances, and activities have been eliminated.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash-on-hand, bank balances, and guaranteed investment certificates or other highly liquid investments with a term to maturity of three months or less from the date of acquisition.

(d) Financial instruments

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

(i) Fair value category: Portfolio instruments that are quoted in an active market are reflected at fair market value as at the reporting date. Other financial instruments, which the College has designated to be recorded at fair market value, include cash and cash equivalents. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. All financial instruments held by the College with unrealized gains and losses are endowment assets. Any unrealized gains and losses as a result of a change in fair market value for the period are reported as deferred revenue on the Consolidated Statement of Financial Position. At the time of derecognition, the related realized gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus as investment income, or on the Consolidated Statement of Financial Position as deferred revenue if not yet spent as externally designated.

The financial instruments measured at fair value held within investments 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).

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

2. Summary of Significant Accounting Policies (continued)

(d) Financial instruments (continued)

- (ii) Cost category: all other financial instruments held by the College are measured at cost or amortized cost and include accounts receivable, accounts payable and accrued liabilities. Gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the transaction date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.
- (iii) Credit risk: the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The College is exposed to credit risk from its operating activities, which are primarily trade receivables, and its investing activities, which includes deposits with financial institutions and other financial instruments.

(e) Inventories for resale

Inventories held for resale, including books and college supplies, are recorded at the lower of cost and net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is defined as the estimated selling price less any estimated costs necessary to make the sale.

(f) 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.

(g) Tangible capital assets

Tangible capital assets are reported on the Consolidated Statement of Financial Position as non-financial assets. Purchased capital assets are recorded at cost and include amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital asset, excluding land, is amortized on a straight-line basis over their estimated useful life as follows:

Asset	Rate
Buildings and major renovations	40 years
Furniture and equipment	5 years
Information technology (equipment, software and infrastructure)	5-15 years
Leasehold improvements	5-40 years
Siteworks	10 years

Amortization of assets under construction will not commence until the asset is put into service.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

2. Summary of Significant Accounting Policies (continued)

(h) Inventories held for use

Inventories held for use are reported on the Consolidated Statement of Financial Position as non-financial assets and are recorded at the lower of cost and replacement cost.

Cost includes the original purchase cost, plus shipping and applicable duties. Replacement cost is the estimated current price to replace the items.

(i) Employee future benefits

Employee future benefits include vacation pay, banked overtime, sick leave benefits and other compensated absences, extended health benefits, retirement severance benefits, pension benefits, and post-retirement benefits available to the College's current and past employees. The benefits that accumulate and do not vest are actuarially determined and reflect management's best estimate of future trends associated with such benefits and interest rates. Adjustments to these costs arising from changes in estimates and experienced gains and losses are amortized over the estimated average remaining service life of the employee groups on a straight-line basis.

The College and its employees make contributions to the College Pension Plan and the Municipal Pension Plan. These plans are defined benefit plans, providing a pension on retirement based on the member's age, length of service, and earnings. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as a defined contribution plan and any contributions made by the College to the plans are expensed as incurred.

(j) Liability for contaminated sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

(k) Revenue recognition

Tuition, student fees, and the sale of goods and services are reported as revenue as the services are provided or at the time the products are delivered, and collection is reasonably assured.

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.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

2. Summary of Significant Accounting Policies (continued)

(k) Revenue recognition (continued)

Restricted contributions and grants received or receivable are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services are recorded as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the fiscal period in which the stipulation or restriction on the contribution have been met.
- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as direct increases to accumulated surplus for the portion to be held in perpetuity and as deferred contributions for any restricted 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 non-portfolio investments where the loss in value is determined to be other-than-temporary.

For investments recorded at fair value, unrealized gains and losses on non-financial assets related to restricted investments are included in deferred revenue.

(l) Use of estimates

The preparation of the consolidated 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 fair value of financial instruments, useful life of tangible capital assets, and the present value of employee future benefits and commitments. Where actual results differ from these estimates and assumptions, the impact will be recorded in periods when the difference becomes known.

(m) Budget figures

Budget figures have been provided for comparative purposes and were approved by the Board of Governors of the College on May 28, 2019. The budget is reflected in the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Changes in Net Debt.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

3. Cash and Cash Equivalents

Cash and cash equivalents includes \$1,424,539 (2019 - \$1,837,223) in restricted cash for use on future capital projects and \$582,549 in cash held by the Selkirk College Foundation (2019 - \$Nil).

