Financial Statements of

# VANCOUVER COMMUNITY COLLEGE

Year ended March 31, 2015

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# INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Vancouver Community College and
To the Ministry of Advanced Education, Province of British Columbia

We have audited the accompanying financial statements of Vancouver Community College which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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.

*Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of Vancouver Community College as at March 31, 2015, and its results of operations, its changes in net debt, and its cash flows for the year then ended in accordance with the financial reporting provisions of 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 3 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

May 27, 2015
Burnaby, Canada

# VANCOUVER COMMUNITY COLLEGE

Statement of Financial Position

March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | $ 13,921,147 | $ 21,689,135 |
| Investments (note 4) | 239,345 | 3,926,630 |
| Accounts receivable | 3,911,613 | 2,370,290 |
| Inventories for resale | 1,023,802 | 1,107,049 |
| Due from the Province of BC (note 5) | 4,250 | 1,011,939 |
| | 19,100,157 | 30,105,043 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities (note 6) | 8,455,130 | 9,599,073 |
| Due to the Province of BC and other government agencies (note 5) | 339,232 | 317,331 |
| Employee future benefits (note 7) | 3,725,368 | 3,694,330 |
| Deferred tuition fees | 5,327,598 | 4,259,632 |
| Deferred revenues | 3,594,762 | 10,427,133 |
| Deferred capital contributions (note 8) | 84,322,739 | 83,289,624 |
| Obligations for lease of tangible capital assets (note 9) | 7,318,803 | - |
| | 113,083,632 | 111,587,123 |
| Net debt | (93,983,475) | (81,482,080) |
| **Non-financial assets** | | |
| Tangible capital assets (note 10) | 114,979,239 | 107,493,304 |
| Inventories held for use | 119,073 | 125,764 |
| Prepaid expenses | 167,423 | 557,627 |
| | 115,265,735 | 108,176,695 |
| | $21,282,260 | $ 26,694,615 |

Commitments and contingencies (note 15)

See accompanying notes to financial statements.

Approved on behalf of the Board:

President

Chair of the Board

# VANCOUVER COMMUNITY COLLEGE

Statement of Operations

March 31, 2015, with comparative information for 2014

| | Budget 2015 (note 13) | 2015 | 2014 |
|---|---|---|---|
| **Revenue** | | | |
| Province of British Columbia | $ 61,731,013 | $ 63,969,896 | $ 79,200,803 |
| Federal government | 4,910,605 | 4,971,201 | - |
| Tuition and student fees | 23,397,459 | 19,562,855 | 19,623,275 |
| Sales of goods and services | 6,288,755 | 6,435,176 | 5,717,035 |
| Other grants and contracts | 1,238,791 | 402,644 | 766,800 |
| Miscellaneous income | 1,205,099 | 1,536,610 | 1,583,464 |
| Investment income | 375,000 | 230,463 | 283,131 |
| Revenue recognized from deferred capital contributions | 4,854,696 | 4,786,019 | 5,035,498 |
| | 104,001,418 | 101,894,864 | 112,210,006 |
| **Expenses** | | | |
| Instruction and instructional support | 99,375,208 | 102,079,478 | 108,136,343 |
| Ancillary operations | 3,946,218 | 4,174,073 | 3,232,891 |
| Special purpose funds | 679,992 | 1,053,668 | 840,772 |
| | 104,001,418 | 107,307,219 | 112,210,006 |
| **Annual deficit** | $ - | $ (5,412,355) | $ - |
| Accumulated surplus, beginning of year | 26,694,615 | 26,694,615 | 26,694,615 |
| Accumulated surplus, end of year | $ 26,694,615 | $ 21,282,260 | $ 26,694,615 |

See accompanying notes to financial statements.

