Financial Statements of

VANCOUVER COMMUNITY COLLEGE

Year ended March 31, 2019

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. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Vancouver Community College Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Finance and Audit Committee. The Finance and Audit Committee reviews the internal financial statements on a quarterly basis and external audited financial statements yearly. The Finance and Audit Committee also discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, the Office of the Auditor General of British Columbia conducts an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Vancouver Community College and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Vancouver Community College

Dr. Peter Nunoda	Jamie Choi
President	Interim Vice President, Finance & CFO
May 29, 2019	May 29, 2019

OFFICE OF THE Auditor General of British Columbia

INDEPENDENT AUDITOR'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

Qualified Opinion

I have audited the accompanying financial statements of Vancouver Community College ("the entity"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Vancouver Community College as at March 31, 2019, and the results of its operations, change in its net debt, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Qualified Opinion

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 my 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. Had the entity made an adjustment for this departure in the current year, as at March 31, 2019, the liability for deferred revenue would have been lower by $0.7 million, the liability for deferred capital contributions would have been lower by $73.3 million, revenue, annual surplus and accumulated surplus would have been higher by $74 million and net debt would have been lower by $74 million.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the entity's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the entity will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the entity's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Russ Jones

Russ Jones, FCPA, FCA
Deputy Auditor General

Victoria, British Columbia, Canada
May 30, 2019

OFFICE OF THE Auditor General of British Columbia

VANCOUVER COMMUNITY COLLEGE

Statement of Financial Position

March 31, 2019, with comparative information for 2018

		2019		2018
Financial assets				
Cash and cash equivalents	$	27,403,442	$	21,488,320
Investments (note 4)		237,500		237,500
Accounts receivable		2,995,234		1,867,191
Due from government and other government organizations (note 5)		1,001,077		1,104,386
Inventories for resale		1,016,721		969,696
		32,653,974		25,667,093
Liabilities				
Accounts payable and accrued liabilities (note 6)		20,969,620		15,905,499
Due to government and other government organizations (note 5)		267,248		168,216
Employee future benefits (note 7)		2,205,000		2,173,000
Deferred tuition fees (note 8)		8,230,493		6,251,895
Deferred revenue (note 9)		3,010,495		3,332,908
Deferred capital contributions (note 10)		73,405,545		75,734,721
Capital lease obligation (note 11)		10,545,495		8,653,713
		118,633,896		112,219,952
Net debt		(85,979,922)		(86,552,859)
Non-financial assets				
Tangible capital assets (note 12)		106,108,936		104,973,826
Inventories held for use		120,659		121,447
Prepaid expenses		361,838		403,827
		106,591,433		105,499,100
Accumulated surplus	$	20,611,511	$	18,946,241

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

See accompanying notes to financial statements.

Approved on behalf of the Board:

J Hartman

President

Chair of the Board

VANCOUVER COMMUNITY COLLEGE

Statement of Operations and Accummulated Surplus

Year ended March 31, 2019, with comparative information for 2018

	Budget (note 2 k)	2019	2018
Revenue			
Province of British Columbia grants and contributions	$ 59,637,233	$ 60,301,696	$ 57,542,378
Province of British Columbia contracts	522,477	1,553,641	1,633,265
Federal Government grants and contracts	3,684,624	4,185,447	3,953,712
Tuition and student fees	33,520,649	33,535,422	28,946,606
Sales of goods and services	6,307,654	6,141,135	5,909,597
Other grants and contracts	72,499	1,468,604	817,806
Miscellaneous income	2,026,550	2,524,251	2,910,245
Investment income	200,000	451,667	260,596
Revenue recognized from deferred capital contributions	5,820,172	5,074,488	5,497,923
	111,791,858	115,236,351	107,472,128
Expenses (note 17)			
Instruction and instructional support	104,771,647	105,777,737	98,283,979
Ancilliary operations	6,500,211	6,636,403	6,602,478
Special purpose funds	520,000	1,156,941	1,680,201
	111,791,858	113,571,081	106,566,658
Annual surplus (deficit)	$ -	$ 1,665,270	$ 905,470
Accumulated surplus, beginning of year	18,946,241	18,946,241	18,040,771
Accumulated surplus, end of year	$ 18,946,241	$ 20,611,511	$ 18,946,241

See accompanying notes to financial statements.

