

**Open Learning Agency**  
**Financial Statements**  
March 31, 2005

Grant Thornton 

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## Auditors' Report

To the Board of  
Open Learning Agency

We have audited the balance sheet of Open Learning Agency as at March 31, 2005 and the statements of revenue, expenditure, changes in unrestricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Agency taken as a whole. The current year's supplementary information included in the schedules is presented for purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

New Westminster, Canada  
May 11, 2005

Chartered Accountants

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# Open Learning Agency

## Statement of Revenue, Expenditure and Changes in Unrestricted Net Assets

Year Ended March 31	2005	2004
<b>Revenue</b>		
Province of British Columbia		
Operating grants	\$ 17,090,518	\$ 19,876,983
Specified grants and contracts	4,050,651	8,293,138
Government of Canada contracts	856	5,062,202
Other grants and contracts	4,899	583,818
Tuition and related fees	5,421,577	6,190,259
Sales	2,181,784	5,799,286
Donations and sponsorships	2,496,479	1,824,058
User fees and rentals	142,213	344,856
Interest	110,849	167,689
Miscellaneous	206,752	302,067
Amortization of deferred contributions	1,900,122	2,514,408
<b>Total revenue</b>	<b>33,606,700</b>	<b>50,958,764</b>
Less: transfer to deferred contributions (Note 5)	(448,560)	(688,603)
<b>Revenue, net</b>	<b>33,158,140</b>	<b>50,270,161</b>
<b>Expenditure</b>		
Salaries, honoraria and benefits	21,042,792	26,880,994
Travel	377,471	606,842
Communications	325,402	534,687
Purchased services	4,034,565	9,896,464
Materials, supplies and postage	2,473,070	4,141,843
Facilities rental and maintenance	843,063	1,880,416
Equipment rental, financing and maintenance	309,308	738,820
Satellite transmission services	368,079	397,466
Program and course acquisitions	1,412,226	1,249,521
Other, net of recoveries	399,321	182,647
Amortization of property and equipment	1,900,122	2,514,408
<b>Total expenditure</b>	<b>33,485,419</b>	<b>49,024,108</b>
(Deficiency) excess of revenue over expenditure	(327,279)	1,246,053
Unrestricted net assets, beginning of year	1,908,350	662,297
Unrestricted net assets, end of year	\$ 1,581,071	\$ 1,908,350

See accompanying notes to the financial statements

# Open Learning Agency Balance Sheet

March 31

2005

2004

## Assets

### Current

Cash and short term investments	\$ 2,724,094	\$ 5,782,970
Accounts receivable	3,115,760	1,629,328
Work in progress, projects	619,846	30,240
Inventory	444,706	686,873
Prepaid expenses	35,608	117,536

Property and equipment (Note 3)

6,940,014	8,246,947
<u>16,543,270</u>	<u>18,122,349</u>
<u>\$ 23,483,284</u>	<u>\$ 26,369,296</u>

## Liabilities

### Current

Payables and accruals	\$ 4,701,771	\$ 5,961,997
Deferred revenue, projects	739,612	459,043

Term debt (Note 4)

Deferred contributions (Note 5)

5,441,383	6,421,040
109,064	217,147
<u>13,371,972</u>	<u>14,842,965</u>
<u>18,922,419</u>	<u>21,481,152</u>

## Net assets

Investment in property and equipment

Unrestricted

2,979,794	2,979,794
<u>1,581,071</u>	<u>1,908,350</u>
<u>4,560,865</u>	<u>4,888,144</u>
<u>\$ 23,483,284</u>	<u>\$ 26,369,296</u>

Operations (Note 1)

Commitments and contingencies (Note 6)

Approved:



Chair of the Board



President and  
Chief Executive Officer

See accompanying notes to the financial statements

# Open Learning Agency Statement of Cash Flows

Year Ended March 31

2005

2004

Cash flows provided by (used in)

## Operating activities

(Deficiency) excess of revenue over expenditure	\$ (327,279)	\$ 1,246,053
Adjustments to determine cash flows:		
Amortization of deferred contributions and other	(1,900,122)	(2,514,408)
Amortization of property and equipment	1,900,122	2,514,408
Change in non-cash working capital	<u>(2,731,600)</u>	<u>(1,341,590)</u>
	<u>(3,058,879)</u>	<u>(95,537)</u>

## Financing activities

Grants for property and equipment	448,560	688,603
Repayments of term debt	<u>(108,083)</u>	<u>(105,236)</u>
	<u>340,477</u>	<u>583,367</u>

## Investing activities

Purchase of property and equipment, net	<u>(340,474)</u>	<u>(583,370)</u>
Decrease in cash and short term investments	(3,058,876)	(95,540)
Cash and short term investments, beginning of year	<u>5,782,970</u>	<u>5,878,510</u>
Cash and short term investments, end of year	<u>\$ 2,724,094</u>	<u>\$ 5,782,970</u>

## Change in non-cash working capital

Accounts receivable	\$ (1,486,432)	\$ 2,942,859
Work in progress, projects	(589,606)	960,372
Inventory	242,167	535,445
Prepaid expenses	81,928	92,069
Payables and accruals	(1,260,226)	(3,257,284)
Deferred revenue, projects	<u>280,569</u>	<u>(2,615,051)</u>
	<u>\$ (2,731,600)</u>	<u>\$ (1,341,590)</u>

See accompanying notes to the financial statements

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# Open Learning Agency

## Notes to the Financial Statements

March 31, 2005

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### 1. Operations

#### Incorporation

The Agency is incorporated under the Open Learning Agency Act of British Columbia and is a registered charity under the provisions of the Income Tax Act of Canada.

#### Transfer of operations

Effective April 1, 2005, the employees of the BC Open University/Open College operations of the Agency became employees of Thompson Rivers University ("TRU"). Current assets and current liabilities related to the operations of BCOU/OC, each totaling \$1,738,000, were transferred to TRU at that time. In addition, net capital assets related to BCOU/OC operations along with deferred contributions, each totaling \$2,232,000, were transferred to TRU.

#### Transfer costs

At March 31, 2005, the Agency has accrued transition and severance cost contingencies of \$2,656,000 (2004: \$1,882,000). During the 2005 fiscal period, the Agency paid approximately \$1,299,000 in severance costs and \$661,000 in other transition related costs. The balance of the severance and transition costs will be paid in the 2006 fiscal year.

#### Continuing operations

The remaining assets, liabilities and net assets pertaining to Knowledge Network operations will continue to be reported in the Agency financial statements.

The 2005/2006 operating budget of the Knowledge Network operations is estimated at \$9.2 million of which a significant amount comes from the Provincial government.

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### 2. Significant accounting policies

#### Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements, management has made estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

#### Inventory

Inventory is valued at the lower of cost and net realizable value.

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# Open Learning Agency

## Notes to the Financial Statements

March 31, 2005

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### 2. Significant accounting policies (Continued)

#### Property and equipment

Purchased property and equipment are recorded at cost. Amortization of depreciable property and equipment over the estimated useful life is provided on the straight-line basis over five to forty years. Investment in property and equipment consists of land, a non-depreciable property and equipment.

#### Deferred contributions

The Agency follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expense is incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred contributions for property and equipment are amortized and recognized as revenue. Amortization of property and equipment is recorded as an expenditure.

Contributions for other restricted funds are recorded as deferred contributions and recognized as revenue in an amount equivalent to the expenditure incurred for specified purposes.

#### Revenue recognition

Tuition and related fees are recognized as revenue upon course registration.

Net revenue or expenditure from incomplete projects with specified funding is recorded as work in progress or deferred revenue. Income or loss from projects is recognized at project completion.

Donations are recorded on the cash basis.

#### Program acquisitions

Broadcast license agreements are expensed in the year payable.

#### Employee benefits

Employee future benefits are recorded on the accrual basis.

#### Fair values

Fair values of financial instruments, unless otherwise stated, approximate their book values.



# Open Learning Agency

## Notes to the Financial Statements

March 31, 2005

<b>3. Property and equipment</b>		<b>2005</b>	<b>2004</b>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 2,979,794	\$ -	\$ 2,979,794	\$ 2,979,794
Building	13,608,913	4,411,245	9,197,668	9,538,323
Furniture and fixtures	3,344,017	2,607,045	736,972	941,307
Equipment	5,472,992	5,275,062	197,930	287,251
Computer equipment	8,353,999	6,351,598	2,002,401	2,466,650
Software	1,224,995	1,125,715	99,280	305,913
Broadcast network equipment	9,432,421	8,103,196	1,329,225	1,603,111
Leasehold improvements	1,488,528	1,488,528	-	-
	<u>\$ 45,905,659</u>	<u>\$ 29,362,389</u>	<u>\$ 16,543,270</u>	<u>\$ 18,122,349</u>

Obligations relating to property and equipment held under capital leases are described in Note 4.

<b>4. Term debt</b>	<b>2005</b>	<b>2004</b>
Obligations under capital leases, interest at 6.25% to 7.2% expiring on or before October 2006	<u>\$ 109,064</u>	<u>\$ 217,147</u>

### 5. Deferred contributions

Deferred contributions related to property and equipment represent the unamortized amount of grants received for the purchase of property and equipment. Amortization of deferred capital contributions is recorded as revenue.

	<b>2005</b>	<b>2004</b>
Balance, beginning of year	\$ 14,842,965	\$ 16,811,114
Add: Contributions transferred from revenue	448,560	688,603
Less: Disposal of property and equipment at net book value	(19,431)	(142,344)
Amortization to revenue	<u>(1,900,122)</u>	<u>(2,514,408)</u>
Balance, end of year	<u>\$ 13,371,972</u>	<u>\$ 14,842,965</u>

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# Open Learning Agency

## Notes to the Financial Statements

March 31, 2005

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### 6. Commitments and contingencies

#### Leases

The Agency has commitments under operating leases with annual payments in 2005/2006 of approximately \$113,000.

#### Satellite transmission services

The Agency acquires satellite transmission services at an annual cost of approximately \$370,000 under agreements, which are renewed annually.

#### Pensions

The Agency and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has over 10,000 active members from college senior administration and instructional staff and approximately 2,600 retired members. The Municipal Pension Plan has about 130,000 active members, with approximately 5,000 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2003 indicated an unfunded liability of \$50 million for basic pension benefits. The next valuation will be as at August 31, 2006 with results available in 2007. The most recent valuation for the Municipal Pension Plan as at December 31, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the unfunded liability to individual employers.

Contributions to the Plans in the current year amounted to \$923,035 (2004: \$1,194,000).

#### Contingencies

In the normal course of business, claims are brought against the Agency. Where the outcomes are likely and the amounts reasonably estimable, contingent losses are recorded. Where the outcomes are not likely, the nature and amount of the claims in excess of the amounts recorded are disclosed.

At March 31, 2005, there are no claims relating to salary grievances in excess of amounts recorded.

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# Open Learning Agency

## Notes to the Financial Statements

March 31, 2005

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### 7. Related entity

#### Open Learning Foundation

The Open Learning Foundation is a non-profit society whose purpose is to develop, foster and encourage activities for the furtherance of the purposes, goals and objectives of the Agency.

At March 21, 2005, the net assets of the Open Learning Foundation were transferred to The University of the Cariboo Foundation, to be named Thompson Rivers University Foundation.

On March 31, 2005, the Open Learning Foundation passed a resolution to dissolve the society. This resolution was filed and accepted on April 15, 2005.