# VANCOUVER COMMUNITY COLLEGE

Statement of Changes in Net Debt

March 31, 2015, with comparative information for 2014

| | Budget 2015 | 2015 | 2014 |
|---|---|---|---|
| Annual deficit | $ - | $ (5,412,355) | $ - |
| | | | |
| Acquisition of tangible capital assets | (4,448,000) | (8,979,612) | (5,746,116) |
| Amortization of tangible capital assets | 8,636,280 | 8,844,010 | 8,672,593 |
| Capital lease obligation | - | (7,350,333) | - |
| | 4,188,280 | (7,485,935) | 2,926,477 |
| | | | |
| Acquisition of inventories | - | (119,073) | (125,764) |
| Acquisition of prepaid expenses | - | (167,423) | (557,627) |
| Use of inventories | - | 125,764 | 124,335 |
| Use of prepaid expenses | - | 557,627 | 309,842 |
| | - | 396,895 | (249,214) |
| | | | |
| Decrease (increase) in net debt | 4,188,280 | (12,501,395) | 2,677,263 |
| | | | |
| Net debt, beginning of year | (81,482,080) | (81,482,080) | (84,159,343) |
| | | | |
| Net debt, end of year | $ (77,293,800) | $ (93,983,475) | $ (81,482,080) |

See accompanying notes to financial statements.

# VANCOUVER COMMUNITY COLLEGE

Statement of Cash Flows

March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|---|---|---|
| Cash provided by (used in): | | |
| Operations | | |
| Annual deficit | $ (5,412,355) | $ - |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 8,844,010 | 8,672,593 |
| Revenue recognized from deferred capital contributions | (4,786,019) | (5,035,498) |
| Change in employee future benefits | 31,038 | (61,500) |
| Change in non-cash operating working capital: | | |
| Increase in accounts receivable | (1,541,323) | (771,417) |
| Decrease (increase) in inventories for resale | 83,247 | (126,889) |
| Decrease in due from Province of BC | 1,007,689 | 51,378 |
| Decrease (increase) in prepaid expenses | 390,204 | (248,113) |
| Decrease (increase) in inventories held for use | 6,691 | (1,101) |
| Increase (decrease) in accounts payable and accrued liabilities | (1,143,943) | 2,836,880 |
| Increase (decrease) in due to Province of BC and other government agencies | 21,901 | (609,204) |
| Increase in deferred tuition fees | 1,067,966 | 104,692 |
| Increase (decrease) in deferred revenues | (6,832,371) | 2,881,124 |
| Net change in cash from operating activities | (8,263,265) | 7,692,945 |
| Capital activities: | | |
| Cash used to acquire tangible capital assets | (8,979,612) | (5,746,116) |
| Net change in cash from capital activities | (8,979,612) | (5,746,116) |
| Financing activities: | | |
| Principal reduction capital lease obligation | (31,530) | - |
| Deferred capital contributions received | 5,819,134 | 242,699 |
| Net change in cash from financing activities | 5,787,604 | 242,699 |
| Investing activities: | | |
| Redemption of investments | 3,687,285 | 10,787,713 |
| | 3,687,285 | 10,787,713 |
| Increase (decrease) in cash and cash equivalents | (7,767,988) | 12,977,241 |
| Cash and cash equivalents, beginning of year | 21,689,135 | 8,711,894 |
| Cash and cash equivalents, end of year | $ 13,921,147 | $ 21,689,135 |
| Non-cash transactions | | |
| Acquisition of tangible capital assets under capital lease | $ 7,350,333 | - |

See accompanying notes to financial statements.

**1. Authority and Purpose:**

Vancouver Community College (the "College") is a post-secondary educational institution funded in part by the Province of British Columbia and incorporated under the College and Institute Act on November 28, 1978. The College is a not-for-profit entity governed by a Board of Governors, the majority of which are appointed by the provincial government of British Columbia. The College is exempt from income taxes under Section 149 of the Income Tax Act.

The College serves a diverse urban community by providing excellent programs and services that prepare learners for ongoing education, direct entry into employment, career advancement and greater participation in the community.

**2. Adoption of new accounting standard:**

On April 1, 2014, the College adopted PS 3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis to April 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the College.

**3. Summary of significant accounting policies:**

The financial statements of Vancouver Community College are prepared by management in accordance with the basis of accounting described below. Significant accounting policies are as follows:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections effective their first fiscal year commencing after January 1, 2012.

**3. Summary of significant accounting policies (continued):**

(a) Basis of accounting (continued):

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors. Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related 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. Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met. For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410. As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) Financial instruments:

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

(i) Fair value category: Portfolio investments in equity instruments that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

(ii) Cost category: 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 trade date. Transaction costs related to the acquisition of investments are included in the cost of the related investments.

(iii) The College does not have any financial instruments that are recorded at fair value.

**3. Summary of significant accounting policies (continued):**

(c) Financial instruments:

(iv) The following items are included in the cost category and measured as follows:

(a) Accounts receivable are measured at amortized cost using the effective interest method

(b) Investments are comprised of term deposits, bearer deposit notes, and bankers' acceptances that are capable of prompt liquidation. The investments are cashable on demand and are recorded at amortized cost based on the transaction price on the trade date. All interest income, gains and losses are recognized in the statement of operations in the period in which they arise.

(c) Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

(d) Inventories for resale:

Inventories held for resale, including books and school 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 the estimated selling price less any costs to sell.

(e) 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.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest during construction is capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value.

| Asset | Basis |
| --- | --- |
| Buildings | 30 - 50 years |
| Building improvements | 15 years |
| Building under capital lease | Over the term of the lease |
| Furniture and equipment | 5 years |
| Computer hardware and software | 4 years |
| Leasehold improvements | Over the term of the lease |

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the College's ability to provide goods and services.

**3. Summary of significant accounting policies (continued):**

(e) Non-financial assets (continued):

(ii) Inventories held for use:

Inventories held for use 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 cost to replace the items.

(iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period where the service benefits are received.

(f) Employee future benefits:

(i) The College and its employees make contributions to the College Pension and Municipal Pension Plans which are multi-employer joint trustee plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plan are not segregated by institution, the plans are accounted for as a defined contribution plans and any contributions of the College to the plan are expensed as incurred.

(ii) Sick leave benefits are also available to the College's employees. The costs of these benefits are actuarially determined based on length of service and best estimates of benefit usage, retirement ages and expected future salary and wage increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected employee average remaining service life. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation completed March 31, 2015.

(iii) The College allows employees to accumulate unused vacation days for future use. Any unused vacation days are recorded as a liability when earned.

(iv) The College provides long-service and gratuity benefits to the employees. The costs of these benefits are actuarially determined based on length of service and best estimates of benefit usage, retirement ages and expected future salary and wage increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected employee average remaining service life. The most recent valuation of the College's future employee benefits was completed March 31, 2015.

(v) Retiring faculty employees are permitted to go on unpaid leave of absence between 3 months up to a maximum of 12 months. The costs associated with this benefit include a stipend of $1,000 per month and the continuance of medical, extended health, dental and group life benefits. These benefits are recognized based on the net present value of the expected obligations.

**3. Summary of significant accounting policies (continued):**

(f) Employee future benefits (continued):

(vi) Employees who are members of the Faculty Association who are retiring at age 55 or over and who receive pension under the provisions of the Pension Act, receive a benefit where the College pays for Group Life Insurance premiums equivalent to the lesser of $10,000 or the coverage in effect immediately preceding retirement for five years. These benefits are recognized based on the net present value of the expected obligations.

(vii) The College may offer an early retirement incentive to its eligible Faculty and CUPE employees based on a set of criteria. The incentive is voluntary and is offered based on certain eligibility requirements. The benefit is equivalent to a certain percentage of the annual salary ranging between 20% and 100%, depending on the number of years left before the age of 65. This benefit is paid out either as a lump sum amount or in annual installments. During the current year, 5 CUPE employees accepted an early retirement incentive. The total cost of these incentives were $140,000.

(g) Revenue recognition:

(i) Fees for services:

Tuition fees are collected in advance and recognized as revenue at the time services are provided.

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

(ii) Contributions:

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded in accordance with Regulation 198/2011 which requires that they be recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related 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.

Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

(iii) Investment income:

Investment income includes interest recorded on an effective interest method, dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

**3. Summary of significant accounting policies (continued):**

(h) Asset retirement obligations:

The College recognizes asset retirement obligations in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset, including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is amortized over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

The College has determined that there were no significant asset retirement obligations to be recognized.