VANCOUVER COMMUNITY COLLEGE

Statement of Change in Net Debt

Year ended March 31, 2019, with comparative information for 2018

	Budget (note 2 k)	2019	2018
Annual surplus (deficit)	$ -	$ 1,665,270	$ 905,470
(Acquisition) of tangible capital assets	(3,000,000)	(6,753,677)	(5,438,712)
Amortization of tangible capital assets	8,728,978	8,453,913	8,389,535
Capital lease obligation	903,312	(2,835,346)	(994,728)
	6,632,290	(1,135,110)	1,956,095
(Acquisition) of inventories	-	(120,659)	(121,447)
(Acquisition) of prepaid expenses	-	(361,838)	(403,827)
Use of inventories	-	121,447	112,893
Use of prepaid expenses	-	403,827	263,443
	-	42,777	(148,938)
Decrease (increase) in net debt	6,632,290	572,937	2,712,627
Net debt, beginning of year	(86,552,859)	(86,552,859)	(89,265,486)
Net debt, end of year	$ (79,920,569)	$ (85,979,922)	$ (86,552,859)

See accompanying notes to financial statements.

VANCOUVER COMMUNITY COLLEGE

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

		2019		2018
Cash provided by (used in):				
Operations:				
Annual surplus (deficit)	$	1,665,270	$	905,470
Items not involving cash:				
Amortization of tangible capital assets		8,453,913		8,389,535
Revenue recognized from deferred capital contributions		(5,074,488)		(5,497,923)
Change in employee future benefits		32,000		473,604
Change in non-cash operating working capital:				
(Increase) in accounts receivable		(1,128,043)		(15,175)
(Increase) in inventories for resale		(47,025)		(161,317)
Decrease in due from government and other government organizations		103,309		258,341
Decrease (increase) in prepaid expenses		41,989		(140,384)
Decrease (increase) in inventories held for use		788		(8,554)
Increase in accounts payable and accrued liabilities		5,064,121		3,198,592
Increase in due to Province of British Columbia and other government organizations		99,032		16,461
Increase in deferred tuition fees		1,978,598		691,360
(Decrease) increase in deferred revenues		(322,413)		508,842
Net change in cash from operating activities		10,867,051		8,618,852
Capital activities:				
(Acquisition) of tangible capital assets		(6,753,677)		(5,438,713)
Net change in cash from capital activities		(6,753,677)		(5,438,713)
Financing activities:				
Principal (increase) capital lease obligation		(943,564)		(436,544)
Deferred capital contributions received		2,745,312		2,607,239
Net change in cash from financing activities		1,801,748		2,170,695
Net increase in cash and cash equivalents		5,915,122		5,350,834
Cash and cash equivalents, beginning of year		21,488,320		16,137,486
Cash and cash equivalents, end of year	$	27,403,442	$	21,488,320

See accompanying notes to financial statements.

Interest received during the year was $451,667 (2018 - $260,596). Interest paid during the year was $413,024 (2018 - $339,395).

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 whom 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. 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.

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.

2. Summary of significant accounting policies (continued):

(a) Basis of accounting (continued):

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 is 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 related balances reversed from the Statement of Remeasurement Gains and Losses.

(ii) Cost category: Gains and losses are recognized in the Statement of Operations 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 is included in the cost of the related investments.

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

(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 a term deposit that is 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.

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 and copier 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. Depreciation for capital computer and copier leases is charged over the lease term. Lease terms range from 3 to 5 years.

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 March 31, 2019.

(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, 2019.

(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 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.

(v) Certain College employees are entitled to the continuation of health and dental benefits while on disability leave. The accrued benefit obligation for currently disabled employees was estimated by an actuarial valuation for accounting purposes at March 31, 2019. The costs of insured benefits reflected in these statements are the employer's portion of the insurance premiums owed for coverage of employees during the period.

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 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 revenue 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.

(h) Expense recognition:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed."

(i) 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.

(j) 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

2. Summary of significant accounting policies (continued):

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.

(k) Budget figures:

The budget figures have been derived from the 2018/19 Budget approved by the Board of Governors of the College on April 4, 2018. The budget is reflected in the Statement of Operations and the Statement of Changes in Net Debt.

(l) Measurement uncertainty:

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 useful lives of tangible capital assets, amortization of related deferred capital contributions, the present value of employee future benefits, and provisions for contingencies and commitments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

3. Impact of accounting for government transfers in accordance with Section 23.1 of the Budget Transparency and Accountability Act:

As noted in the significant accounting policies, Section 23.1 of the Budget Transparency and Accountability Act and its related regulations require the College to recognize all government transfers provided to purchase capital assets into revenue on the same basis as the related amortization expense. In addition, all government transfers related to restricted contributions for purposes other than purchasing capital assets are to be deferred by the College and included in revenue in the period when the transfer restriction has been met.

Canadian Public Sector Accounting Standards would require these grants to be fully recognized into revenue when received by the College unless they contain a stipulation that meets the definition of a liability. This departure has resulted in an:

(a) March 31, 2019 – overstatement of the annual surplus by $1,021,396 (March 31, 2018 – overstatement of the annual surplus by $2,263,489).

(b) March 31, 2019 – understatement of the beginning balance of accumulated surplus by $75,040,975 and an overstatement of deferred operating contributions by $714,246 and deferred capital contributions by $73,305,333 (March 31, 2018 – understatement of the beginning balance of accumulated surplus by $77,449,820 and an overstatement of deferred operating contributions by $353,851 and deferred capital contributions by $74,832,480).

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:

		2019		2018
Due from the Province of British Columbia	$	65,787	$	125,021
Due from the Federal Government		935,290		979,365
	$	1,001,077	$	1,104,386
Due to the Province of British Columbia		98,300		15,715
Due to BCIT		168,948		152,501
	$	267,248	$	168,216

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

6. Accounts payable and accrued liabilities:

		2019		2018
Accounts payable and accrued liabilities	$	6,920,851	$	4,742,178
Salaries and benefits payable		4,479,583		3,416,552
Accrued vacation payable		2,890,280		2,601,374
Student deposits		6,678,906		5,145,395
	$	20,969,620	$	15,905,499

7. Employee future benefits:

(a) Pension plan

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trusteed pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2018, the College Pension Plan has about 14,000 active members, and approximately 8,000 retired members. As at December 31, 2017, the Municipal Pension Plan has about 197,000 active members, including approximately 6,000 from colleges.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines and appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age

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 $6,202,197 (2018 - $5,885,928) for employer contributions to the plan in fiscal 2019.

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

	2019	2018
Sick leave	$ 1,339,000	$ 1,382,000
Long-service and gratuity	306,000	308,000
Long term disability health & dental benefits	560,000	483,000
Accrued benefit liability, end of year	$ 2,205,000	$ 2,173,000

i. Certain employees of the College are entitled to sick leave benefits in accordance with the terms and conditions of their employement 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

7. Employee future benefits (continued)

employee service to the accounting date are included in the College's statement of financial position. The accrued benefit obligation and the net periodic benefit costs were estimated by an actuarial valuation completed in March 2019.

ii. Certain excluded employees (employed prior to August 2010) earn 3 days per year in addition to vacation in accordance with the terms and conditions of their employment contracts. The current gratuity plan for support staff ceased to accumulate as of December 31, 2016, and the balance of gratuity plan will not increase in the future. The accrued benefit obligation for long service days and gratuity plan was estimated by an actuarial valuation for accounting purposes as at March 31, 2019.

iii. Certain employees of the College are entitled to the continuation of extended health, dental and Medical Service Plan (MSP) benefits in accordance with the terms and conditions of their employment contracts. Coverage is extended to disabled employees, their spouses and dependent children while on disability. Faculty and Exempt employees receive these benefits from their date of disability to the earlier of recovery from disability and return to work or age 65. The accrued benefit obligation for currently disabled employees was estimated by an actuarial valuation for accounting purposes as at March 31, 2019.

	2019	2018
Balance, beginning of the year	$ 2,173,000	$ 1,699,397
Current benefit cost	119,000	550,000
Interest cost	66,000	62,000
Benefits paid	(211,000)	(252,000)
Plan amendment	-	(257,000)
Expense for long term disability health & dental benefits	63,000	483,000
Recognized actuarial (gain)/loss	(5,000)	(112,397)
Accrued benefit obligation, end of year	2,205,000	2,173,000
Accrued benefit obligation, end of year consists of:		
Accrued obligaion, end of year	$ 2,129,000	$ 2,101,000
Unamortized actuarial gains/(losses)	76,000	72,000
Accrued benefit obligation, end of year	$ 2,205,000	$ 2,173,000

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

	2019	2018
Discount rates	2.9%	3.2%
Expected future base wage and salary increases	2.50%	2.50%

8. Deferred tuition fees:

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

	Opening balance	Receipts during year	Transferred to revenue	2019 Total
Deferred tuition	$ 6,251,895	$ 35,514,020	$ (33,535,422)	$ 8,230,493

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

9. Deferred revenue:

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

	Opening balance	Receipts during year	Transferred to revenue	2019 Total
Deferred contract	$ 704,073	$ 6,719,949	$ (7,122,043)	$ 301,979
Deferred contributions	2,628,835	6,453,189	(6,373,508)	2,708,516
Deferred revenue and contribution	$ 3,332,908	$ 13,173,138	$ (13,495,551)	$ 3,010,495

	Opening balance	Receipts during year	Transferred to revenue	2018 Total
Deferred contract	$ 493,074	$ 6,519,567	$ (6,308,568)	$ 704,073
Deferred contributions	2,330,992	4,948,347	(4,650,504)	2,628,835
Deferred revenue and contribution	$ 2,824,066	$ 11,467,914	$ (10,959,072)	$ 3,332,908

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.

10. Deferred capital contributions (continued)

		2019		2018
Balance at beginning of the year	$	75,734,721	$	78,625,405
Contributions received		2,745,312		2,607,239
Less amortization to revenue		(5,074,488)		(5,497,923)
	$	73,405,545	$	75,734,721

Deferred capital contributions are comprised of the following:

		2019		2018
Unamortized capital contributions	$	73,305,333	$	74,832,480
Unspent contributions		100,212		902,241
	$	73,405,545	$	75,734,721

11. Obligations under capital lease

(a) Annacis Island Campus

During 2014/15, Vancouver Community College and BCIT entered into a Memorandum of Understanding to share a facility space on Annacis Island in Delta, British Columbia. As part of this arrangement, Vancouver Community College and BCIT entered into a joint lease agreement for a building with a third party. The term of the lease is 30 years and commenced August 1, 2014. The future minimum lease payments are as follows:

2020	$	378,466
2021		390,350
2022		390,350
2023		390,350
2024		390,350
Therafter		10,092,720
Total minimum lease payments		12,032,586
Less amounts representing interest (at 4.19% per annum)		(4,922,464)
Present value of net minimum capital lease payments	$	7,110,122
Total interest on the capital lease for the year	$	299,177

11. Obligations under capital lease (continued)

(b) Computer and copier equipment

During 2017/18, the College has entered into various capital leases for computer and copier equipment. The future minimum lease payments for all computer and copier equipment capital lease is as follows:

2020	$	1,199,464
2021		1,091,658
2022		847,399
2023		497,122
2024		45,487
Therafter		-
Total minimum lease payments		3,681,130
Less amounts representing interest (Nil to 1.85% per annum)		(245,757)
Present value of net minimum capital lease payments	$	3,435,373
Total interest on the capital lease for the year	$	113,847

Total interest on leases for the year was $413,024 (2018 – $339,395).

12. Tangible capital assets:

2019	Land	Buildings	Building improvements	Building under capital lease	Furniture and equipment	Leasehold improvements	Computer hardware and software	Computer equipment under capital lease	2019 Total
Cost									
Opening balance	$ 7,744,768	$ 144,414,647	$ 12,278,798	$ 7,350,333	$ 25,201,225	$ 4,202,525	$ 16,907,471	$ 1,952,312	$ 220,052,079
Additions	-	-	3,684,081	-	1,657,539	-	1,412,057	2,835,346	9,589,023
Disposals	-	-	-	-	-	-	-	-	-
Ending	7,744,768	144,414,647	15,962,879	7,350,333	26,858,764	4,202,525	18,319,528	4,787,658	229,641,102
Accumulated amortization									
Opening balance	-	74,871,951	2,366,493	898,377	20,622,532	504,978	15,330,558	483,364	115,078,253
Amortization	-	3,505,395	941,390	245,013	1,802,792	140,086	888,969	930,268	8,453,913
Disposals	-	-	-	-	-	-	-	-	-
Closing balance	-	78,377,346	3,307,883	1,143,390	22,425,324	645,064	16,219,527	1,413,632	123,532,166
Net book value	$ 7,744,768	$ 66,037,301	$ 12,654,996	$ 6,206,943	$ 4,433,440	$ 3,557,461	$ 2,100,001	$ 3,374,026	$ 106,108,936

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	$ 272,945,217
Additions	-	-	3,389,811	-	1,418,643	-	630,259	994,728	6,433,441
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	16,907,471	1,952,312	220,052,079
Accumulated amortization									
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	$ 1,576,913	$ 1,468,948	$ 104,973,826

13. Associated 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:

	2019	2018
Foundation contributed awards and bursaries to the College	$ 778,502	$ 635,677
Foundation provided project funding and equipment to the College	168,087	68,329
Foundation reimbursed the College for salaries expenses	361,540	367,552
College contributed grants to the Foundation for operating expenses	401,540	407,552

As of March 31, 2019, the College had accounts receivable from the Foundation of $22,216 (2018 - $11,521) for expenses that were paid for by the College on behalf of the Foundation. At March 31, 2019, the Foundation had net assets of $14.5 million (2018 - $14.1 million).

13. Associated organization (continued)

For the year ended March 31, 2019, gift in kind donations from the Foundation to the College were $37,599 (2018 - $64,940) of which $0 (2018- $0) was recorded as tangible capital assets.

14. Contractual obligations:

(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 term deposit for $237,500. This letter of credit will be held until Phase II of the campus redevelopment has been completed.

(b) Operating lease land

In 2014/15, Vancouver Community College entered into a partnership with BCIT to share a joint facility from a third party. As part of this lease, land has been segregated as an operating lease. The term is 30 years commencing August 1, 2014.

Payments required under this lease are as follows:

2020	$	123,558
2021		127,438
2022		127,438
2023		127,438
2024		127,438
Thereafter		3,294,933
Total minimum lease payments	$	3,928,243

(c) Service contracts:

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

2020	$	2,969,220
2021		1,506,129
2022		210,000
2023		210,000
2024		-
Thereafter		-
	$	4,895,349

15. Contractual rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future.The College's contractual rights arise because of contracts entered into to lease building space and to provide educational services. The following table summarize the contractual rights of the College for future assets:

2020	$	4,872,177
2021		125,000
2022		104,167
2023		-
2024		-
	$	5,101,344

16. Contingent liabilities:

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

17. Expenses by object:

The following is a summary of expenses by object:

		2019		2018
Salaries and benefits	$	82,383,573	$	76,669,687
Supplies and services		12,265,942		11,213,858
Building and telecom		6,816,797		6,562,006
Cost of goods sold		3,650,856		3,731,572
Amortization		8,453,913		8,389,535
	$	113,571,081	$	106,566,658

18. 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 investments and accounts receivable. The College assesses these financial assets, on a continuous basis for any amounts that are not collectible or realizable.

18. Financial risk management: (continued)

(b) Market risk:

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.

(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.