

Financial Statements of

VANCOUVER COMMUNITY COLLEGE

Year ended March 31, 2018

VANCOUVER COMMUNITY COLLEGE

Statement of Management Responsibility

The financial statements have been prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes of the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. he



S REPORT

*To the Board of Governors of Vancouver Community College, and
To the Minister of Advanced Education, Skills and Training, Province of British Columbia*

I have audited the accompanying financial statements of Vancouver Community College (“the entity”), which comprise the statement of financial position as at March 31, 2018, and the statements of operations, change 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

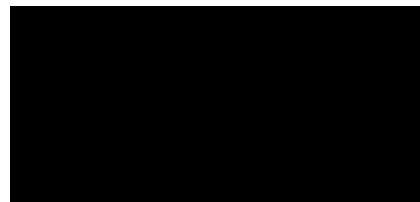
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Basis for Qualified Opinion

As described in Note 3 to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In our opinion, certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of this departure on the current year financial statements is an overstatement of the liability for deferred revenue of \$0.4 million and deferred capital contributions of \$74.8 million, an understatement of opening accumulated surplus of \$



VANCOUVER COMMUNITY COLLEGE

Statement of Financial Position

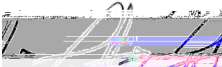
March 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash and cash equivalents	\$ 21,488,320	\$ 16,137,486
Investments (note 4)	237,500	237,500
Accounts receivable	1,867,191	2,026,416
Due from government and other government organizations (note 5)	1,104,386	1,188,328
Inventories for resale	969,696	808,379
	<u>25,667,093</u>	<u>20,398,109</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	15,905,499	12,706,907
Due to government and other government organizations (note 5)	168,216	151,755
Employee future benefits (note 7)	2,173,000	1,699,397
Deferred tuition fees (note 8)	6,251,895	5,560,535
Deferred revenue (note 9)	3,332,908	2,824,066
Deferred capital contributions (note 10)	75,734,721	78,625,405
Capital lease obligation (note 11)	8,653,713	8,095,530
	<u>112,219,952</u>	<u>109,663,595</u>
Net debt	(86,552,859)	(89,265,486)
Non-financial assets		
Tangible capital assets (note 12)	104,973,826	106,929,921
Inventories held for use	121,447	112,893
Prepaid expenses	403,827	263,443
	<u>105,499,100</u>	<u>107,306,257</u>
Accumulated surplus	<u>\$ 18,946,241</u>	<u>\$ 18,040,771</u>

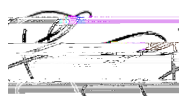
Contractual obligations (note 14)
 Contractual rights (note 15)
 Contingencies (note 16)

See accompanying notes to financial statements.

Approved on behalf of the Board:



 President



 Chair of the Board

VANCOUVER COMMUNITY

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Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ 905,470	\$ 884,543
Items not involving cash:		
Amortization of tangible capital assets	8,389,535	8,918,286
Revenue recognized from deferred capital contributions	(5,497,923)	(5,768,168)
Change in employee future benefits	473,604	4,458
Change in non-cash operating working capital:		
(Increase) in accounts receivable	(15,175)	(470,100)
(Increase) in inventories for resale	(161,317)	(4,355)
(Increase) decrease in due from government and other government organizations	258,341	318,002
(Increase) in prepaid expenses	(140,384)	(92,863)
(Increase) decrease in inventories held for use	(8,554)	(22,150)
Increase (decrease) in accounts payable and accrued liabilities	3,198,592	(1,507,575)
Increase (decrease) in due to Province of British Columbia and other government organizations	16,461	(58,617)
Increase in deferred tuition fees	691,360	390,877
Increase (decrease) in deferred revenues	508,842	(1,145,052)
Net change in cash from operating activities	8,618,852	1,447,286
Capital activities:		
(Acquisition) of tangible capital assets	(5,438,712)	(3,790,430)
Net change in cash from capital activities	(5,438,712)	(3,790,430)
Financing activities:		
Principle (increase) capital lease obligation	(436,545)	(132,009)
Deferred capital contributions received	2,607,239	2,770,667
Net change in cash from financing activities	2,170,694	2,638,658
Net increase in cash and cash equivalents	5,350,834	295,514
Cash and cash equivalents, beginning of year	16,137,486	15,841,972
Cash and cash equivalents, end of year	\$ 21,488,320	\$ 16,137,486

See accompanying notes to financial statements.

Interest received during the year was \$260,596 (2017 - \$156,607). Interest paid during the year was \$339,395 (2017 - \$311,633).

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Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Summary of significant accounting policies (continued):

(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	30 years
Furniture and equipment	5 years
Leasehold improvements	remaining lease
Computer hardware and software	4 years
Leased computer equipment	3 - 5 years

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.

Leases of tangible capital assets which transfer substantially all the benefits and risks of ownership are accounted for as leased tangible capital assets. Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs. The discount rate used to determine the present value of the lease payments for Annacis Island Building was based on the current government borrowing rates of 30 year term debts at that time. The discount rate used to determine the present value of the lease payments for computer leases is the lower of the College's rate for incremental borrowing or the interest rate implicit in the lease. The maximum-recorded value of the leased assets cannot exceed the leased property's fair value when determining the discount rate to be used. Note 11 provides a schedule of repayments and amount of interest on the leases.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Summary of significant accounting policies (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. Defined contribution plan accounting is applied because sufficient information is not available to apply defined benefit accounting. Contributions are expensed as they become payable.