(i) Foreign currency translation:

The College's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the statement of financial position date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the Statement of Operations.

(j) Segmented information:

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. The College has provided definitions of segments used by the College as well as presented financial information in segmented format in note 17.

(k) Budget figures:

The budget figures have been derived from the 2014/15 Budget approved by the Board of Governors of the College on April 30, 2014. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Financial Assets. Note 13 reconciles the approved budget to the budget information reported in these financial statements.

(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 net realizable value of inventories for resale, useful lives of tangible capital assets, employee future benefits and provisions for contingencies. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

**3. Summary of significant accounting policies (continued):**

(m) Contaminated sites:

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

i) An environmental standard exists;

ii) Contamination exceeds the environmental standard;

iii) The College is directly responsible or accepts responsibility;

iv) It is expected that future economic benefits will be given up; and

v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

**4. Investments:**

Short-term investments consist of a term deposit, due October 27, 2015 that bears interest of 1.88%.

**5. Due from (to) the Province of BC and other government agencies:**

| | 2015 | 2014 |
|---|---|---|
| Due from the Province of BC | $ 4,250 | $ 1,011,939 |

| | 2015 | 2014 |
|---|---|---|
| Due to other government agencies | $ 151,872 | $ 317,331 |
| Due to BCIT | 187,360 | - |
| | $ 339,232 | $ 317,331 |

The amounts are due on demand and are non-interest bearing.

**6. Accounts payable and accrued liabilities:**

| | 2015 | 2014 |
|---|---|---|
| Accounts payables and accrued liabilities | $ 2,557,508 | $ 1,941,322 |
| Salaries and benefits payable | 3,974,071 | 6,062,744 |
| Student deposits | 1,923,550 | 1,595,007 |
| | $ 8,455,130 | $ 9,599,073 |

## 7. Employee future benefits:

| | Sick leave | Vacation leave | Long-service and gratuity | Total |
|---|---|---|---|---|
| Balance March 31, 2014 | $ 890,000 | $ 2,062,407 | $ 741,923 | $ 3,694,330 |
| Current Service Cost | 482,000 | (67,937) | 32,975 | 447,038 |
| Interest costs | 35,000 | - | 25,000 | 60,000 |
| Benefits Paid | (461,000) | - | (79,000) | (540,000) |
| Net actuarial gain (loss) | 167,000 | - | (103,000) | 64,000 |
| Balance March 31, 2015 | $ 1,113,000 | $ 1,994,470 | $ 617,898 | $ 3,725,368 |
| Expense (gain) | $ 517,000 | $ (67,937) | $ (45,025) | $ 404,038 |

| | Sick leave | Vacation leave | Long-service and gratuity | Total |
|---|---|---|---|---|
| Balance March 31, 2013 | $ 909,000 | $ 2,107,360 | $ 739,470 | $ 3,755,830 |
| Current Service Cost | 396,000 | (44,953) | 57,453 | 408,500 |
| Interest costs | 34,000 | - | 26,000 | 60,000 |
| Benefits Paid | (449,000) | - | (73,000) | (522,000) |
| Net actuarial gain | - | - | (8,000) | (8,000) |
| Balance March 31, 2014 | $ 890,000 | $ 2,062,407 | $ 741,923 | $ 3,694,330 |
| Expense (gain) | $ 430,000 | $ (44,953) | $ 75,453 | $ 460,500 |

The use and accumulation of unused vacation days is presented as a current service cost on a net basis.

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation are as follows:

| | 2015 | 2014 |
|---|---|---|
| Discount rates | 3.00% | 3.90% |
| Expected future inflation rates | 2.00% | 2.00% |
| Expected wage and salary increases | 2.75% | 2.75% |

## 8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of externally restricted grants and other funding received for the purchase of capital assets. Amortization of deferred capital contributions is recorded as revenue in the statement of operations over the useful life of the related asset.