4. Accounts Receivable

Accounts receivable consists of the following:

	2020	2019
Federal government	\$ 474,956	\$ 247,358
Provincial government	542,699	1,654,217
Other	1,749,465	958,803
	<u>\$ 2,767,120</u>	<u>\$ 2,860,378</u>

Accounts receivable includes \$199,717 (2019 - \$185,206) receivable from the federal government for GST.

5. Inventories for Resale

	2020	2019
Bookstore	\$ 383,265	\$ 299,526
Cafeteria	30,091	46,322
	<u>\$ 413,356</u>	<u>\$ 345,848</u>

In 2020, a total of \$987,902 (2019 - \$1,068,203) of inventories were included in the Consolidated Statement of Operations and Accumulated Surplus as an expense. None of the inventories are pledged as security for liabilities.

6. Accounts Payable and Accrued Liabilities

Accounts payable includes \$693,160 (2019 - \$593,517) payable to the federal government for payroll deductions withheld and \$40,943 (2019 - \$27,537) for GST.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

7. Deferred Revenue

	Opening Balance	Unrealized Loss	Additions	Revenue Recognized	Ending Balance
Endowment funds	\$ 1,627,958	\$ (900,863)	\$ 483,005	\$ (709,762)	\$ 500,338
Tuition	1,518,739	-	14,093,521	(14,007,235)	1,605,025
Industry Trades Authority	488,847	-	1,812,888	(1,816,138)	485,597
Other	4,408,863	-	4,769,219	(3,828,401)	5,349,681
	<u>\$ 8,044,407</u>	<u>\$ (900,863)</u>	<u>\$ 21,158,633</u>	<u>\$ (20,361,536)</u>	<u>\$ 7,940,641</u>

8. Employee Future Benefits

- a. Accumulated sick leave benefit and other retirement benefit arrangements liability:

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. 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 employees with various benefits upon retirement. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation completed in April 2019. The accrued sick leave benefit liability is included as part of the employee future benefits.

Information about the accrued employee future benefits liabilities for the College's employee benefit plans is as follows:

	2020	2019
Accrued benefit obligation		
Balance, beginning of year	\$ 961,300	\$ 1,373,300
Net actuarial gain	-	(529,100)
Current service cost	172,800	252,400
Interest cost	31,400	53,600
Benefits paid	(174,300)	(188,900)
Accrued benefit obligation, end of year	<u>\$ 991,200</u>	<u>\$ 961,300</u>

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

8. Employee Future Benefits (continued)

b. Accrued payroll benefits

The College accrues retirement allowances, holiday pay and sick leave as they are earned by the employee, however, it is expected that these unfunded liabilities will be met on a continuous basis over the long-term. Payment of these amounts will be funded from revenues of the period in which they are settled.

	2020	2019
Holiday pay	\$3,064,775	\$ 3,037,512
Sick leave *	1,305,329	1,236,878
Banked overtime	45,295	48,928
Retirement allowance	801,750	692,492
	<u>\$ 5,217,149</u>	<u>\$ 5,015,810</u>

* The balance includes estimated sick leave in addition to the accrued benefit obligation in Note 8(a).

c. Pension liability

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2019, the College Pension Plan has about 15,000 active members, and approximately 8,400 retired members. As at December 31, 2018, the Municipal Pension Plan has about 205,000 active members.

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, 2018, indicated a \$303 million surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$663 million funding surplus for basic pension benefits on a going concern basis.

Selkirk College paid \$3,087,870 for employer contributions to the plans in fiscal 2020 (2019 - \$2,690,852).

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

8. Employee Future Benefits (continued)

c. Pension liability (continued)

The next valuation for the College Pension Plan will be as at August 31, 2021, with results available in 2022. The next valuation for the Municipal Pension Plan will be December 31, 2021, with results available in 2022.

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.

9. Deferred Capital Contributions

Contributions specified and used for the acquisition of tangible capital assets are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. Treasury Board provided direction on accounting treatment as disclosed in Note 2. Changes in the deferred capital contributions balance are as follows:

	2020	2019
Balance, beginning of year	\$ 45,344,560	\$ 32,761,056
Contributions received during the year	5,332,959	14,358,186
Revenue recognized from deferred capital contributions	(2,222,221)	(1,774,682)
Balance, end of year	<u>\$ 48,455,298</u>	<u>\$ 45,344,560</u>

Selkirk College received contributions of \$1,424,539 that remain unspent at the end of fiscal year 2020 (2019 - \$1,837,223).