(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 in March 31, 2018.

(iii) 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, 2018.

(iv) 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 whes.-8 (i)31 (i)8ae a benef are amt,e a

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Summary of significant accounting policies (continued):

(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

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Summary of significant accounting policies (continued):

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) Budget figures:

The budget figures have been derived from the 2017/18 Budget approved by the Board of Governors of the College on April 5, 2017. The budget is reflected in the Statement of Operations and the

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Investments:

Short-term investments consist of a GIC with an automatic monthly renewal that bears interest of 0.2%.

5. Due from / to government and other government organizations

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Employee future benefits (continued)

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 funded actuarial liability.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2015, indicated a \$67 million surplus for basic pension benefits on a going concern basis.

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

The College paid \$5,885,928 (2017 - \$5,540,185) for employer contributions to the plan in fiscal 2018.

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

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

(b) Employee future benefits

	2018	2017
Sick leave	\$ 1,382,000	\$ 1,120,000
Long-service and gratuity	308,000	579,397
Long term disability health & dental benefits	483,000	-
Accrued benefit liability, end of year	\$ 2,173,000	\$ 1,699,397

- i. Certain employees of the College are entitled to sick leave benefits in accordance with the terms and conditions of their employment contracts. These include post-retirement benefits, benefits that are expected to be provided after employment but prior to retirement and which vest or accumulate during service; and compensated absence benefits, benefits paid during employment, including sick pay benefits that accumulate and are payable upon a future illness or injury-related absence. The benefit expense associated with the covered benefits attributed to the accounting period is included in the college's statement of operations and the accrued benefit liability for the benefits attributed to

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

7.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Deferred tuition fees:

Deferred tuition includes tuition received in advance of the related activity performed.

	Opening balance	Receipts during year	Transferred to revenue	2018 Total
Deferred tuition	\$ 5,560,535	\$ 29,637,966	\$ (28,946,606)	\$ 6,251,895

	Opening balance	Receipts during year	Transferred to revenue	2017 Total
Deferred tuition	\$ 5,169,658	\$ 28,736,791	\$ (28,345,914)	\$ 5,560,535

9. Deferred revenue:

Deferred revenue includes grants, contributions and contract fees received in advance of the related activity performed.

10. Deferred capital contributions:

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

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Notes to Financial Statements (continued)

Year ended March 31, 2018

12. Tangible capital assets:

2018	Land	Buildings	Building improvements	Building under capital lease	Furniture and equipment	Leasehold improvements	Computer hardware and software	Computer equipment under capital lease	2018 Total
Cost									
Opening balance	\$ 7,744,768	\$ 144,414,647	\$ 8,888,987	\$ 7,350,333	\$ 73,868,911	\$ 4,202,525	\$ 25,517,462	\$ 957,584	\$ 272,945,218
Additions	-	-	3,389,811	-	1,418,643	-	630,258	994,728	6,433,440
Disposals	-	-	-	-	(50,086,329)	-	(9,240,250)	-	(59,326,579)
Ending	7,744,768	144,414,647	12,278,798	7,350,333	25,201,225	4,202,525	16,907,470	1,952,312	220,052,079
Opening balance	-	71,262,087	1,660,900	653,365	68,478,045	364,893	23,511,368	84,639	166,015,297
Amortization	-	3,609,864	705,593	245,012	2,230,816	140,085	1,059,440	398,725	8,389,535
Disposals	-	-	-	-	(50,086,329)	-	(9,240,250)	-	(59,326,579)
Closing balance	-	74,871,951	2,366,493	898,377	20,622,532	504,978	15,330,558	483,364	115,078,253
Net book value	\$ 7,744,768	\$ 69,542,696	\$ 9,912,305	\$ 6,451,956	\$ 4,578,693	\$ 3,697,547	\$ 1,576,912	\$ 1,468,948	\$ 104,973,826

2017	Land	Buildings	Building improvements	Building under capital lease	Furniture and equipment	Leasehold improvements	Computer hardware and software	Computer equipment under capital lease	2017 Total
Cost									
Opening balance	\$ 7,744,768	\$ 144,414,647	\$ 6,751,285	\$ 7,350,333	\$ 72,721,469	\$ 4,202,525	\$ 25,012,177	\$ -	\$ 268,197,204
Additions	-	-	2,137,702	-	1,147,442	-	505,285	957,584	4,748,014
Ending	7,744,768	144,414,647	8,888,987	7,350,333					

13. 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:

As of March 31, 2018, the College had accounts receivable from the Foundation of \$11,521 (2017 - \$4,681) for expenses that were paid for by the College on behalf of the Foundation. At March 31, 2018, the Foundation had net assets of \$14.1 million (2017 - \$13.9 million).

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Notes to Financial Statements (continued)

Year ended March 31, 2018

18. Financial risk management: (continued)

(b) Market risk: