SELKIRK COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019

SELKIRK COLLEGE
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2019

Selkirk College

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 were prepared in accordance with Generally Accepted Accounting Principles and the financial directives of the Ministry of Advanced Education and, of necessity, include some amounts that are based on estimates and judgments.

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.

Angus Graeme

Angus Graeme, President & CEO

May 16, 2019

Barb Ihlen, Director of Finance & Ancillary Services

May 16, 2019

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Independent Auditor's Report

To the Board of Directors of Selkirk College and the Minister of Advanced Education 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, 2019, and the consolidated statements of operations, changes in net debt and cash flows for the year ended March 31, 2019, 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, 2019 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.

BDO Canada LLP

Chartered Professional Accountants

Cranbrook, BC
May 16, 2019

SELKIRK COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	$ 12,137,595	$ 12,357,391
Accounts receivable (Note 4)	2,860,378	1,684,140
Inventories for resale (Note 5)	345,848	414,608
Portfolio investments (Note 6)	9,602,600	9,334,279
	24,946,421	23,790,418
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	6,195,593	7,523,845
Deferred revenue (Note 8)	8,044,407	7,985,486
Employee future benefits (Note 9)	5,015,810	4,834,043
Deferred capital contributions (Note 10)	45,344,560	32,761,056
	64,600,370	53,104,430
NET FINANCIAL DEBT	(39,653,949)	(29,314,012)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	52,501,775	41,597,834
Inventories held for use	61,471	27,140
Prepaid expenses	643,019	762,894
	53,206,265	42,387,868
ACCUMULATED SURPLUS (Note 12)	$ 13,552,316	$ 13,073,856

Contractual rights (Note 13)
Contractual obligations (Note 14)

Chairperson, Board of Directors

Director of Finance & Ancillary Services

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, 2019

	2019 Budget	2019 Actual	2018 Actual
REVENUE			
Government grants	$ 29,634,480	$ 28,808,275	$ 27,186,788
Industry Trades Authority funding	1,845,816	1,788,208	1,814,351
Tuition	12,168,729	12,796,422	12,179,484
Sales	2,399,000	2,372,414	2,345,771
Investment income	300,000	588,301	472,413
Donations	200,000	247,434	255,543
Amortization of deferred capital contributions	1,736,905	1,774,682	1,373,800
Contracts and other revenue	3,034,766	3,574,200	3,309,437
	51,319,696	51,949,936	48,937,587
EXPENSES (Note 15)			
Education programming	25,498,078	25,297,750	24,127,810
Student support	5,935,268	5,674,155	5,544,727
Research and innovation	1,565,966	1,517,158	1,177,192
Administrative support	6,258,878	6,627,862	5,868,795
Facilities support	9,417,896	9,694,817	8,740,391
Ancillary services	2,183,610	2,213,439	2,153,800
Awards and related costs	460,000	542,375	513,487
	51,319,696	51,567,556	48,126,202
Annual surplus before endowment contributions	-	382,380	811,385
Endowment contributions	-	96,080	48,446
ANNUAL SURPLUS	-	478,460	859,831
ACCUMULATED SURPLUS, beginning of year	13,073,856	13,073,856	12,214,025
ACCUMULATED SURPLUS, end of year	$ 13,073,856	$ 13,552,316	$ 13,073,856

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

SELKIRK COLLEGE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
For the Year Ended March 31, 2019

	2019 Budget	2019 Actual	2018 Actual
ANNUAL SURPLUS	$ -	$ 478,460	$ 859,831
Acquisition of tangible capital assets	-	(12,706,154)	(12,489,756)
Amortization of tangible capital assets	1,771,363	1,802,213	1,403,431
	1,771,363	(10,903,941)	(11,086,325)
(Acquisition) consumption of inventories held for use	-	(34,331)	5,014
Use (acquisition) of prepaid expenses	-	119,875	(487,300)
	-	85,544	(482,286)
Change in net financial debt	1,771,363	(10,339,937)	(10,708,780)
NET FINANCIAL DEBT, beginning of year	(29,314,012)	(29,314,012)	(18,605,232)
NET FINANCIAL DEBT, end of year	$(27,542,649)	$(39,653,949)	$ (29,314,012)

SELKIRK COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2019

	2019	2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Annual Surplus	$ 478,460	$ 859,831
Items Not Requiring an Outlay of Cash		
Amortization of tangible capital assets	1,802,213	1,403,431
Amortization of deferred capital contributions	(1,774,682)	(1,373,800)
	505,991	889,462
Changes in Non-Cash Working Capital		
Accounts receivable	(1,176,238)	733,185
Prepaid expenses	119,875	(487,300)
Inventories for resale	68,760	153,392
Inventories held for use	(34,331)	5,014
Accounts payable and accrued liabilities	(1,328,252)	572,953
Deferred revenue	293,702	1,954,625
Employee future benefits	181,767	115,013
	(1,874,717)	3,046,882
CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(12,706,154)	(12,489,756)
Deferred capital contributions received	14,358,186	6,994,631
	1,652,032	(5,495,125)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Increase in portfolio investments, net	(503,102)	(336,496)
Net Decrease in Cash and Cash Equivalents	(219,796)	(1,895,277)
CASH AND CASH EQUIVALENTS, beginning of year	12,357,391	14,252,668
CASH AND CASH EQUIVALENTS, end of year	$ 12,137,595	$ 12,357,391

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

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.

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 financial 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 and sinking funds. 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.

(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.

2. Summary of Significant Accounting Policies (continued)

(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.

(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.

2. Summary of Significant Accounting Policies (continued)

(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.

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.

2. Summary of Significant Accounting Policies (continued)

(k) Revenue recognition (continued)

(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 are recorded in the Consolidated Statement of Remeasurement Gains and Losses. Currently, such fair value differences are not significant, and therefore, a Consolidated Statement of Remeasurement Gains and Losses has not been prepared.

(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 22, 2018. The budget is reflected in the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Debt.

3. Cash and Cash Equivalents

Cash and cash equivalents includes $6,284,392 (2018 - $4,850,535) in internally restricted cash for use on future capital projects.

4. Accounts Receivable

Accounts receivable consists of the following:

	2019	2018
Federal government	$ 247,358	$ 463,186
Provincial government	1,654,217	135,283
Other	958,803	1,085,671
	$ 2,860,378	$ 1,684,140

Accounts receivable includes $185,206 (2018 - $199,815) receivable from the federal government for GST.

5. Inventories for Resale

	2019	2018
Bookstore	$ 299,526	$ 360,153
Cafeteria	46,322	54,455
	$ 345,848	$ 414,608

In 2019, a total of $1,068,203 (2018 - $1,081,417) 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. Portfolio Investments

The investment portfolio is invested through a professional portfolio manager and consists of Canadian equity, bond and income funds. Financial assets and liabilities recorded at market value are comprised of the following:

	Cost		Market Value	
	2019	2018	2019	2018
Portfolio investments in equity instruments that are quoted in an active market:				
Equities	$ 3,720,684	$ 4,571,099	$ 4,120,173	$ 4,529,558
Fixed income	5,395,602	4,042,084	5,455,071	4,798,476
Financial assets:				
Life annuity	27,356	6,245	27,356	6,245
	$ 9,143,642	$ 8,619,428	$ 9,602,600	$ 9,334,279

6. Portfolio Investments (continued)

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 in the endowment fund. Investment income received by the College from the fund was $25,376 (2018 - $29,845).

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 not exposed to significant market or interest rate risk arising from its financial instruments.

7. Accounts Payable and Accrued Liabilities

Accounts payable includes $593,517 (2018 - $410,460) payable to the federal government for payroll deductions withheld and $27,537 (2018 – $16,354) for GST.

8. Deferred Revenue

	Opening Balance	Unrealized (Gain)/Loss	Additions	Revenue Recognized	Ending Balance
Endowment funds	$ 1,585,176	$ (255,891)	$ 717,395	$ (418,722)	$ 1,627,958
Tuition	1,603,451	-	12,711,710	(12,796,422)	1,518,739
Industry Trades Authority	471,577	-	1,805,478	(1,788,208)	488,847
Other	4,325,282	-	4,092,269	(4,008,688)	4,408,863
	$ 7,985,486	$ (255,891)	$ 19,326,852	$ (19,012,040)	$ 8,044,407

9. 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:

	2019	2018
Accrued benefit obligation		
Balance, beginning of year *	$ 1,373,300	$ 1,361,800
Net actuarial gain	(529,100)	-
Current service cost	252,400	243,300
Interest cost	53,600	51,200
Benefits paid	(188,900)	(283,000)
Accrued benefit obligation, end of year	$ 961,300	$ 1,373,300

* The balance has been reclassified to conform to the current year's presentation.

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.

	2019	2018
Holiday pay	$ 3,037,512	$ 2,757,428
Sick leave *	1,236,878	1,373,300
Banked overtime	48,928	47,925
Retirement allowance	692,492	655,390
	$ 5,015,810	$ 4,834,043

* The balance includes estimated sick leave in addition to the accrued benefit obligation in Note 9(a).

9. Employee Future Benefits (continued)

c. Pension liability

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 are based on a formula. As at August 31, 2018, the College Pension Plan has about 14,000 active members, and approximately 8,000 retired members. As at December 31, 2017, the Municipal Pension Plan has about 197,000 active members, including approximately 6,000 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, 2015, indicated a $67 million surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a $2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, $1,927 million was transferred to the rate stabilization account and $297 million of the surplus ensured the required contribution rates remained unchanged.

Selkirk College paid $2,690,852 for employer contributions to the plans in fiscal 2019 (2018 - $2,527,807).

The next valuation for the College Pension Plan will be as at August 31, 2018, with results available in 2019. The next valuation for the Municipal Pension Plan will be December 31, 2018, with results available in 2019.

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.

10. 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:

	2019	2018
Balance, beginning of year	$ 32,761,056	$ 27,140,225
Contributions received during the year	14,358,186	6,994,631
Revenue recognized from deferred capital contributions	(1,774,682)	(1,373,800)
Balance, end of year	$ 45,344,560	$ 32,761,056

Selkirk College received contributions of $1,837,223 that remain unspent at the end of fiscal year 2019 (2018 - $Nil).

11. 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.

11. 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

11. Tangible Capital Assets (continued)

	Land and land improvements	Buildings and major renovations	Furniture and equipment	Information technology	Leasehold improvements	Siteworks	Assets under-construction	2018 Total
Cost								
Opening balance	$ 90,000	$ 41,641,721	$ 26,170,258	$ 2,343,867	$ 13,820,721	$ 1,462,199	$ 3,695,267	$ 89,224,033
Additions	-	79,503	317,740	-	79,734	921,045	11,091,734	12,489,756
Closing balance	90,000	41,721,224	26,487,998	2,343,867	13,900,455	2,383,244	14,787,001	101,713,789
Accumulated amortization								
Opening balance	-	23,663,551	24,991,502	1,816,643	6,849,725	1,391,103	-	$ 58,712,524
Amortization	-	682,617	320,523	82,675	232,979	84,637	-	1,403,431
Closing balance	-	24,346,168	25,312,025	1,899,318	7,082,704	1,475,740	-	60,115,955
Net book value	$ 90,000	$ 17,375,056	$ 1,175,973	$ 444,549	$ 6,817,751	$ 907,504	$ 14,787,001	$ 41,597,834

12. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2019	2018
Investment in tangible capital assets	$ 8,994,438	$ 8,836,778
Endowment fund	7,871,830	7,804,603
Internally restricted	874,147	868,986
Unrestricted	827,711	397,532
Unfunded employee future benefits	(5,015,810)	(4,834,043)
Balance, end of year	$ 13,552,316	$ 13,073,856

13. Contractual Rights

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

	CBT (a)	NSERC (b)	NSERC (c)	UVic (d)	Doctors of BC (e)	Total
2019/20	$ 1,000,000	$ 400,000	$ 400,000	$ 334,561	$ 324,892	$ 2,459,453
2020/21	1,000,000	400,000	400,000	334,561	329,790	2,464,351
2021/22	1,000,000	400,000	400,000	334,561	-	2,134,561
2022/23	-	400,000	200,000	334,561	-	934,561
2023/24	-	200,000	-	-	-	200,000
	$ 3,000,000	$ 1,800,000	$ 1,400,000	$ 1,338,244	$ 654,682	$ 8,192,926

a. Columbia Basin Trust (CBT) Selkirk College project.

b. Natural Sciences and Engineering Research Council of Canada (NSERC) funds for building an advanced manufacturing cluster in rural BC.

c. NSERC funds for building an innovative forestry technology cluster project.

d. University of Victoria (UVic) funds for delivery of the baccalaureate degree in nursing program.

e. Doctors of BC Rural Pre-Med Program project.

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
2019/20	$ 331,054	$ 68,000	$ 390,400	$ 789,454
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
Thereafter	567,879	-	1,249,200	1,817,079
	$ 2,223,149	$ 90,667	$ 3,265,200	$ 5,579,016

15. Expenses by Object

The following is a summary of expenses by object:

	2019	2018
Salaries, wages and benefits	$ 36,685,157	$ 34,672,715
Supplies and services	11,857,669	10,873,713
Operating lease payments	612,638	610,206
Student awards	448,295	434,714
Management fees	54,528	53,517
Amortization of tangible capital assets	1,802,213	1,403,431
Bad debt expense, net of recovery	107,056	77,906
	$ 51,567,556	$ 48,126,202

16. Comparative Figures

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, 2018	understate revenue and understate annual surplus by $5,620,831.
Year ended March 31, 2018	overstate liabilities, overstate net debt and understate accumulated surplus by $32,761,056.
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.