10. Tangible Capital Assets

The College has no direct insurance coverage against liability or loss of any of its property and equipment except vehicles. AEST's University, College & Institute Protection Program provides the College with property insurance and claims for loss of College property must be submitted to the Province of British Columbia to be considered for compensation.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

10. Tangible Capital Assets (continued)

	Land and land improvements	Buildings and major renovations	Furniture and equipment	Information technology	Leasehold improvements	Siteworks	Assets under- construction	2020 Total
Cost								
Opening balance	\$ 90,000	\$ 62,717,618	\$26,597,738	\$ 4,431,330	\$ 14,113,914	\$2,873,344	\$ 3,595,999	\$114,419,943
Additions	-	3,937,097	160,000	550,000	-	-	3,661,695	8,308,792
Closing balance	90,000	66,654,715	26,757,738	4,981,330	14,113,914	2,873,344	7,257,694	122,728,735
Accumulated amortization								
Opening balance	-	25,294,469	25,586,333	2,092,688	7,317,457	1,627,221	-	\$ 61,918,168
Amortization	-	1,262,205	310,631	307,452	235,421	151,480	-	2,267,189
Closing balance	-	26,556,674	25,896,964	2,400,140	7,552,878	1,778,701	-	64,185,357
Net book value	\$ 90,000	\$ 40,098,041	\$ 860,774	\$ 2,581,190	\$ 6,561,036	\$1,094,643	\$ 7,257,694	\$ 58,543,378

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

10. Tangible Capital Assets (continued)

	Land and land improvements	Buildings and major renovations	Furniture and equipment	Information technology	Leasehold improvements	Siteworks	Assets under- construction	2019 Total
Cost								
Opening balance	\$ 90,000	\$ 41,721,224	\$ 26,487,998	\$ 2,343,867	\$ 13,900,455	\$ 2,383,244	\$ 14,787,001	\$ 101,713,789
Additions	-	8,963,034	496,124	579,112	34,670	-	2,633,214	12,706,154
Transfers	-	12,033,360	(386,384)	1,508,351	178,789	490,100	(13,824,216)	-
Closing balance	90,000	62,717,618	26,597,738	4,431,330	14,113,914	2,873,344	3,595,999	114,419,943
Accumulated amortization								
Opening balance	-	24,346,168	25,312,025	1,899,318	7,082,704	1,475,740	-	\$ 60,115,955
Amortization	-	948,301	274,308	193,370	234,753	151,481	-	1,802,213
Closing balance	-	25,294,469	25,586,333	2,092,688	7,317,457	1,627,221	-	61,918,168
Net book value	\$ 90,000	\$ 37,423,149	\$ 1,011,405	\$ 2,338,642	\$ 6,796,457	\$ 1,246,123	\$ 3,595,999	\$ 52,501,775

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

11. Investments

The investment portfolio is invested through a professional portfolio manager and consists of Canadian equity, bond and income funds. Financial instruments recorded at market value are comprised of the following portfolio investments that are quoted in an active market:

		Cost		Market Value	
		2020	2019	2020	2019
Equities	Level 1	\$5,106,213	\$3,720,684	\$4,676,014	\$4,120,173
Fixed income	Level 2	4,325,173	5,395,602	4,313,468	5,455,071
Life annuity	Level 2	-	27,356	-	27,356
		<u>\$ 9,431,386</u>	<u>\$9,143,642</u>	<u>\$8,989,482</u>	<u>\$9,602,600</u>

The College holds a beneficial interest in funds held by the Vancouver Foundation. The fund is held in perpetuity and controlled by the Vancouver Foundation. As these amounts are not controlled by the College and are not an asset owned by the College, these fund balances are not recorded in the financial statements. Investment income earned on the fund is paid to the College annually and recorded as interest income. Investment income received by the College from the fund was \$25,337 (2019 - \$25,376).

Market risk is the risk that changes in market prices, such as interest rates, will affect the College's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

It is management's opinion that the College is exposed to market risk arising from its financial instruments.

12. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2020	2019
Investment in tangible capital assets	\$ 11,498,514	\$ 8,994,438
Endowment fund	8,788,951	7,871,830
Internally restricted	51,326	874,147
Unrestricted	(425,371)	827,711
Unfunded employee future benefits	(5,217,148)	(5,015,810)
Balance, end of year	<u>\$ 14,696,272</u>	<u>\$ 13,552,316</u>

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

13. Contractual Rights

The College has annual contractual rights over the next five years as follows:

	CBT (a)	Doctors of BC (b)	NSERC (c)	NSERC (d)	NSERC (e)	UVic (f)	Total
2020/2021	\$ 1,000,000	\$ 329,790	\$ 400,000	\$ 400,000	\$ 350,000	\$ 334,561	\$ 2,814,351
2021/2022	1,000,000	-	400,000	400,000	350,000	334,561	2,484,561
2022/2023	-	-	400,000	200,000	350,000	334,561	1,284,561
2023/2024	-	-	200,000	-	350,000	-	550,000
2024/2025	-	-	-	-	175,000	-	175,000
	<u>\$ 2,000,000</u>	<u>\$ 329,790</u>	<u>\$ 1,400,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,575,000</u>	<u>\$ 1,003,683</u>	<u>\$ 7,308,473</u>

- Columbia Basin Trust (CBT) Selkirk College project.
- Doctors of BC Rural Pre-Med Program project.
- Natural Sciences and Engineering Research Council of Canada (NSERC) funds for building an advanced manufacturing cluster in rural BC.
- NSERC funds for building an innovative forestry technology cluster project.
- NSERC funds for building a Technology Access Centre (TAC).
- University of Victoria (UVic) funds for delivery of the baccalaureate degree in nursing program.

14. Contractual Obligations

The College has annual contractual operating lease payments over the next five years for the Tenth Street and Grand Forks campuses and Unit 4 enterprise resource planning (ERP) services, as follows:

	Tenth Street Campus	Grand Forks Campus	Unit4	Total
2020/21	\$ 331,054	\$ 22,667	\$ 406,400	\$ 760,121
2021/22	331,054	-	406,400	737,454
2022/23	331,054	-	406,400	737,454
2023/24	331,054	-	406,400	737,454
2024/25	331,054	-	416,400	747,454
Thereafter	236,825	-	832,800	1,069,625
	<u>\$ 1,892,095</u>	<u>\$ 22,667</u>	<u>\$ 2,874,800</u>	<u>\$ 4,789,562</u>

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

15. Expenses by Object

The following is a summary of expenses by object:

	2020	2019
Salaries, wages and benefits	\$ 40,544,776	\$ 36,685,157
Supplies and services	12,773,382	11,857,669
Operating lease payments	620,765	612,638
Student awards	651,541	448,295
Management fees	55,119	54,528
Amortization of tangible capital assets	2,267,189	1,802,213
Bad debt expense, net of recovery	94,748	107,056
	<u>\$ 57,007,520</u>	<u>\$ 51,567,556</u>

16. Prior Period Adjustment and Comparative Figures

In the current year, Management reassessed the classification of investments and concluded that restricted endowment assets are non-financial in nature as the funds are externally restricted by donors and cannot be used to meet the financial liability obligations of the College. As a result, net debt and non-financial assets previously stated increased by \$9,602,600. The Statement of Changes in Net Debt is restated to conform to the change in classification.

Comparative figures from the prior year have been reclassified to conform to the current year's presentation.

17. Impact of Accounting for Capital Contributions on a Deferral Basis

As set out in Notes 2(a) and (k), the College is required to defer recognition of government transfers for capital and recognize them in revenue over the life of the funded asset. This policy is not in accordance with PSAS which requires that such transfers be deferred only if the funding agreements contain stipulations that create a liability and then to recognize revenue over the period that the liability is extinguished.

The impact of this difference from PSAS is as follows:

Year ended March 31, 2020	understate revenue and understate annual surplus by \$1,686,199.
Year ended March 31, 2020	overstate liabilities, overstate net debt and understate accumulated surplus by \$47,030,759.
Year ended March 31, 2019	understate revenue and understate annual surplus by \$10,701,281.
Year ended March 31, 2019	overstate liabilities, overstate net debt and understate accumulated surplus by \$43,507,337.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

18. Measurement Uncertainty

The negative effects of the COVID-19 pandemic have significantly increased in Canada and on the global economy. As the impacts of COVID-19 continues to evolve, there could be further consequences on the College, employees, suppliers, and other third party business associates that could affect the timing and amounts realized on the College's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the College is not known.

Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial significance cannot be reasonably estimated at this time. The College's ability to continue delivering non-essential services and employ related staff will depend on the legislative mandates from the various levels of government. The College will continue to focus on collecting receivables, managing expenditures, and focusing on student enrolments and recruitment.

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