



Okanagan College Board of Governors Open Session Meeting Agenda

June 18, 2024 at 8:30am
Room SA136, Salmon Arm Campus

The meeting will be held on the unceded traditional lands of the Indigenous people who have inhabited and used the lands since time immemorial.

Timing	Pages
1. CALL TO ORDER 1.1. Inspire Moment	
2. APPROVAL OF AGENDA <u>Recommended Motion:</u> <i>“BE IT RESOLVED THAT the Okanagan College Board of Governors approves the June 18, 2024 Open Session meeting agenda and thereby approves the consent agenda.”</i> 2.1. Consent Agenda 2.1.1 Open Session Minutes – May 21, 2024	1-2 3-8
3. DECLARATION OF CONFLICT <i>As per Board Bylaws section 14.2, a Board member will immediately upon becoming aware of a potential, real, or perceived conflict of interest situation, disclose the conflict to the Chair. The member and the Chair will follow the Procedures for Disclosure under the Code of Conduct for Okanagan College Board of Governors Policy.</i>	
4. REPORTS 4.1. Chair Report 4.2. Finance, Audit and Risk Review Committee Report (D. Safinuk) 4.2.1 Okanagan College Audited Financial Statements 2023/24 (C. Morcom) <u>Recommended Motion:</u> <i>“BE IT RESOLVED THAT the Okanagan College Board of Governors approve the Okanagan College financial statements for fiscal year ending March 31, 2024 as recommended by the Finance, Audit and Risk Committee.</i>	9-75

Okanagan College Board of Governors
Open Session Meeting Agenda
June 18, 2024 at 8:30 AM

<i>Timing</i>	<i>Pages</i>
<p>5. OTHER BUSINESS AND BUSINESS ARISING FROM CONSENT AGENDA</p>	
<p>6. ADJOURNMENT</p>	

NEXT MEETING DATES

<p>Tuesday, September 17, 2024 <i>virtual</i></p>	<p>Finance, Audit and Risk Committee Campus Planning Governance Committee Human Resource and Compensation Executive Committee</p>
<p>Tuesday, September 24, 2023 <i>Penticton campus</i></p>	<p>Regular Open Session Regular Closed Session</p>
<p>Tuesday, October 23 & Wednesday, October 24, 2024 <i>Kelowna campus</i></p>	<p>Professional Development</p>



**Okanagan College Board of Governors
Regular Open Session**

Tuesday, May 21, 2024

S103B Executive Office Boardroom Kelowna Campus

Draft Minutes for Approval June 18, 2024

IN ATTENDANCE

Board Members

- Dale Safinuk, Chair
- Andrea Alexander, Vice Chair
- Juliette Cunningham
- Neil Fassina, President and Ex-officio
- JoAnn Fowler
- Matt Kavanagh
- Tina Lee
- Destiny McNish

Administration

- Curtis Morcom, CFO and Vice President, Corporate Services
- Samantha Lenci, Provost & Vice President Academic
- Gill Henderson, Associate Vice President, People Services
- Joanna Campbell, Manager, Executive Office
- Helen Jackman, Executive Director, Okanagan College Foundation
- Kristen Wiebe, Governance and Privacy Coordinator

REGRETS

- Jenn Goodwin, Associate Vice President, College Relations

ACTION

1. CALL TO ORDER

Quorum was established and the meeting was called to order at 12:17p.m.

It was respectfully acknowledged that the meeting was held on the unceded traditional lands of the Indigenous people who have inhabited and used the lands since time immemorial.

ACTION

2. APPROVAL OF AGENDA

Motion:

“BE IT RESOLVED THAT the Okanagan College Board of Governors approves the May 21, 2024 meeting agenda and thereby approves consent agenda.”

D. Baulkham
CARRIED

2.1. Consent Agenda

- 2.1.1. Open Session Minutes – March 12, 2024
- 2.1.2. Policy Renewal Progress Workplan
- 2.1.3. Education Council Chair Report
- 2.1.4. Annual Programming Plan

Motion:

“BE IT RESOLVED THAT the Okanagan College Board of Governors approve the 2024/2025 Annual Programming Plan as presented.”

2.1.5. Skilled Trades BC Training Plan

Motion:

“BE IT RESOLVED THAT the Okanagan College Board of Governors approve the 2024/2025 Industry Authority Training Plan as presented.”

2.1.6. Line of Credit

Motion:

“BE IT RESOLVED THAT the Okanagan College Board of Governors approve a short-term line of credit with TD Canada Trust in the amount of \$2.5 million as recommended by the Finance, Audit and Risk Committee.”

3. DECLARATION OF CONFLICT

There were no conflicts declared.

4. REPORTS

4.1. Chair Report

The Chair noted the Executive Committee met on May 10 and reviewed the Board calendar for the upcoming year.

The Chair thanked members who attended the Student Housing Milestone Celebration on March 27.

The Chair noted several updates to the Board’s membership:

- C. Battersby has been reappointed for a two year term.

ACTION

- The Board will have four new elected members as of August 1, 2024.
- An orientation for members will be held in the summer.

4.1.1. Annual Board Calendar

The President asked for feedback on the annual schedule. A member suggested that including additional meetings could provide additional Board oversight. The President noted the College follows a quarterly cycle aligned with operational requirements and that the Board has the ability to hold special meetings under the bylaws if issues arise.

Members agreed that moving the May meeting to the Wednesday following the long weekend would be preferred.

Motion:

“BE IT RESOLVED THAT the Okanagan College Board of Governors approve the 2025 and 2026 Board meeting dates as recommended by the Executive Committee and as amended.”

D. McNish
CARRIED

4.2. President’s Report and Analysis

The President provided a report that included an update on the Indigenous OC Roadmap and Community Partnership Tables. The Talent acquisition strategy was also highlighted.

4.3. Governance Committee Report

The Committee Chair noted the Committee met on May 10 and reviewed, and are recommending, several policies for Board approval. The Committee also discussed professional development sessions and will receive and review an updated proposal.

4.3.1. Media Relations Policy

The President provided an overview of the policy noting it codifies how we are already managing media relations.

Motion:

“BE IT RESOLVED THAT Okanagan College Board of Governors approve the Media Relations Policy as recommended by the Governance Committee.”

J.
Cunningham
CARRIED

4.3.2. Program Advisory Committee Policy

The Provost and Vice President thanked Education Council for reviewing the policy. A member noted updates discussed at the Governance Committee are reflected in the language in section 4.3, however should have been made to section 4.2. It was noted the update will be made before the policy is posted.

A member suggested that some policies that have received considerable review could go in the consent agenda.

Motion:

“BE IT RESOLVED THAT Okanagan College Board of Governors approve of the Program Advisory Committee Policy as recommended by the Governance Committee as amended.”

ACTION

D. McNish
CARRIED

4.3.3. Admissions Policy

The Provost and Vice President advised that the policy describes how we admit students to programs. A member asked about flexible admissions and it was noted this is recognized in the Prior Learning Policy.

Motions:

“BE IT RESOLVED THAT the Okanagan College Board of Governors approve rescinding the OC Calendar – Admission Policies as recommended by the Governance Committee.”

A. Alexander
CARRIED

“BE IT RESOLVED THAT the Okanagan College Board of Governors approve the Admissions Policy as recommended by the Governance Committee.”

D. Baulkham
CARRIED

4.3.4. Prior Learning Assessment Recognition Policy

The Provost noted this policy recognizes prior learning may be acquired in a variety of ways.

Motion:

“BE IT RESOLVED THAT the Okanagan College Board of Governors approve the Prior Learning Assessment and Recognition Policy as recommended by the Governance Committee.”

D. Baulkham
CARRIED

4.3.5. Integrity in Research and Scholarship

The Provost noted this is a policy to outline the responsibilities and expectations around research and how we monitor them.

Motions:

“BE IT RESOLVED THAT the Okanagan College Board of Governors rescind the following policies as recommended by the Governance Committee:

- **Scholarly Integrity Policy (2008)**
- **Scholarly Misconduct Policy (2008)**
- **Conflict of Interest in Research Policy (2011)**

D. Baulkham
CARRIED

“BE IT RESOLVED THAT the Okanagan College Board of Governors approve the Integrity in Research and Scholarship Policy as recommended by the Governance Committee.”

D. Baulkham
CARRIED

ACTION

4.3.6. Library Collections Policy

The Provost noted that this policy recognizes the importance of EDISJ and applies an Indigenous lens in our library collections.

Motion:

“BE IT RESOLVED THAT the Okanagan College Board of Governors approve the revised Library Collections Policy as recommended by the Governance Committee.”

D. Baulkham
CARRIED

4.4. Education Council

4.4.1. New Programs

The Education Council Chair provided an overview of student pathways provided by stacking the micro-credentials and noted that after completing the Spa Practitioner Foundations micro-credential, students can select a stream of expertise.

Motion:

“BE IT RESOLVED THAT the Okanagan College Board of Governors approve the following new programs as recommended by Education Council:

- ***Spa Practitioner Foundations Micro-credential***
- ***Esthetics and Spa Therapy Micro-credential***
- ***Nail Technician Micro-Credential***
- ***Spa Operations and Management Micro-credential.”***

C. Battersby
CARRIED

4.4.2. Program Revisions

The Education Council Chair provided an overview of the program revisions outlined in the proposals noting that the updates improve student pathways.

A member noted their appreciation for hearing from Education Council.

Motion:

“BE IT RESOLVED THAT the Okanagan College Board of Governors approve the following program revisions as recommended by Education Council:

- ***Associate of Science: Mathematics and Statistics Emphasis***
- ***Mechanical Engineering Technology Diploma***
- ***Okanagan College to UBC-Okanagan Electronics Engineering Bridge***
- ***Post Baccalaureate Diploma in Data Analytics and Economics.”***

A. Alexander
CARRIED

ACTION

5. OTHER BUSINESS AND BUSINESS ARISING FROM CONSENT AGENDA

The Board Chair thanked Matt Kavanagh and Destiny McNish for their contributions during each of their terms.

6. ADJOURNMENT

The meeting adjourned at 1:10p.m.

CARRIED



BOARD OF GOVERNORS – BRIEFING NOTE

June 18, 2024
 Agenda #: 4.2.1

Title	Okanagan College 2023/24 Audited Financial Statements		
Action and/or Recommendation	For Approval <u>Recommended motion:</u> <i>“BE IT RESOLVED THAT the Okanagan College Board of Governors approve the audited Okanagan College financial statements for the fiscal year ending March 31, 2024 as recommended by the Finance, Audit and Risk Committee.”</i>		
Meets OC’s Inspire Plan...	Values <input type="checkbox"/> Students First <input type="checkbox"/> Community <input type="checkbox"/> Respect <input type="checkbox"/> Courage <input type="checkbox"/> Relationships <input type="checkbox"/> Distinction	Responsibilities <input type="checkbox"/> Reconciliation <input type="checkbox"/> EDISJ <input checked="" type="checkbox"/> Sustainability <input type="checkbox"/> Resilience <input type="checkbox"/> Effective and Efficient	Commitments <input type="checkbox"/> Inclusive & Equitable Access <input type="checkbox"/> Life-long learning partnerships <input type="checkbox"/> Integration and focus

Background Statement

Okanagan College is required to prepare annual audited financial statements to satisfy financial reporting requirements of the various acts governing post-secondary institutions. These financial statements are prepared in accordance with the accounting requirements of [section 23.1](#) of the Budget Transparency and Accountability Act of British Columbia.

The Office of the Auditor General of British Columbia (OAG) conducted the independent audit of the financial statements for Okanagan College for the fiscal year ending March 31, 2024. The OAG will also conduct the audit for the next four years.

The report provides information on the following areas:

1. Audit Results
2. Independent Auditor’s Report
3. Management Representation Letter
4. Audited Financial Statements

Reference Materials

- Audit results from Office of the Auditor General of British Columbia
- Audited Okanagan College Financial Statements

Supporting Analysis

Okanagan College received a qualified audit opinion for the statements ending March 31, 2024. This was due to the accounting policy adopted as required by the Province of British Columbia

Treasury Board Regulation which departs from Canadian Public Sector Accounting Standards when accounting for government and externally restricted non-government contributions. However, except for this required departure, the audit report states that the financial statements present fairly, in all material respects, the financial position of Okanagan College.

On March 12, 2024, the Board of Governors approved a balanced budget for the 2024-25 fiscal year. At the Third Quarter, management forecasted a \$6.4m surplus and approved a \$5.0m allocation to capital reserves for the Kelowna Recreation and Wellness Centre construction. After the capital allocation, the College finished the year with a surplus of \$868k primarily due to the increased enrolment of international students.

Balance Sheet

Financial Assets of the College are reduced from \$48.6m to \$44.7m, a change of 7.9% over the prior year. The primary driver was a decrease in cash due to payment of construction charges for the Student Housing projects in Kelowna, Salmon Arm and Vernon, as the loan withdrawal has been deferred to fiscal year 2024/2025.