## 8. Deferred capital contributions (continued):

| | 2015 | 2014 |
|---|---|---|
| Balance at beginning of year | $ 83,289,624 | $ 88,082,423 |
| Contributions from government grants | 5,819,134 | 174,737 |
| Contributions from other sources | - | 67,962 |
| Less amortization to revenue | (4,786,019) | (5,035,498) |
| Balance, end of year | $ 84,322,739 | $ 83,289,624 |

Deferred capital contributions are comprised of the following:

| | 2015 | 2014 |
|---|---|---|
| Unamortized capital contributions | $ 83,593,084 | $ 82,437,637 |
| Unspent contributions | 729,655 | 851,987 |
| | $ 84,322,739 | $ 83,289,624 |

## 9. Obligation for lease of tangible capital assets

During fiscal 2015, the College and BCIT entered into a Memorandum of Understanding (MOU) to share in the leasing and operating of a facility on Annacis Island in Delta, British Columbia for use by the College in its Motive Power program. As part of this arrangement, the College and BCIT entered into a joint lease agreement with a third party landlord to lease the land and building for a 30 year term. The lease payments are shared by the College and BCIT on a one-third/two-third basis. The land portion of the lease is accounted for as an operating lease (note 14 (b)) and the building portion as a capital lease. The implicit interest rate on the building capital lease obligation is 4.19% per annum.

The required payments for the College's share of the capital lease obligation for the next five years and thereafter are as follows:

| | |
|---|---|
| 2016 | $ 354,663 |
| 2017 | 354,663 |
| 2018 | 354,663 |
| 2019 | 354,663 |
| 2020 | 354,663 |
| Thereafter | 11,677,936 |
| | 13,451,251 |
| Less amounts representing interest | 6,132,448 |
| | $ 7,318,803 |

Interest of $204,936 (2014 – nil) relating to the capital lease obligation has been included in expenses in the statement of operations.

## 10. Tangible capital assets:

| 2015 | Land | Buildings | Building improvements | Building under capital lease | Furniture and equipment | Leasehold improvements | Computer hardware and software | 2015 Total |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| Opening balance | $ 7,744,768 | $144,414,647 | $ 3,725,662 | $ - | $68,122,589 | $ - | $ 22,797,126 | $ 246,804,792 |
| Additions | - | - | 872,042 | 7,350,333 | 2,979,814 | 4,202,525 | 925,231 | 16,329,945 |
| Ending | 7,744,768 | 144,414,647 | 4,597,704 | 7,350,333 | 71,102,403 | 4,202,525 | 23,722,357 | 263,134,737 |
| Accumulated amortization | | | | | | | | |
| Opening balance | - | 60,432,486 | 267,333 | - | 60,087,566 | - | 18,524,103 | 139,311,488 |
| Amortization | - | 3,609,860 | 422,669 | 163,341 | 2,773,458 | 84,714 | 1,789,968 | 8,844,010 |
| Closing balance | - | 64,042,346 | 690,002 | 163,341 | 62,861,024 | 84,714 | 20,314,071 | 148,155,498 |
| | $ 7,744,768 | $ 80,372,301 | $ 3,907,702 | $ 7,186,992 | $8,241,379 | $ 4,117,811 | $ 3,408,286 | $ 114,979,239 |

| 2014 | Land | Buildings | Building improvements | Building under capital lease | Furniture and equipment | Leasehold improvements | Computer hardware and software | 2014Total |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| Opening balance | $ 7,744,768 | $144,414,647 | $ 2,147,163 | $ - | $66,359,528 | $ - | $ 20,392,570 | $ 241,058,676 |
| Additions | - | - | 1,578,499 | - | 1,763,061 | - | 2,404,556 | 5,746,116 |
| Ending | 7,744,768 | 144,414,647 | 3,725,662 | - | 68,122,589 | - | 22,797,126 | 246,804,792 |
| Accumulated amortization | | | | | | | | |
| Opening balance | - | 56,822,619 | 71,572 | - | 56,962,898 | - | 16,781,806 | 130,638,895 |
| Amortization | - | 3,609,867 | 195,761 | - | 3,124,668 | - | 1,742,297 | 8,672,593 |
| Closing balance | - | 60,432,486 | 267,333 | - | 60,087,566 | - | 18,524,103 | 139,311,488 |
| | $ 7,744,768 | $ 83,982,161 | $ 3,458,329 | $ - | $8,035,023 | $ - | $ 4,273,023 | $ 107,493,304 |

**11. Accumulated surplus:**

| | 2015 | 2014 |
|---|---|---|
| Accumulated surplus is comprised of: | | |
| Invested in tangible capital assets | $ 24,067,352 | $ 25,055,663 |
| Internally restricted | - | 151,715 |
| Unrestricted | (2,785,092) | 1,487,237 |
| | $21,282,260 | $ 26,694,615 |

**12. Related organization:**

The Vancouver Community College Foundation ("the Foundation") is a separate society formed to raise funds to further the interests of the College and to provide scholarships and bursaries for students of the College. The College does not control the Foundation; therefore, the Foundation's assets, liabilities, revenues and expenses are not included in these financial statements.

The College had the following transactions with the Foundation:

| | 2015 | 2014 |
|---|---|---|
| Foundation contributed awards and bursaries to the College | $ 439,103 | $ 451,947 |
| Foundation provided project funding and equipment to the College | 68,529 | 121,738 |
| Gifts in kind transferred from the Foundation to the College | 63,185 | 48,518 |
| College contributed grants to the Foundation for operating expenses | 85,151 | 110,000 |
| Foundation reimbursed the College for salaries expenses | 88,281 | 105,512 |

As of March 31, 2015, the College had accounts receivable from the Foundation of nil (2014 - $22,596) for expenses that were paid for by the College on behalf of the Foundation. At March 31, 2015, the Foundation had net assets of $12 million (2014 - $11 million).

**13. Budget:**

The 2014/2015 College budget was approved by the Board of Governors on April 30, 2014. The approved College budget did not include any budgeted amounts for Special Purpose funds. The Special Purpose fund budget was included in the disclosed College budget for comparison purposes. The following is a reconciliation between the College original approved budget and the amounts presented in these financial statements:

| | College budget | Special purpose fund budget | Total budget presented |
|---|---|---|---|
| Revenues | $ 103,297,418 | $ 704,000 | $ 104,001,418 |
| Expenses | 103,297,418 | 704,000 | 104,001,418 |

**14. Contractual commitments:**

(a) Building construction contracts:

During the year ended March 31, 2009, the College completed construction of a new campus building. At year end, the College has an outstanding letter of credit with the City of Vancouver, secured by a short-term GIC for $237,500. This letter of credit will be held until Phase II of the campus redevelopment has been completed.

(b) Operating lease land

Under the MOU with BCIT as discussed in note 9, the College is committed to the following operating lease payments in its one-third share of the land portion of the lease arrangement.

| | |
|---|---|
| 2016 | $ 77,199 |
| 2017 | 77,199 |
| 2018 | 77,199 |
| 2019 | 77,199 |
| 2020 | 77,199 |
| Thereafter | 1,929,975 |
| | $ 2,315,970 |

In addition, as required under the MOU, the College will pay its share of other facility operating expenses as determined each year.

(c) Service contracts:

The College entered into a number of long term service contracts for equipment rentals and various other services with expected payments as follows:

| | |
|---|---|
| 2016 | $ 2,601,435 |
| 2017 | 1,404,294 |
| 2018 | 1,246,400 |
| | $ 5,252,129 |

**15. Commitments and contingencies:**

(a) Pension plans:

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (the "Plan"), jointly trusteed pension plans. The Board 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 based on a formula. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 6,000 retired members. The Municipal Pension Plan has about 179,000 active members, with approximately 5,700 from colleges. The College has 642 and 304 members in the College and Municipal Pension Plans, respectively.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012 indicated a $105 million funding deficit for basic pension benefits. The next valuation will be as at August 31, 2015 with results available in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012 indicated a $1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. 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 with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

The College paid $5,626,783 (2014 - $5,909,967) for employer contributions to the plans in fiscal 2015.

(b) Contingent liabilities:

The College is currently engaged in or party to certain pending matters. A reasonable estimate of these future liabilities has been made where possible and is recorded in the financial statements as a liability. Where the outcomes of amounts or losses are uncertain, no amounts have been recorded.

**16. Financial risk management:**

The College has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

The Board of Governors ensures that the College has identified its major risks and ensures that management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to the College if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the College consisting of cash and cash equivalents, investments, and accounts receivable. The College assesses these financial assets, on a continuous basis for any amounts that are not collectible or realizable.

**16. Financial risk management (continued):**

(b) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect College's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk. It is management's opinion that the College is not exposed to significant market risk arising from its financial instruments.

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. The College is exposed to this risk related to its capital lease obligation of $7.3 million as at March 31, 2015 with an implicit interest rate of 4.19% (note 9).

(c) Liquidity risk:

Liquidity risk is the risk that the College will not be able to meet its financial obligations as they become due.

The College manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the College's reputation.

**17. Segmented information:**

Segmented information has been identified based upon functional lines of service provided by the College. The College's services are provided by departments and their activities are reported by functional area in the body of the financial statements. Functional lines have been separately disclosed in the segmented information, along with the services they provide, as follows:

(i) **Instruction and instructional support** - This segment includes activities related to delivering education. This includes instruction, education administration, student support, general administration, the cost of space, safety and equipment, deferred capital contributions and depreciation of tangible capital assets. This segment also includes funding from the Province of BC which is required to offset the shortfall between amortization of capital assets and the related deferred capital contributions.

(ii) **Ancillary operations** - This segment includes the activities of the ancillary operations. An ancillary operation is one that is generally outside of the normal functions of instruction and research, provides goods and services to students, staff or others, and that charges a fee directly related to the cost of providing the goods or services. Ancillary operations include parking, food services, and bookstores. Costs associated with this segment include segment-related contracts, general and financial administration and support costs.

**17. Segmented information (continued):**

(iii) **Special purpose** – This segment includes special purpose and trust activities related to monies set aside from normal operations (and are often gifted to the College) to be used for a particular purpose (and fall outside of the scope of instruction, ancillary services). Costs associated with this segment include such things as general and financial administration, flow through funding to students and support costs related to these activities.

Certain allocation methodologies are employed in the preparation of segmented financial information. Sales of goods and services and miscellaneous income have been allocated to the segments that generated the revenue. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 3.

| | Instruction and instruction support | Ancilliary services | Special purpose | 2015 | 2014 |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Province of British Columbia | $ 63,332,066 | $ - | $ 637,830 | $ 63,969,896 | $ 79,200,803 |
| Federal contracts | 4,971,201 | - | - | 4,971,201 | - |
| Tuition and student fees | 19,562,855 | - | - | 19,562,855 | 19,623,275 |
| Sales of goods and services | 2,223,280 | 4,211,896 | - | 6,435,176 | 5,717,035 |
| Other grants and contracts | 402,644 | - | - | 402,644 | 766,800 |
| Miscellaneous income | 1,123,043 | 2,272 | 415,839 | 1,536,610 | 1,583,464 |
| Investment income | 230,463 | - | - | 230,463 | 283,131 |
| Revenue recognized from deferred capital contributions | 4,786,019 | - | - | 4,786,019 | 5,035,498 |
| | 96,631,571 | 4,214,168 | 1,053,669 | 101,894,864 | 112,210,006 |
| Expenses: | | | | | |
| Salaries | 61,070,607 | 906,513 | 34,069 | 62,011,706 | 66,988,914 |
| Benefits | 14,050,907 | 228,890 | 3,066 | 14,282,863 | 14,899,810 |
| Supplies and general expenses | 5,673,263 | 39,182 | 1,016,533 | 6,728,978 | 7,268,017 |
| Professional fees | 3,773,971 | 2,682 | - | 3,776,653 | 3,822,592 |
| Building and telecom | 7,154,092 | 14,716 | - | 7,168,808 | 6,921,584 |
| Cost of goods sold | 1,512,629 | 2,982,090 | - | 4,494,719 | 3,636,496 |
| Amortization of tangible capital assets | 8,844,010 | - | - | 8,844,010 | 8,672,593 |
| | $ 102,079,479 | $ 4,174,073 | $ 1,053,668 | $ 107,307,219 | $ 112,210,006 |
| | $ (5,447,907) | $ 35,551 | $ - | $ (5,412,355) | $ - |