# Open Learning Agency

## Schedule of Revenue, Expenditure and Fund Balances

Year Ended March 31

2005

2004

	Operating Fund	Ancillary Fund	Special Purpose Fund	Capital Fund	Total	Total
Revenue, per schedule	\$ 29,736,642	\$ 57,644	\$ 1,598,359	\$ 1,765,495	\$ <b>33,158,140</b>	\$ 50,270,161
Expenditure, per schedule	<u>29,666,216</u>	<u>96,653</u>	<u>1,598,359</u>	<u>2,124,191</u>	<u><b>33,485,419</b></u>	<u>49,024,108</u>
Revenue excess (deficiency)	70,426	(39,009)	-	(358,696)	<b>(327,279)</b>	1,246,053
Fund balance, beginning of year	<u>1,908,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>1,908,350</b></u>	<u>662,297</u>
	1,978,776	(39,009)	-	(358,696)	<b>1,581,071</b>	1,908,350
Transfers:						
Operating Fund	(397,705)	-	-	-	<b>(397,705)</b>	(153,689)
Capital Fund	-	-	-	358,696	<b>358,696</b>	-
Special Purpose Fund	-	-	-	-	-	(266,846)
Ancillary Fund	-	39,009	-	-	<b>39,009</b>	420,535
Fund balance, end of year	<u>\$ 1,581,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ <b>1,581,071</b></u>	<u>\$ 1,908,350</u>

# Open Learning Agency Schedule of Revenue

Year Ended March 31

2005

2004

	Operating Fund	Ancillary Fund	Special Purpose Fund	Capital Fund	Total	Total
Revenue						
Province of British Columbia						
Operating grants	\$ 17,090,518	\$ -	\$ -	\$ -	\$ 17,090,518	\$ 19,876,983
Specified grants and contracts	3,857,842	-	-	192,809	4,050,651	8,293,138
Government of Canada contracts	856	-	-	-	856	5,062,202
Other grants and contracts	4,899	-	-	-	4,899	583,818
Tuition and related fees	5,421,577	-	-	-	5,421,577	6,190,259
Sales	2,181,704	80	-	-	2,181,784	5,799,286
Donations and sponsorships	891,987	-	1,604,492	-	2,496,479	1,824,058
User fees and rentals	74,325	67,888	-	-	142,213	344,856
Interest	110,849	-	-	-	110,849	167,689
Miscellaneous and transfers	270,359	(3,836)	(6,133)	(53,638)	206,752	302,067
Amortization of deferred contributions	-	-	-	1,900,122	1,900,122	2,514,408
Revenue before transfers	29,904,916	64,132	1,598,359	2,039,293	33,606,700	50,958,764
Transfer to deferred contributions	(168,274)	(6,488)	-	(273,798)	(448,560)	(688,603)
Total revenue	\$ 29,736,642	\$ 57,644	\$ 1,598,359	\$ 1,765,495	\$ 33,158,140	\$ 50,270,161

# Open Learning Agency Schedule of Expenditure

Year Ended March 31

2005

2004

	Operating Fund	Ancillary Fund	Special Purpose Fund	Capital Fund	Total	Total
Expenditure						
Salaries, honoraria and benefits	\$ 20,786,596	\$ 20,189	\$ 180,299	\$ 55,708	<b>\$ 21,042,792</b>	\$ 26,880,994
Travel	371,028	-	-	6,443	<b>377,471</b>	606,842
Communications	316,236	695	2,039	6,432	<b>325,402</b>	534,687
Purchased services	3,679,088	6,291	297,891	51,295	<b>4,034,565</b>	9,896,464
Materials, supplies and postage	2,254,541	(2,101)	169,899	50,731	<b>2,473,070</b>	4,141,843
Facilities rental and maintenance	806,201	2,677	-	34,185	<b>843,063</b>	1,880,416
Equipment rental, financing and maintenance	284,048	8,050	-	17,210	<b>309,308</b>	738,820
Satellite transmission services	368,079	-	-	-	<b>368,079</b>	397,466
Program and course acquisitions	507,756	-	904,470	-	<b>1,412,226</b>	1,249,521
Other, net of recoveries	292,643	60,852	43,761	2,065	<b>399,321</b>	182,647
Amortization of property and equipment	-	-	-	1,900,122	<b>1,900,122</b>	2,514,408
Total expenditure	<b>\$ 29,666,216</b>	<b>\$ 96,653</b>	<b>\$ 1,598,359</b>	<b>\$ 2,124,191</b>	<b>\$ 33,485,419</b>	<b>\$ 49,024,108</b>