Financial Statements of

# DOUGLAS COLLEGE

And Independent Auditors' Report thereon

Year ended March 31, 2021

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# INDEPENDENT AUDITORS' REPORT

To the Board of Douglas College, and

To the Minister of the Ministry of Advanced Education and Skills Training, Province of British Columbia

## *Opinion*

We have audited the financial statements of Douglas College (the "College"), which comprise:

- the statement of financial position as at March 31, 2021;
- the statement of operations for the year then ended;
- the statement of changes in net financial assets (debt) for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of remeasurement gains and losses for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

### *Emphasis of Matter – Financial Reporting Framework*

We draw attention to Note 2(a) to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of jg

# DOUGLAS COLLEGE

Statement of Financial Position

Year ended March 31, 2021, with comparative information for 2020

| | | 2021 | | 2020 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash | $ | 51,510,260 | $ | 42,733,307 |
| Accounts receivable | | 1,501,285 | | 1,237,419 |
| Due from government (note 3) | | 2,071,637 | | 2,576,469 |
| Inventories held for resale | | 625,107 | | 906,402 |
| Investments (note 4) | | 92,246,316 | | 75,650,426 |
| | | 147,954,605 | | 123,104,023 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | | 5,978,307 | | 7,770,762 |
| Salaries and wages payable | | 3,820,329 | | 5,162,942 |
| Accrued vacation pay | | 10,375,746 | | 9,799,532 |
| Employee future benefits (note 5) | | 899,400 | | 1,141,800 |
| Deferred revenue | | 26,886,506 | | 25,220,960 |
| Deferred leasehold inducements (note 6) | | 3,092,212 | | 3,509,140 |
| Deferred contributions (note 7) | | 4,584,383 | | 2,377,266 |
| Deferred capital contributions (note 8) | | 84,353,954 | | 82,451,957 |
| Obligations under capital lease (note 9) | | 393,377 | | 140,271 |
| | | 140,384,214 | | 137,574,630 |
| Net financial assets (debt) | | 7,570,391 | | (14,470,607) |

5,978,307

# DOUGLAS COLLEGE

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

| | 2021 Budget (Note 18) | 2021 Actual | 2020 Actual |
|---|---|---|---|
| Revenue: | | | |
| Province of British Columbia grants | $ 64,172,000 | $ 67,654,499 | $ 61,748,407 |
| Tuition fees | 89,267,000 | 77,526,839 | 84,180,169 |
| Contracts, contributions and other grants | 16,961,000 | 17,502,674 | 17,576,293 |
| Amortization of deferred capital contributions | 4,600,000 | 4,563,418 | 7,580,907 |
| Ancillary | 6,300,000 | 2,780,970 | 5,694,038 |
| Investment income | 3,000,000 | 3,866,675 | 3,541,728 |
| Sundry | 4,134,000 | 3,595,464 | 4,217,121 |
| | 188,434,000 | 177,490,539 | 184,538,663 |
| Expenses (note 15): | | | |
| Instruction and support | 167,577,000 | 157,993,821 | 163,021,133 |
| Ancillary | 4,900,000 | 3,763,329 | 5,227,068 |
| | 172,477,000 | 161,757,150 | 168,248,201 |
| Annual surplus | 15,957,000 | 15,733,389 | 16,290,462 |
| Accumulated surplus, beginning of year | 123,132,000 | 123,132,092 | 106,841,630 |
| Accumulated surplus, end of year | $ 139,089,000 | $ 138,865,481 | $ 123,132,092 |

See accompanying notes to financial statements.

# DOUGLAS COLLEGE

Statement of Changes in Net Financial Assets (Debt)

Year ended March 31, 2021, with comparative information for 2020

| | 2021 Budget | 2021 Actual | 2020 Actual |
|---|---|---|---|
| | (Note 18) | | |
| Annual surplus | $ 15,957,000 | $ 15,733,389 | $ 16,290,462 |
| Acquisition of tangible capital assets | (26,635,000) | (17,080,916) | (16,824,797) |
| Amortization of tangible capital assets | 11,335,000 | 10,773,148 | 13,149,114 |
| | (15,300,000) | (6,307,768) | (3,675,683) |
| Acquisition of prepaid expenses | - | (2,086,470) | (1,890,681) |
| Use of prepaid expenses | - | 1,842,181 | 1,710,842 |
| | - | (244,289) | (179,839) |
| Net remeasurement gains (losses) | - | 12,859,666 | (7,465,213) |
| Change in net financial assets | 657,000 | 22,040,998 | 4,969,727 |
| Net debt, beginning of year | (8,505,000) | (14,470,607) | (19,440,334) |
| Net financial assets (debt), end of year | $ (7,848,000) | $ 7,570,391 | $ (14,470,607) |

See accompanying notes to financial statements.

# DOUGLAS COLLEGE

Statement of Remeasurement Gains and Losses

Year ended March 31, 2021, with comparative information for 2020

| | 2021 | 2020 |
|---|---|---|

1. Purpose of the organization:

Douglas College (the “College”) is a post-secondary educational institution incorporated under the College and Institute Act of British Columbia and is principally funded by the Province of British Columbia (the “Province”) through the Ministry of Advanced Education and Skills Training (the “Ministry”). The College is a not-for-profit entity governed by a board of directors (the “Board”), the majority of which are appointed by the Province. The College is exempt from income tax under Section 149 of the Income Tax Act.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since March 2020, the College has been operating in a primarily online instructional delivery model and remote working from home model for employees with social distancing requirements in place for students and employees while on campus.

During the fiscal year, the College experienced a decrease in international tuition revenue due to travel restrictions and students opting out of remote learning. In addition, ancillary operation revenues declined as a result of reduced campus ac.5( a)9a2 [(thr4ao35rd*ryColleg)5.f9v6at,inctiot,i2.5( a7.

2. 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 as follows:

(*i*) 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.

(*ii*

2. Significant accounting policies (continued):

(c) Foreign currency translation:

Foreign currency transactions are translated into Canadian dollars at the exchange rate prevailing at the date of the transactions.

(d) Financial instruments:

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

(*i*) Fair value category: Portfolio instruments that are quoted in an active market are reflected at fair value as at the reporting date. 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 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 pu.000b4sdciof 18.2096 0 Tt

2. Significant accounting policies (continued):

(h) 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.

(i) Prepaid expenses:

Prepaid expenses include lease and contract payments charged to expense over the periods expected to benefit from them.

(j) Tangible capital assets:

Tangible capital assets are initially recorded at cost, which includes amounts that are directly related to the acquisition, construction, development, improvement or betterment of the assets.

The cost of the tangible capital assets, excluding land and land improvements, is amortized on a straight-line basis over their estimated useful lives shown below. Land and land improvements are not amortized, as they are deemed to have a permanent value.

| Asset | Period |
|---|---|
| Buildings | 25 - 75 years |
| Furniture and equipment | 4 - 5 years |
| Leased capital equipment | Lesser of 4 years or lease term |
| Leasehold improvements | Lesser of lease term or estimated useful life |

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

Borrowing costs, if any, attributable to the construction of tangible capital assets are capitalized during the construction period. No borrowing cost were capitalized during the year.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the College's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets is less than the net book value.

2. Significant accounting policies (continued):

(k) Leased tangible capital assets:

Leases that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as

4. Financial instruments:

Financial instruments measured at fair value held within each investment are classified according to a hierarchy that includes three levels reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

- Level 1 - inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable market based inputs or unobservable inputs that are corroborated by observable market data.
- Level 3 - inputs are unobservable, because there is little or no market activity, and reflect an entity's own determination about the assumptions that market participants would use in pricing the assets or liabilities. The College does not own financial investments classified as Level 3.

Investments recorded at fair value are comprised of the following:

| | 2021 | 2020 |
|---|---|---|
| Level 1: | | |
| Money market pooled funds | $ 17,376,398 | $ 16,033,338 |
| Canadian equities pooled funds | 10,037,290 | 8,179,418 |
| United States equities pooled funds | 18,359,687 | 14,041,930 |
| International equities pooled funds | 11,854,399 | 10,001,315 |
| | 57,627,774 | 48,256,001 |
| Level 2: | | |
| Fixed income: | | |
| Government | 17,107,496 | 14,680,562 |
| Corporate | 17,511,046 | 12,713,863 |
| | 34,618,542 | 27,394,425 |
| | $ 92,246,316 | $ 75,650,426 |

The nature and extent of risks arising from investments and how they have been managed are described in note 11.

5. Employee future benefits:

The College covers the cost of extended health and dental coverage for eligible employees on disability leave. The total expense for the period is the sum of the actual cash benefit made and already expensed in the year and the change in the accrued benefit obligation.

5. Employee future benefits (continued):

An actuary has determined the cost of future benefits, assuming the present value of benefits to be paid for eligible employees who were, at the time, on disability leave as follows:

| | 2021 | 2020 |
|---|---|---|
| Accrued benefit obligation, beginning of the year | $ 1,141,800 | $ 1,035,600 |
| Increase (decrease) in accrued benefit obligation | (242,400) | 106,200 |
| Accrued benefit obligation, end of the year | $ 899,400 | $ 1,141,800 |

As the College recognizes actuarial gains or losses immediately, the accrued benefit obligation equals the accrued benefit liability.

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

| | 2021 | 2020 |
|---|---|---|
| Discount rate | 2.30% | 1.64% |
| Medical trend | 6.72% | 6.86% |
| Dental trend | 5.42% | 5.50% |

6. Deferred leasehold inducement:

Deferred leasehold inducements relate to leasehold improvements at the Anvil Centre location with an initial lease term of 10 years.

| | 2021 | 2020 |
|---|---|---|
| Balance, beginning of the year | $ 3,509,140 | $ 3,926,068 |
| Less amortization recorded net of rent expense | (416,928) | (416,928) |
| Balance, end of year | $ 3,092,212 | $ 3,509,140 |

7. Deferred contributions:

Deferred contributions are comprised primarily of funds received for contracts with the provincial and federal governments to be fulfilled in future fiscal years.

| | 2021 | 2020 |
|---|---|---|
| Provincial | $ 4,178,993 | $ 2,052,580 |

7. Deferred contributions (continued):

Changes in the deferred contribution balance are as follows:

| | | | | 2021 |
|---|---|---|---|---|
| | Provincial | Federal | Other | Total |
| Balance, beginning of year | $ 2,052,580 | $ 22,558 | $ 302,128 | $ 2,377,266 |
| Contributions received during the year | 12,660,664 | 4,686,263 | 920,584 | 18,267,511 |
| Revenue recognized from deferred contributions | (10,534,251) | (4,605,188) | (920,955) | (16,060,394) |
| Balance, end of year | $ 4,178,993 | $ 103,633 | $ 301,757 | $ 4,584,383 |

| | | | | 2020 |
|---|---|---|---|---|
| | Provincial | Federal | Other | Total |
| Balance, beginning of year | $ 990,644 | $ 22,838 | $ 197,068 | $ 1,210,550 |
| Contributions received during the year | 11,324,630 | 3,850,108 | 843,577 | 16,018,315 |
| Revenue recognized from deferred contributions | (10,262,694) | (3,850,388) | (738,517) | (14,851,599) |
| Balance, end of year | $ 2,052,580 | $ 22,558 | $ 302,128 | $ 2,377,266 |

8. Deferred capital contributions:

| | 2021 | 2020 |
|---|---|---|
| Balance, beginning of year | $ 82,451,957 | $ 83,958,881 |
| Contributions received during the year | 6,465,415 | 6,073,983 |
| Amortization of deferred capital contributions | (4,563,418) | (7,580,907) |
| Balance, end of year | $ 84,353,954 | $ 82,451,957 |

There are no unspent deferred capital contributions in the balance at March 31, 2021 (2020 - $32,293).

9. Obligations under ca

10. Tangible capital assets (continued):

| Net book value | Balance, March 31, 2020 | Balance, March 31, 2021 |
|---|---|---|
| Land and land improvements | $ 4,939,557 | $ 4,939,557 |
| Buildings | 103,023,266 | 110,475,081 |
| Furniture and equipment | 11,962,875 | 11,553,663 |
| Leasehold improvements | 7,787,716 | 7,052,881 |
| | $127,713,414 | $ 134,021,182 |

Included in buildings is $983,148, and in leasehold improvements $258,980 (2020 - buildings $3,908,881 and leasehold improvements - nil), of assets under construction that will not be amortized until the assets are available for productive use.

11. Risk management (continued):

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

- Currency risk:

  Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The College is exposed to currency risk through its investments.

- Interest rate risk:

  Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The College is exposed to interest rate risk through its investments.

- Other price risk:

  Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

It is management's opinion that the College is exposed to some market risk associated with its investments. The College monitors these investments on a continuous basis and ensures investments are within the parameters of the Douglas College Investment Policy A62 ("A62"). The bond mandate is managed in a segregated, laddered, buy-and-hold portfolio, subject to the quality constraints of A62.

(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 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.

12. Contractual rights:

The College has entered into multiyear contracts with third party entities to receive the following amounts:

| | |
|---|---|
| 2022 | $ 19,649,537 |
| 2023 | 12,850,018 |
| 2024 | 11,912,100 |
| 2025 | 2,528,870 |
| 2026 | 322,394 |
| Thereafter | 161,197 |

13. Contractual obligations:

The nature of the College’s activities can result in multiyear contracts and obligations whereby the College will be committed to make future payments. The College has contracts for operating expenses such as information technology, security, gas and cleaning services. The College also has eight property rental leases relating to six locations. Significant contractual obligations related to operations that can be reasonably estimated are as follows:

| | Services | Leases |
|---|---|---|
| 2022 | $ 3,394,300 | $ 4,158,962 |
| 2023 | 644,100 | 3,921,791 |
| 2024 | 77,500 | 3,903,017 |
| 2025 | - | 3,982,853 |
| 2026 | - | 4,012,931 |
| Thereafter | - | 9,376,722 |

14. Contingent liabilities:

The College is involved, from time to time, in claims which arise in the ordinary course of business. Liabilities on any claims are recognized in the financial statements when the outcome becomes reasonably determinable. Management has determined that there are no significant claims against the College resulting from such litigation that would materially affect the financial statements of the College. Any difference between the liability accrued by the College related to the claims and the amounts ultimately settled will be recorded in the period in which the claim is resolved.

15. Expenses by object:

The following is a summary of expenses by object: