

SELKIRK COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

SELKIRK COLLEGE
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For the Year Ended March 31, 2018

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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 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, President & CEO

May 17, 2018



Barb Ihlen, Director of Finance & Ancillary Services

May 17, 2018



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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

We have audited the accompanying consolidated financial statements of Selkirk College, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of Selkirk College for the year ended March 31, 2018 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.

Emphasis of Matter

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

BDO Canada LLP

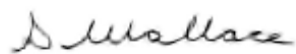
Chartered Professional Accountants

Cranbrook, BC
May 14, 2018

SELKIRK COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2018

	<u>March 31</u> 2018	<u>March 31</u> 2017 (Restated, Note 15)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 12,357,391	\$ 14,252,668
Accounts receivable (Note 4)	1,684,140	2,417,325
Inventories for resale (Note 5)	414,608	568,000
Portfolio investments (Note 6)	<u>9,334,279</u>	<u>9,084,170</u>
Total Assets	<u>23,790,418</u>	<u>26,322,163</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	7,523,845	6,950,892
Deferred revenue (Note 8)	7,985,486	6,117,248
Employee future benefits (Note 9)	4,834,043	4,719,030
Deferred capital contributions (Note 10)	<u>32,761,056</u>	<u>27,140,225</u>
Total Liabilities	<u>53,104,430</u>	<u>44,927,395</u>
NET FINANCIAL DEBT	<u>(29,314,012)</u>	<u>(18,605,232)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	41,597,834	30,511,509
Inventories held for use	27,140	32,154
Prepaid expenses	<u>762,894</u>	<u>275,594</u>
Total Non-Financial Assets	<u>42,387,868</u>	<u>30,819,257</u>
ACCUMULATED SURPLUS (Notes 13 and 15)	<u>\$ 13,073,856</u>	<u>\$ 12,214,025</u>
Commitments (Note 12)		



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 Period Ended March 31, 2018

	2018 Budget	2018 Actual	2017 Actual
			(Restated - Notes 15-16)
REVENUE			
Government grants	\$ 26,479,073	\$ 27,090,642	\$ 26,400,624
Industry Trades Authority funding	1,845,816	1,814,351	1,859,418
Tuition	11,325,759	12,179,484	11,536,710
Sales	2,349,076	2,345,771	2,388,584
Investment income	300,000	472,413	425,052
Donations	200,000	255,543	193,385
Amortization of deferred capital contributions	1,332,938	1,373,800	1,229,295
Contracts and other revenue	3,072,684	3,405,583	4,165,241
	<u>46,905,346</u>	<u>48,937,587</u>	<u>48,198,309</u>
EXPENSES			
Academic programming	24,039,127	24,105,175	24,121,384
Student support	4,878,459	5,509,259	6,337,657
Research & innovation	852,625	1,177,192	1,219,497
Administrative support	6,108,273	5,992,261	5,840,230
Facilities support	8,476,876	8,664,107	7,923,426
Ancillary services	2,089,986	2,165,277	2,129,346
Foundation	460,000	512,931	464,599
	<u>46,905,346</u>	<u>48,126,202</u>	<u>48,036,139</u>
Annual surplus before endowment funding	-	811,385	162,170
Endowment contributions	-	48,446	192,452
ANNUAL SURPLUS	<u>-</u>	<u>859,831</u>	<u>354,622</u>
Surplus, beginning of year, as previously stated	11,629,038	11,629,038	11,274,416
Correction of error in prior period (Note 15)	584,987	584,987	584,987
Surplus, beginning of year, as restated	<u>12,214,025</u>	<u>12,214,025</u>	<u>11,859,403</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 12,214,025</u>	<u>\$ 13,073,856</u>	<u>\$ 12,214,025</u>

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

SELKIRK COLLEGE**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT**For the Year Ended March 31, 2018

	2018 Budget	2018 Actual	2017 Actual (Restated - Note15)
Annual surplus (deficit)	\$ <u>-</u>	\$ <u>859,831</u>	\$ <u>354,622</u>
Acquisition of tangible capital assets	-	(12,489,756)	(5,419,490)
Amortization of tangible capital assets	<u>1,366,517</u>	<u>1,403,431</u>	<u>1,396,768</u>
	<u>1,366,517</u>	<u>(11,086,325)</u>	<u>(4,022,722)</u>
Consumption (acquisition) of supplies inventories	-	5,014	469
Use of (acquisition of) prepaid expense	<u>-</u>	<u>(487,300)</u>	<u>66,834</u>
	<u>-</u>	<u>(482,286)</u>	<u>67,303</u>
Change in net financial debt	1,366,517	(10,708,780)	(3,600,797)
Net financial debt, beginning of year	(19,190,219)	(19,190,219)	(15,589,422)
Correction of error in prior period (Note 15)	<u>584,987</u>	<u>584,987</u>	<u>584,987</u>
Net financial debt, beginning of year, as restated	<u>(18,605,232)</u>	<u>(18,605,232)</u>	<u>(15,004,435)</u>
Net financial debt, end of year	<u>\$ (17,238,715)</u>	<u>\$ (29,314,012)</u>	<u>\$ (18,605,232)</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, 2018

	<u>2018</u>	<u>2017</u>
Cash Provided by (Used In)		
Operating Activities		
Annual surplus	\$ 859,831	\$ 354,622
Items not requiring an outlay of cash:		
Amortization of tangible capital assets	1,403,431	1,396,768
Amortization of deferred capital contributions	<u>(1,373,800)</u>	<u>(1,229,295)</u>
	<u>889,462</u>	<u>522,095</u>
Changes in Non-Cash Working Capital		
Accounts receivable	733,185	(158,888)
Prepaid expenses and deposits	(487,300)	66,834
Inventory for resale	153,392	20,073
Inventory held for use	5,014	469
Accounts payable and accrued liabilities	572,953	(165,505)
Deferred revenue	1,954,625	372,203
Accrued payroll benefits	<u>115,013</u>	<u>286,174</u>
	<u>3,046,882</u>	<u>421,360</u>
Capital Activities		
Acquisition of tangible capital assets	(12,489,756)	(5,419,490)
Deferred capital contributions received	<u>6,994,631</u>	<u>9,398,273</u>
	<u>(5,495,125)</u>	<u>3,978,783</u>
Investing Activities		
(Increase)/decrease in investments, net	<u>(336,496)</u>	<u>(290,706)</u>
Net increase/(decrease) in Cash and Cash Equivalents	(1,895,277)	4,631,532
Cash and Cash Equivalents, beginning of year	<u>14,252,668</u>	<u>9,621,136</u>
Cash and Cash Equivalents, end of year	<u>\$ 12,357,391</u>	<u>\$ 14,252,668</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, 2018

1. Authority and Purpose

Selkirk College (the College) operates 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.

The College is a registered charity and is therefore exempt from income taxes under section 149 of the *Income Tax Act*.

Selkirk 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 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 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, 2018

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, changes in net financial debt, and cash flows of SelAir Pilot's Association, which was a non-profit organization controlled by Selkirk College.

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

SelAir Pilot's Association was dissolved on June 13, 2016.

(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 value as at the reporting date. Other financial instruments, which the College has designated to be recorded at fair 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 value for the period are reported as deferred revenue on the statement of financial position. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus as investment income, or on the 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 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.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

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 or 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 renovations	40 years
Siteworks	10 years
IT infrastructure	10-15 years
Furniture and equipment	5 years
Leasehold improvements	5-40 years
Computer equipment and software	1-3 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.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

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.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

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

(l) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the 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 23, 2017. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

3. Cash and Cash Equivalents

Cash and cash equivalents includes \$4,850,535 (2017 - \$1,039,150) in internally restricted cash for use on future capital projects.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

4. Accounts Receivable

Accounts receivable consists of the following:

	2018	2017
Federal government	\$ 463,186	\$ 801,629
Provincial government	135,283	114,669
Other	1,085,671	1,501,027
	<u>\$ 1,684,140</u>	<u>\$ 2,417,325</u>

Accounts receivable includes \$199,815 (2017 - \$388,655) receivable from the federal government for GST.

5. Inventories for Resale

	2018	2017
Bookstore	\$ 360,153	\$ 518,487
Cafeteria	54,455	49,513
	<u>\$ 414,608</u>	<u>\$ 568,000</u>

In 2018, a total of \$1,081,417 (2017 - \$1,086,531) of inventories were included in the 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 fair value are comprised of the following:

	Cost		Market Value	
	2018	2017	2018	2017
Portfolio investments in equity instruments that are quoted in an active market:				
Equities	\$ 4,571,099	\$ 4,442,116	\$ 4,529,558	\$ 4,492,029
Fixed income	4,042,084	3,834,571	4,798,476	4,585,896
Financial assets:				
Life annuity	6,245	6,245	6,245	6,245
	<u>\$ 8,619,428</u>	<u>\$ 8,282,932</u>	<u>\$ 9,334,279</u>	<u>\$ 9,084,170</u>

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

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 \$29,845 (2017 - \$23,133).

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 \$410,460 (2017 - \$401,186) payable to the federal government for payroll deductions withheld and \$16,354 (2017 - \$118,373) for GST.

8. Deferred Revenue

	Beginning Balance	Unrealized Gain/(Loss)	Additions	Revenue Recognized	Ending Balance
	(Restated, Note 15)				
Endowment funds	\$ 1,417,176	\$ (85,830)	\$ 524,595	\$ (270,765)	\$ 1,585,176
Tuition	1,909,852		11,893,376	(12,199,777)	1,603,451
Industry Trades Authority	450,256		1,856,775	(1,835,454)	471,577
Other	2,339,964		4,082,845	(2,097,527)	4,325,282
	<u>\$ 6,117,248</u>	<u>\$ (85,830)</u>	<u>\$ 18,357,591</u>	<u>\$(16,403,523)</u>	<u>\$ 7,985,486</u>

The opening balance of \$2,002,163 in endowment funds deferred revenue was adjusted for a prior period error of \$584,987. The restated opening balance is \$1,417,176.

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.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

9. Employee Future Benefits (continued)

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 March 2014. The accrued sick leave benefit liability is included as part of the employee future benefits.

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

	2018	2017
Accrued benefit obligation		
Balance, beginning of year	\$1,315,781	\$1,142,931
Current service cost	243,300	235,650
Interest cost	51,200	47,900
Benefits paid	(283,000)	(110,700)
Accrued benefit obligation, end of year	<u>\$1,327,281</u>	<u>\$1,315,781</u>

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.

	2018	2017
Holiday pay	\$2,803,447	\$2,590,273
Sick leave	1,327,281	1,315,781
Banked overtime	47,925	34,086
Retirement allowance	655,390	778,890
	<u>\$4,834,043</u>	<u>\$4,719,030</u>

c. Pension liability

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, 2017, the College Pension Plan has about 14,000 active members, and approximately 7,500 retired members. As at December 31, 2016, the Municipal Pension Plan has about 193,000 active members, including approximately 5,800 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.

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

9. Employee Future Benefits (continued)

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 \$2,527,807 for employer contributions to the plan in fiscal 2018 (\$2,448,576 - 2017).

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the 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:

	2018	2017
Balance, beginning of year	\$ 27,140,225	\$ 18,971,247
Contributions received during the year	6,994,631	9,398,273
Revenue recognized from deferred capital contributions	(1,373,800)	(1,229,295)
Balance, end of year	\$ 32,761,056	\$ 27,140,225

Selkirk College did not have any contributions that remain unspent at the end of fiscal year 2018 (\$4,922,410 - 2017).

11. Tangible Capital Assets

The College has no direct insurance coverage against liability or loss of any of its property and equipment except vehicles. The Ministry of Advanced Education'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, 2018

11. Tangible Capital Assets (continued)

	Land and land improvements	Buildings	Furniture and equipment	Computer equipment and software	Leasehold improvements	Siteworks	Assets under- construction	2017 Total
Cost								
Opening balance	\$ 90,000	\$ 40,958,222	\$ 25,578,159	\$ 1,868,867	\$ 13,820,721	\$ 1,462,199	\$ 26,375	\$ 83,804,543
Additions	-	683,499	592,099	475,000	-	-	3,668,892	5,419,490
Closing Balance	90,000	41,641,721	26,170,258	2,343,867	13,820,721	1,462,199	3,695,267	89,224,033
Accumulated amortization								
Opening balance	-	22,986,296	24,556,156	1,781,826	6,620,336	1,371,142	-	\$ 57,315,756
Amortization	-	677,255	435,346	34,817	229,389	19,961	-	1,396,768
	-	23,663,551	24,991,502	1,816,643	6,849,725	1,391,103	-	58,712,524
Net book value	\$ 90,000	\$ 17,978,170	\$ 1,178,756	\$ 527,224	\$ 6,970,996	\$ 71,096	\$ 3,695,267	\$ 30,511,509

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

11. Tangible Capital Assets (continued)

	Land and land improvements	Buildings	Furniture and equipment	Computer equipment and software	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
	-	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

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

12. Operating Lease Commitments

The College has annual contractual operating lease payments over the next five years for the Tenth Street and Grand Forks campuses, as follows:

	Tenth Street Campus	Grand Forks Campus	Total
2018/19	331,054	68,000	399,054
2019/20	331,054	68,000	399,054
2020/21	331,054	22,667	353,721
2021/22	331,054		331,054
2022/23	331,054		331,054
Thereafter	898,933		898,933
	\$ 2,554,203	\$ 158,667	\$ 2,712,870

13. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2018	2017 (Restated)
Investment in tangible capital assets	\$8,836,778	\$8,293,694
Endowment fund	7,804,603	7,741,488
Internally restricted	868,986	95,938
Unrestricted	397,532	801,935
Unfunded employee future benefits	(4,834,043)	(4,719,030)
Balance, end of year	\$13,073,856	\$12,214,025

Internally restricted accumulated surplus includes \$811,385 of the current year surplus to be spent on future capital projects.

14. Expenses by Object

The following is a summary of expenses by object:

	2018	2017
Salaries, wages and benefits	\$ 34,670,888	\$ 34,277,366
Supplies and services	10,828,486	11,167,131
Operating lease payments	610,206	603,890
Awards and donation payments	480,138	429,897
Management fees	55,147	50,450
Amortization of tangible capital assets	1,403,431	1,396,768
Bad debt expense, net of recovery	77,906	110,637
	\$ 48,126,202	\$ 48,036,139

SELKIRK COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

15. Correction of Error in Prior Period

During a review of endowment balances, there were two errors discovered in the accounting method used to derive deferred revenue balances in relation to endowment funds up to and including the 2008 fiscal year. To correct the errors, the College recorded two adjustments which are reflected in the prior period opening balances. The first correction removed an interest component that increased principal balances by \$308,814. The second correction decreased deferred revenue and increased endowment equity by \$584,987.

16. Comparative Figures

Comparative figures from the prior year have been restated 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, 2017	understate revenue and understate annual surplus by \$4,190,195.
Year ended March 31, 2017	overstate liabilities, overstate net debt and understate accumulated surplus by \$22,217,817.
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.