Liabilities grew from \$190.5m to \$222.4m, a change of 16.7 % over the prior year primarily due to an increase in deferred capital contributions, accounts payable and accrued liabilities related to the Student Housing projects. Deferred tuition revenue also increases due to year-over-year tuition increases and increased enrolment of international students.

Non-Financial Assets grew from \$162.5m to \$199.6m, a change of 22.8%, due to an increase in tangible capital assets under construction for the Student Housing projects in Kelowna, Salmon Arm and Vernon, the Recreation and Wellness Centre and the Centre for Food, Wine, and Tourism.

Accumulated surplus increased from \$20.6m to \$21.9m, a change of 6.5% over the prior year. The change is represented by our overall annual surplus of \$868k and a remeasurement gain on investments of \$462k. Changes to the accumulated surplus are detailed in Note 16 of the financial statements. It should be noted that the annual surplus was made up of an operating surplus of \$4.1m that was offset by \$792.1k for unfunded employee future benefit obligations and \$2.5m in investment in tangible capital assets.

Income Statement

Total revenue was approximately \$16.4m higher than budgeted, and \$22.5m higher than the prior year due to increased enrollment of international students, increased tuition rates and increased operating grants for Health programs and Early Childhood Education, as well as funding for bargaining mandated pay increases. OC experienced an increase of \$9.0m in international tuition which was netted against a \$671k decrease in domestic tuition. The contract revenue also increased year-over-year due to the complement of Continuing Studies contract offerings.

Total expenses were approximately \$15.5m higher than the original budget, and \$20.7m higher year-over-year primarily due to increases in salaries and benefits from new bargaining mandated pay increases that had a retroactive component. Supplies and services were \$4.3m higher than budgeted, and \$4.9m higher year-over-year due to an increase in agency fees relating to increased international students, and supplies and services relating to the one-time grants and contract revenues.

Alignment to the Strategic Plan Roadmap

Financial Sustainability. Year-end financial results provide an indication of the financial health of the organization.

Risk Implication & Mitigation Steps

Reputational: Financial statements are a summary of past results (independently audited) and form an important part of our governance and oversight by the Board. As part of the College integrated planning framework, management closely monitors quarterly financial results and regularly updates the Board to raise concerns or issues.

Proposed and Prepared by

Curtis Morcom, CFO & Vice President, Corporate Services

Jackie Dueck, Director, Financial Services

Consultation History	Reviewed	Recommended	Group/Individual, Title	Date
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Neil Fassina, President	6/4/2024
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Finance, Audit & Risk Committee	6/11/2024
	<input type="checkbox"/>	<input type="checkbox"/>		Select a date.
	<input type="checkbox"/>	<input type="checkbox"/>		Select a date.
	<input type="checkbox"/>	<input type="checkbox"/>		Select a date.



Audit Findings Report

For the year ended March 31, 2024

For presentation to the Finance, Audit and Risk Committee on June 11, 2024

Okanagan College



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Report at a glance

Purpose of the Audit Findings Report

- The Audit Findings Report provides a status of the audit of the financial statements of Okanagan College for the year ended March 31, 2024. The report includes a discussion on the significant audit and financial reporting matters that would be of greatest interest to the Finance, Audit and Risk Committee.

Status of the audit

- We have completed the audit of Okanagan College for the year ended March 31, 2024, except for certain remaining outstanding procedures, which are highlighted on page 4 of this report.
- There were no significant changes to the audit plan, which was originally communicated to you in the audit planning report.

Areas of audit focus and results

- We have noted a significant issue that results in a qualification on the independent auditor's report as a result of our testing of:
 - Deferred contributions for tangible capital assets accounting departure from Canadian public sector accounting standards (PSAS).
- We provided recommendations on the note disclosure for employee future benefits that were implemented by management.
- No other significant issues were identified during the audit of significant risks and areas of focus.

Significant deficiencies in internal control

- We identified certain opportunities for improvement in internal controls over financial reporting. The management letter, including management's response, has been included as Appendix F.

Summary of audit misstatements

- We identified 5 misstatements that were communicated to management and **corrected** in the financial statements. See details in Appendix C.
- We identified 1 misstatement that was communicated to management and remains **uncorrected** in the financial statements. See details in Appendix D.
- None of the misstatements identified were a result of fraud or other irregularities.

Significant accounting policies and practices

- We provided several recommendations on the presentation and disclosure of the College's financial statements to management to ensure compliance with Canadian PSAS. Recommendations were implemented by management.
- An error impacting current and prior years due to the College not accruing for vacation pay was identified during our audit. This resulted in additional note disclosure in the financial statements and a corrected entry in Appendix C.

Other required communications

- The draft independent auditor's report is in Appendix A.
- The draft management representation letter is in Appendix B.
- As required by Canadian auditing standards, we confirm we are in compliance with the ethical requirements, including independence, that are relevant with respect to Okanagan College. Our independence letter is in Appendix E.
- As required by Canadian auditing standards, we wish to reconfirm during our presentation whether the Finance, Audit and Risk Committee is aware of any known, suspected, or alleged incidents of fraud by or against Okanagan College.



Status of the audit

The audit was conducted as communicated to you in the Audit Planning Report on December 5, 2023.

We have completed the audit of Okanagan College's financial statements for the year ended March 31, 2024, except for certain remaining outstanding procedures:

- Receipt of certain legal enquiry responses
- Completion of subsequent event review procedures up to date of the independent auditor's report
- Completion of certain quality management and review procedures
- Receipt of signed management representation letter at audit completion
- Board of Governors' approval of the financial statements

We will provide an update on the status of the items noted above at our upcoming meeting and issue the independent auditor's report once we have completed our audit work.



Presumed significant audit risks and results

The results of the presumed significant audit risks identified as part of the Audit Planning Report are detailed below.

Presumed risk of fraud resulting from management override of controls

All entities are presumed to have significant risk of material misstatement of financial statements because management, through their position and influence, can manipulate financial results. They can influence estimates and accounting policy changes to achieve favourable financial reporting outcomes in the current year or in the future.

Audit response

We addressed this risk by:

- Testing journal entries.
- Examining significant estimates made by management.
- Evaluating unusual transactions.
- Sampling transactions near year end to ensure they are recorded in the correct period.
- Inquiring about fraud risks and occurrences with the Finance, Audit and Risk Committee and management.

Findings

We did not identify any fraud related to management override of controls as a result of our testing.



Presumed risk of material misstatement due to revenue recognition

Revenue accounts are the accounts most commonly affected by fraud, both internal and external. It is our responsibility as auditors to remain alert to this significant risk and to carry out procedures to address it.

Audit response

We addressed this risk by:

- Performing walk-throughs to gain an understanding of the processes used to record significant revenue streams.
- Performing substantive analytical procedures.
- Completing year-over-year variance analysis.
- Examining significant estimates made by management.
- Testing contracts and agreements for appropriate recognition and measurement of revenue.
- Confirming significant revenue balances.
- Performing cut-off testing of revenue recorded for a period before and after year-end.
- Substantively sampling and testing the details of revenue transaction balances.
- Assessing financial statement disclosure and presentation for compliance with Canadian PSAS.

Findings

We did not identify any fraud related to revenue recognition as a result of our testing.



Areas of audit focus and results

The results of the areas of audit focus identified as part of the Audit Planning Report are detailed below.

Deferred contributions for tangible capital assets accounting departure from Canadian public sector accounting standards (PSAS)

Canadian auditing standards requires us to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an acceptable financial reporting framework. The acceptable financial framework for Okanagan College is Canadian PSAS.

The accounting for deferred contributions for tangible capital assets as instructed by the Province under Section 23.1 of the *Budget Transparency and Accountability Act* (BTAA) is not in accordance with Canadian PSAS.

This departure from Canadian PSAS will result in a qualified audit opinion for Okanagan College.

Findings

Okanagan College has disclosed in Note 2(a) to the financial statements the difference in accounting for capital contributions for tangible capital assets in accordance with the BTAA vs. Canadian PSAS.

Had the accounting been done in accordance with Canadian PSAS, the deferred contributions for tangible capital assets liability would have been lower by \$157 million, opening accumulated surplus would have been higher by \$133.7 million and revenue would have been higher by \$23.3 million. Accordingly, the current year surplus would have been higher by \$23.3 million and net debt would have been lower by \$157 million. See Appendix D.

We have determined that the accounting for deferred contributions for tangible capital assets is not in accordance with Canadian PSAS. The independent auditor's report will be qualified for this departure from Canadian PSAS. See Appendix A.

Audit response

We addressed this risk by:

- Using a substantive approach to inspect funding documents to identify terms and stipulations impacting the timing of revenue recognition.
- Quantifying the impact of not accounting for deferred contributions for tangible capital assets in accordance with Canadian PSAS.



Valuation of employee future benefits

Valuing employee benefits is a complex area requiring significant judgment and estimates. To address this risk, management relies on third-party actuarial specialists, Mercer, to calculate the accrued liability and other information for financial statement note disclosures. These calculations rely on management's best estimate assumptions. Changes in key assumptions can have a material impact on the liability and expenses.

Audit response

We addressed this risk by:

- Reviewing management's estimates to ensure that significant assumptions used to determine employee future benefits are reasonable.
- Performing procedures for reliance on management's actuarial experts.
- Assessing financial statement presentation and disclosures for compliance with Canadian PSAS.

Findings

Our audit work resulted in us providing recommendations on the financial statement note disclosure for employee future benefits that was accepted and implemented by management.

Accounting for Okanagan College Foundation

Okanagan College Foundation engages the community to invest in Okanagan College's campuses, learning spaces, equipment, and programs. Canadian PSAS defines what a reporting entity consists of. If Okanagan College controls another entity as defined by Canadian PSAS, they would be part of their reporting entity and would have to include the financial affairs and resources of that entity in their financial statements.

Audit response

We addressed this risk by:

- Evaluating management's control assessment.
- Assessing the impact on the financial statements of Okanagan College.

Findings

We found that Okanagan College does not control Okanagan College Foundation as at March 31, 2024.



Significant deficiencies in internal control

The responsibility for the design and maintenance of an appropriate system of internal control to provide reasonable assurance that the accounting systems provide timely, accurate and reliable financial information, and to safeguard Okanagan College's assets is part of management's overall responsibility for the day-to-day operations of Okanagan College.

As auditors, we obtain a sufficient understanding of internal controls to plan the audit. The understanding includes knowledge about the design of policies and procedures and whether they have been implemented, but it does not necessarily extend to evaluating the operating effectiveness of these internal controls. We only evaluate and test those internal controls on which we plan to rely during our audit.

Our audit is not designed, nor should it be expected, to allow us to provide an opinion on the systems of internal controls.

Management letter

We identified certain opportunities for improvement in internal controls over financial reporting. The management letter, including management's response, has been included as Appendix F.



Summary of audit misstatements

Misstatements thresholds as communicated in our Audit Planning Report were set as follows:

- Monetary = \$130 thousand
- Classification and disclosure = \$260 thousand

Adjusted audit misstatements

There were non-trivial adjustments to the financial statements of Okanagan College for the year ended March 31, 2024.

All adjusted misstatements found during the audit and their impact on the financial statements are detailed in Appendix C.

Unadjusted audit misstatements

There are no unadjusted non-trivial misstatements of the financial statements for the year ended March 31, 2024, aside from the qualification of the financial statements as described in our independent auditor's report. The impact of the qualification is detailed in Appendix D.

None of the audit misstatements identified were as a result of fraud or other irregularities.

In accordance with Canadian auditing standards, we are required to request those charged with governance to correct these misstatements.



Significant accounting policies and practices

Basis of accounting

The financial statements have been prepared in accordance with Section 23.1 of the BTAA as directed by Treasury Board. This section requires that the financial statements be prepared in accordance with Canadian PSAS, except regarding the accounting for restricted contributions as set out through Restricted Contributions Regulation 198/2011 (Regulation).

The regulation requires Okanagan College to recognize non-capital restricted contributions into revenue in the fiscal period when the restriction the contribution is subject to is met and requires Okanagan College to recognize government transfers for the acquisition of capital assets into revenue on the same basis as the related amortization expense. Canadian PSAS requires that these grants be fully recognized into revenue unless there is a stipulation that creates a liability.

We note that Okanagan College does not have the ability to avoid application of the regulation, as directed by Treasury Board. We wish to bring to the Finance, Audit and Risk Committee's attention the section of this year's independent auditor's report reflecting the impact of adherence to the regulation. See Appendix A.

Significant accounting policies and financial statement disclosures

Significant accounting principles and policies are disclosed in the notes to the financial statements. Within the context of the audit, management has represented to us that there have been no changes in the accounting principles and policies during the year.

For the first-year audit of Okanagan College, we took an extensive review of the presentation and disclosure of the College's financial statements and provided several recommendations to management to ensure compliance with Canadian PSAS. The recommendations were accepted and implemented by management; therefore, you will see several differences in presentation and disclosure when compared to prior year.

In addition, during our audit we noted an error impacting the current and prior years due to the College not accruing for vacation pay. This resulted in a \$3.2 million increase in payables and a \$3.2 million decrease in opening accumulated surplus. The prior period adjustment is disclosed in note 3 of the financial statements and the adjusted entry can be found in Appendix C.

Significant accounting estimates

Management has the responsibility for applying judgment in preparing the accounting estimates and disclosures contained within the financial statements. There are no significant accounting estimates that need to be brought to the attention of the Finance, Audit and Risk Committee.



Other required communications

Independent auditor's report

The draft independent auditor's report is included in Appendix A.

Management's representations

We are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix B.

Independence

As required by Canadian auditing standards, we are required to comply with relevant ethical requirements, including independence, relating to the audit of Okanagan College. These standards require that we disclose all relationships that, in our professional judgment, may reasonably be thought to bear on our independence. We have not noted any relationships that we believe may reasonably be thought to bear on our independence. Our independence letter is included in Appendix E.

We confirm that we are in compliance with ethical requirements, including independence, with respect to Okanagan College, within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia as of June 7, 2024.

Related party transactions

No instances of significant related party transactions that were not in the normal course of operations were identified.

Continuing as your auditors

Each year, the auditor general must provide the Select Standing Committee on Public Accounts with a plan for the appointment of auditors for government organizations and trust funds for the next three years. The most recent plan, tabled in November 2023, indicated that the auditor general plans to be the auditor of Okanagan College for the next three years.

To check for your entity, review Appendix A of the most recent financial statement audit coverage plan at: <http://www.oag.bc.ca/about-us/financial-statement-audit-coverage-plans>



Fraud

No instances of actual or suspected fraud were identified during the audit.

Compliance with laws and regulation

No instances of actual or suspected non-compliance with laws and regulations or illegal or possibly illegal acts were identified during the audit.

Reconfirm with those charged with governance:

Are you aware of any instances (actual, suspected, or alleged) of fraud by or against Okanagan College or non-compliance with laws and regulations, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets?



Appendix A: Draft independent auditor's report



Draft Independent Auditor's Report

Independent Auditor's Report

*To the Board of Governors of the Okanagan College, and
To the Minister of Post-Secondary Education and Future Skills, Province of British Columbia*

Qualified Opinion

I have audited the accompanying financial statements of the Okanagan College ("the entity"), which comprise the statement of financial position as at March 31, 2024, and the statements of operations and accumulated surplus, remeasurement gains and losses, 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 the entity as at March 31, 2024, and the results of its operations, changes in its net debt, cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

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 1(a) 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. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of

Draft Independent Auditor's Report

Okanagan College

this departure on the current year consolidated financial statements is an overstatement of the liability for deferred contributions for tangible capital assets of \$157 million, an understatement of opening accumulated surplus of \$133.7 million and a current year understatement of revenue of \$23.3 million. Accordingly, the current year surplus is understated by \$23.3 million and net debt is overstated by \$157 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.

Other Matters

Without modifying my opinion, I advise the reader that I was not engaged to audit the comparative financial statements of Okanagan College as at March 31, 2023, for their fair presentation in accordance with Canadian public sector accounting standards. The financial statements of Okanagan College as at March 31, 2023 were audited by a professional accounting firm who previously reported on their compliance with Section 23.1 of the *Budget Transparency and Accountability Act* including Treasury Board Regulation 198/2011 prescribing the accounting policy for contributions. However, because that audit reported against a different framework than that of the current year, I must advise you that the comparative information in the financial statements and related disclosures were not audited in accordance with the Canadian public sector accounting standards framework, but rather in compliance with Section 23.1 of the *Budget Transparency and Accountability Act*.

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.

Draft Independent Auditor's Report

Okanagan College

Auditor's Responsibilities for the Audit of the 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.

Draft Independent Auditor's Report

Okanagan College

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.

Signature

Michael A. Pickup, FCPA, FCA
Auditor General of British Columbia

Victoria, British Columbia, Canada
[Date]

DRAFT

Appendix B: Draft management representation letter



AUDITEE LETTERHEAD INSERTED HERE

[Date]

Lisa Moore, CPA, CA
Acting Assistant Auditor General
Office of the Auditor General of B.C.
623 Fort Street
Victoria, B.C. V8W 1G1

Dear Lisa Moore:

Re: Management Representation Letter

We are providing this letter in connection with your audit of the financial statements of Okanagan College, (the Entity) for the year ended March 31, 2024, for the purpose of expressing an opinion as to whether the financial statements present fairly in all material respects, the financial position, results of operations, remeasurement gains and losses, changes in net debt, and cash flows of Okanagan College in accordance with Canadian Public Sector Accounting Standards (PSAS).

Management's responsibilities

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 21, 2023. In particular, we confirm to you the following representations:

- We prepared and presented fairly the financial statements in accordance with Section 23.1 of the Budget Transparency and Accountability Act, which conforms to PSAS except as modified by Treasury Board regulations.
- We designed, implemented, and maintained an effective system of internal control over financial reporting, to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- We designed, implemented, and maintained an effective system of internal control to prevent and detect fraud.
- We complied with legislative and other authorities that govern Okanagan College.
- We are responsible for complying with legislative and other authorities that govern Okanagan College.
- We have provided you with all relevant information and access, as agreed in the terms of the audit engagement.
- We ensured all transactions have been recorded in the accounting records and are reflected in the financial statements.

Preparation of financial statements

Except where modifications by Treasury Board result in conflicts with PSAS, the financial statements are fairly presented in accordance with PSAS and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which Okanagan College is subject. We have prepared Okanagan College's financial statements on the basis that the Entity is able to continue as a going concern. In addition, the financial statements have been prepared on a basis consistent with that of the preceding year.

We have appropriately reconciled our books and records (for example, general ledger accounts) underlying the financial statements to their related supporting information (for example, subledger or third-party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material items in the general ledger suspense accounts that should have been adjusted or reclassified to another account balance. There were no material items in the general ledger suspense accounts written off to a statement of financial position account that should have been written off to an operations account, nor were there such items written off to an operations account that should have been written off to a statement of financial position account. All intra-entity accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

Accounting policies

We confirm that we have reviewed Okanagan College's accounting policies and, with regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements are appropriate in Okanagan College's particular circumstances.

Internal controls over financial reporting

We have designed disclosure controls and procedures to ensure that material information related to Okanagan College is made known to us by others within the Entity.

We have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with the accounting requirements of PSAS.

We have not identified any deficiency in the design and operation of internal control over financial reporting as at March 31, 2024.

Minutes

All matters requiring disclosure to or approval of the Board of Governors have been brought before them at appropriate meetings and are reflected in the minutes.

Disclosure of information

We have provided you with access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation, and other matters, including:

- contracts and related data;
- information regarding significant transactions and arrangements that are outside the normal course of business;
- minutes of meetings of those charged with governance, committees of governance, and management;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

Completeness of transactions

All contractual arrangements entered into by Okanagan College with third parties have been properly reflected in the accounting records and/or have been disclosed to you where material (or potentially material) to the financial statements. We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There are no side agreements or other arrangements (either written or oral) undisclosed to you.

Fraud

We have disclosed to you:

- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all information of which we are aware that is related to fraud, or suspected fraud, affecting Okanagan College and involving management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements; and
- all information related to any allegations of fraud, or suspected fraud, that could affect the Entity's financial statements, and that was communicated by employees, former employees, analysts, regulators, or others.

Compliance with laws and regulations

We have disclosed to you all aspects of laws, regulations, and contractual agreements that may affect the financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

We are not aware of any illegal or possibly illegal acts committed by Okanagan College's directors, officers, or employees acting on the Entity's behalf.

There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.

All transactions of Okanagan College have been within its statutory powers and enabling legislation. Okanagan College has complied with:

- Section 23.1 of the Budget Transparency and Accountability Act
- The Financial Administration Act and regulations,
- The College and Institute Act

We are not aware of any conflicts of interest involving Okanagan College where it has, directly or indirectly, entered into any purchase, sale, or other transactions with a member of the Legislative Assembly, a member of the entity's governance body, a member of senior management or a manager; or with an organization in which any of these persons had a direct or indirect interest.

Accounting estimates and judgments

We are responsible for all significant estimates and judgments affecting the financial statements. These include fair value measurements and disclosures. The significant judgments we made have taken into account all relevant information of which we are aware. The methods, underlying data, and significant assumptions used in developing accounting estimates and the related disclosures are reasonable and appropriate to achieve recognition, measurement, or disclosure in the financial statements in accordance with PSAS. The methods used in developing accounting estimates have been consistently applied in the periods presented and the data used in developing accounting estimates is accurate and complete. Accounting estimates and judgments appropriately reflect management's intent and ability to carry out specific courses of action, where relevant. Disclosures related to accounting estimates are complete and reasonable under PSAS. Appropriate specialized skills or expertise have been applied in making the accounting estimates. There have been no subsequent events that would require the adjustment of any significant estimates and related disclosures.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with CPA Canada Public Sector Accounting Handbook, Section PS 2130, Measurement uncertainty, have been appropriately disclosed.

Fair Value Measurements

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm the following:

- The measurement methods make maximum use of relevant and publicly available and observable market inputs.
- The significant assumptions used in determining fair value measurements represent our best estimates, and are reasonable.
- The significant assumptions used in determining fair value measurements are consistent with Okanagan College's planned courses of action. We have no plans or intentions that have not been disclosed to you that may materially affect the recorded or disclosed fair values of assets or liabilities.

We have appropriately disclosed information on fair value measurements used in the financial statements in accordance with the requirements of CPA Canada Public Sector Accounting Handbook, Section PS 3450, Financial instruments. We have appropriately classified fair value measurements in Level 1, Level 2, or Level 3 of the fair value hierarchy.

Related parties

We confirm that we have disclosed to you the identity of Okanagan College's related parties as defined by Canada Public Sector Accounting Handbook, Section PS 2200, Related party disclosures.

The identity and relationship of, and balances and transactions with related parties have been properly recorded and adequately disclosed in the financial statements, as required by CPA Canada Public Sector Accounting Handbook, Section PS 2200, Related party disclosures. We provided support for any assertion that a transaction with a related party was conducted on terms equivalent to those prevailing in an arm's length transaction.

We confirm that we have identified to you all members of key management and close family members of key management, as defined by PS2200.

We confirm that we have disclosed to you all transactions between the Entity and related parties, including:

- transactions in the normal course of operations,
- transactions outside the normal course of operations,
- non-monetary transactions,
- transactions for nil consideration, and
- guarantees in respect of related parties.

We are not aware of any conflicts of interest involving Okanagan College arising from any of the related party transactions as disclosed to you.

Going concern

We are not aware of any events or circumstances that may cast doubt on Okanagan College's ability to continue as a going concern and we confirm that we consider the going concern assumption appropriate in the preparation of the financial statements. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the Entity's financial statements (for example, to dispose of the Entity or to cease operations).

Assets and liabilities

Except where modifications by Treasury Board result in conflicts with PSAS, we have recorded or disclosed, as appropriate, all assets and liabilities, in accordance with PSAS.

We confirm that Okanagan College has satisfactory title or control over all assets. All liens or encumbrances on Okanagan College's assets and assets pledged as collateral, to the extent material, have been disclosed in the financial statements. All contingent assets, in accordance with CPA Canada Public Sector Accounting Handbook, Section PS 3320, Contingent assets, have been disclosed to you and are appropriately reflected in the financial statements.

We confirm that all liabilities and contingencies, including those associated with guarantees, whether written or oral, under which Okanagan College is contingently liable in accordance with CPA Canada Public Sector Accounting Handbook, Section PS 3300, Contingent liabilities, have been disclosed to you and are appropriately reflected in the financial statements.

Litigation and claims

All known actual or possible litigation and claims, which existed at the statement of financial position date or exist now, have been disclosed to you and have been accounted for and disclosed in accordance with PSAS, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit

Certain representations in this letter are described as being limited to those matters that are material. Solely for the purpose of this letter, the term "material" means any items referred to in this letter, individually or in the aggregate that are more than \$2,600,000. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, make it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

Except where modifications by Treasury Board result in conflicts with PSAS, we confirm there are no uncorrected misstatements in the financial statements (see Appendix A).

The adjusted misstatements identified during your audit have been approved by us and adjusted in the financial statements.

Events after the statement of financial position date

We have identified all events that occurred between the date of the statement of financial position and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and we have made such adjustment or disclosure.

Other items

No "letters of comfort" to financial institutions from the Entity have been issued, nor to the best of our knowledge and belief have such letters been issued by the minister responsible for the Entity. Nor have any such letters been in force at any time during the year or subsequently.

Yours truly,

Okanagan College

Dr. Neil Fassina, President

Curtis Morcom, CFO and Vice President, Corporate Services

Jackie Dueck, Director of Financial Services

Appendix C: Adjusted audit misstatements





Adjusted Audit Misstatements

Description	Accounts Affected	Statement of Operations Entry to correct – Debit (Credit) Amount in 000's		Statement of Financial Position Entry to correct – Debit (Credit) Amount in 000's		
		Revenue	Expenses	Assets	Liabilities	Equity
Prior year error – missing vacation accrual.	Equity Accounts Payable				(\$3,200)	\$3,200
Overstatement of accrued receivable and revenue related to two programs for which funds were already received.	Accounts Receivable Contract Services Revenue	\$191		(\$191)		
Misclassification of deferred revenue related to funding received from a foundation under an agreement which ended December 2023. Permission to keep the unspent funds was not received prior to March 31, 2024, and the remaining amount should have been reclassified to accounts payable.	Deferred Revenue Accounts Payable				\$155 (\$155)	
TOTAL		\$191		(\$191)	(\$3,200)	\$3,200

Appendix D: Unadjusted audit misstatements





Office of the
Auditor General
of British Columbia

623 Fort Street
Victoria, British Columbia
V8W 1G1

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Unadjusted Audit Misstatements

Description	Accounts Affected	Statement of Operations		Statement of Financial Position		
		Entry to correct – Debit (Credit)		Entry to correct – Debit (Credit)		
		Amount in 000's		Amount in 000's		
		Revenue	Expenses	Assets	Liabilities	Equity
Deferred contributions for tangible capital assets not recorded in accordance with Canadian public sector accounting standards as they do not meet the definition of a liability.	Deferred Capital Contributions				\$157,000	
	Revenue	(\$23,000)				
	Equity					(\$134,000)
TOTAL		(\$23,000)			\$157,000	(\$134,000)

Appendix E: Independence letter





Office of the
Auditor General
of British Columbia

623 Fort Street
Victoria, British Columbia
V8W 1G1

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oag.bc.ca

June 7, 2024

Dale Safinuk
Chair, Finance, Audit and Risk Committee
Okanagan College

Dear Dale Safinuk:

We have been engaged to audit the financial statements of Okanagan College for the year ended March 31, 2024.

The intent of this letter is to communicate all relationships between Okanagan College and the Office of the Auditor General of British Columbia (the office) that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, we considered the relevant rules and related interpretations prescribed by the Chartered Professional Accountants of British Columbia and applicable legislation, covering such matters as:

- holding a financial interest, either directly or indirectly, in a client;
- holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- personal or business relationships of immediate family or close relatives, either directly or indirectly, with a client;
- economic dependence on a client; and
- provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you and the Finance, Audit and Risk Committee regarding independence matters.

The total fees charged to Okanagan College for audit services during the period April 1, 2023 to June 7, 2024 was \$0.

We are not aware of any relationships between Okanagan College and us that, in our professional judgment, may reasonably be thought to bear on our independence that have occurred during this period.

Canadian auditing standards require that we confirm our independence to the Finance, Audit and Risk Committee in the context of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia. Accordingly, we hereby confirm that we are independent with respect to Okanagan College within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia as of June 7, 2024.

This report is intended solely for the use of the Finance, Audit and Risk Committee, management and others with Okanagan College and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you.

Yours truly,

Lisa Moore, CPA, CA
A/Assistant Auditor General

Appendix F: Management letter



June 7, 2024

VIA E-MAIL

Curtis Morcom
Chief Financial Officer and Vice President, Corporate Services
Okanagan College
1000 K.L.O. Road
Kelowna, B.C. V1Y 4X8

Dear Curtis Morcom:

Re: Financial Audit Findings and Recommendations – Okanagan College

Our office has completed the audit of the financial statements of Okanagan College for the year ended March 31, 2024. The audit was carried out in accordance with Canadian generally accepted auditing standards. It was not a study designed specifically to determine if internal control is adequate for management's purposes or to identify and disclose defalcations or other irregularities.

As a result of the audit, we have some observations and recommendations. Other matters which arose during the audit were either satisfactorily resolved or were of a relatively insignificant nature.

We wish to express our appreciation for the excellent cooperation we received from your staff during the course of the audit.

Yours truly,



Lisa Moore, CPA, CA
A/Assistant Auditor General

DB/dc
Attachment(s)

cc: Dr. Neil Fassina, President
Jackie Dueck, Director, Financial Services

Contents

Contents	2
1. Current Year Observations	3
a) Fraud risk assessment	3
b) Yearend cut-off procedures.....	4
c) Capital asset management.....	4
d) Inconsistency in Teaching Learning Units documentation.....	5

This report has been prepared solely for the use of management and should not be distributed to others outside the entity without our prior written consent. We disclaim any liability to any third party who may rely upon this report.

1. Current Year Observations

a) Fraud risk assessment

Public sector organizations need a strong fraud risk management framework to safeguard public dollars against potential losses due to fraud. A proactive approach to managing fraud risk is one of the best steps organizations can take to mitigate exposure to fraudulent activities.

Policy

During our audit, we noted that Okanagan College does not have a documented fraud risk policy. While the College has a Risk Management Policy (approved on September 25, 2012) and Enterprise Risk Management Guidelines (March 2023), they do not mention fraud. A fraud risk policy should clarify organizational roles and responsibilities for fraud risk management and provide examples of fraud.

It is also important for college staff to have mandatory fraud training to raise awareness and teach staff how to prevent and detect incidents of fraud. Organizations develop and promote an effective anti-fraud culture by setting a proper tone at the executive leadership level, establishing clear direction and expectations for fraud risk management, and providing employees with effective anti-fraud training. Employees who view fraud as socially unacceptable, or criminal, are less likely to commit fraud and are more likely to report cases of potential fraud.

Fraud Risk Assessments

Through discussions with management, we noted that the College only assesses business risks. They do not take a formalized approach to assessing or monitoring internal or external fraud risk at the College. Ongoing fraud risk assessments are key to effective fraud risk management, and they should be continual as fraud threats evolve, requiring new controls to address them. Fraud risks should be assessed before the application of controls to reduce the risk. This step would help to identify and assess the ability of key controls to mitigate risk.

Okanagan College has implemented several preventative and detective controls. However, as the College has not been conducting ongoing fraud risk assessments, there is an elevated risk that existing controls may not be adequately mitigating unidentified fraud threats. Internal control activities are necessary, but they do not provide complete fraud protection. If an organization does not regularly review and update the fraud controls, the risk of fraud increases leaving the organization more vulnerable to losses and potential reputational harm.

Recommendations

We recommend that Okanagan College develop a formal fraud risk policy.

We recommend that Okanagan College conduct periodic fraud risk assessments.

Management's Response

We agree that a proactive approach to managing fraud risk will mitigate exposure to fraudulent activities. As noted in the information above the College has policies, guidelines and internal controls in place that direct the organization in the action of preventing and detecting fraud but have not formally labelled it as Fraud. The recommendations will be addressed by adding a Fraud section to the Enterprise Risk Management guidelines, framework, and training and by updating the Whistle blower policy to more robustly reflect a Fraud policy.

b) Yearend cut-off procedures

During an entity's yearend financial statement preparation processes, it is important to have procedures in place in order to ensure transactions are captured in the correct fiscal period and that year end balances are appropriately classified.

During our audit, we identified two entries which did not accurately reflect amounts receivable related to contract revenue. The accrued accounts receivables were entered at the full annual amount; however, three quarterly payments were previously received, and the receivable amounts at yearend should have been limited to the amount related to the last quarter.

We also identified another entry where an amount in deferred revenue related to funding for which the deliverables were not met by the contract end date. Permission to keep the unspent funds was not granted, and they should have been reclassified to accounts payable.

Recommendations

We recommend that management review its process for:

- a) reviewing yearend accruals; and
- b) identifying whether deferred revenue amounts are appropriately classified in the financial statements.

Management's Response

We recognize the importance in accurately capturing transactions and classifying balances during this critical period. We will address the recording of receivable amounts related to contract revenue by using the claim receipts as supporting documentation for these entries. We will also address the misclassification of deferred revenue by initiating monthly meetings with the department regarding Research funds as these funds are less predictable in nature.

c) Capital asset management

Tracking and monitoring tangible capital assets is an important control with respect to loss or theft. This process also assists in ensuring they are recorded accurately in the financial statements when adjustments are required for such events or for the sale, disposal, or impairment of them.

During our audit, we found Okanagan College does not track furniture, equipment, vehicles, or computer hardware assets on an asset-by-asset basis centrally for financial statement reporting purposes. The listings do not include unique asset identifiers. Instead, tracking of asset values is limited to excel worksheets dating back to 2005 in which cost of new assets is added each year and depreciation is

calculated on the total. As a result, the College cannot determine how many assets are currently in their possession and therefore, cannot ensure amounts are appropriately written off for assets which are sold, impaired in value, or no longer in use. This may result in both the cost and accumulated amortization of capital assets being overstated.

Recommendation

We recommend that management implement a process to identify individual assets in order to account for them accurately.

Management's Response

We understand that tracking and monitoring tangible capital assets is an important control. In order to account for individual assets accurately, the College will extend the use of the asset tagging system from IT and Trades equipment to include New Furniture and Equipment that is purchased.

Financial Services has also drafted an Asset Disposal policy that will formalize the practice in place for asset disposal. This policy puts into writing the expectation that each department have an inventory listing of their tangible capital assets and can refer to it when requesting disposal of an asset. As this policy is rolled out Financial Services will educate the OC community and ensure that when assets are sold, disposed of, or impaired, the information is provided to Finance to make the necessary adjustments to the asset inventory.

d) Inconsistency in Teaching Learning Units documentation

During the audit we noted that the documentation for Teaching Learning Units (TLU) payable was not consistent or complete. Specifically, the Faculty Workload Banking forms and Request for Accumulated Course Relief Credit forms which are intended to support the approval to bank additional TLUs, and the use and payout of TLU credits, respectively.

Inconsistent and incomplete documentation could result in a misstatement of the TLU payable amount and could result in instructors being paid for too few or too many TLUs.

Recommendations

We recommend that management review the TLU process with the goal of more consistent and complete documentation.

We recommend periodically providing refresher sessions to instructors for filling out the Faculty Workload Banking and Request and Accumulated Course Relief Credit forms to ensure complete and accurate record keeping.

Management's Response

We acknowledge the importance in accurately capturing the Teaching Learning Units (TLU) payable balances. We will work alongside our People Services department and Faculty to develop a process with clear instructions and forms that will result in complete and consistent documentation and accurate record keeping.



Location

623 Fort Street
Victoria, British Columbia
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Management's Report

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of, and have been prepared by, management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the notes to 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 is 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 Board of Governors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls and exercises these responsibilities through the Finance Audit Risk committee. The Finance Audit Risk committee reviews internal financial statements on a quarterly basis and external audited financial statements yearly. The Finance Audit Risk committee also discusses 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, conduct 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 Okanagan 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 Okanagan College

[Name]
[Title]

[Name]
[Title]

OKANAGAN COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2024

	March 31 2024	March 31 2023 Restated (note 3)
Financial assets		
Cash and cash equivalents (note 4)	\$ 26,303,017	\$ 31,022,319
Investments (note 5)	12,964,043	11,959,044
Accounts receivable (note 6)		
Due from government and other government organizations	3,089,302	3,747,268
Other	1,914,568	1,449,968
Inventory for resale (note 7)	487,901	443,139
	<u>44,758,831</u>	<u>48,621,738</u>
Liabilities		
Accounts payable and accrued liabilities (note 9)		
Due to government and other government organizations	1,231,787	152,314
Other	28,861,315	23,110,855
Long term debt (note 10)	2,317,790	2,535,824
Deferred contributions (note 11)	7,487,704	10,442,382
Deferred revenue (note 12)	12,172,653	8,045,397
Deferred contributions for tangible capital assets (note 13)	156,996,068	133,698,346
Asset retirement obligation (note 14)	550,870	532,825
Employee future benefit obligations (note 15)	12,807,100	12,015,000
	<u>222,425,287</u>	<u>190,532,943</u>
Net debt	<u>(177,666,456)</u>	<u>(141,911,205)</u>
Non-financial assets		
Prepaid expenses and deposits	1,601,583	1,219,770
Tangible capital assets (note 8)	198,015,135	161,311,462
	<u>199,616,718</u>	<u>162,531,232</u>
Accumulated surplus (note 16)	<u>\$ 21,950,262</u>	<u>\$ 20,620,027</u>
Accumulated surplus is comprised of:		
Accumulated surplus	\$ 19,928,061	\$ 19,059,571
Accumulated remeasurement gains	2,022,201	1,560,456
	<u>\$ 21,950,262</u>	<u>\$ 20,620,027</u>
Contractual obligations (note 18)		
Contingent liabilities (note 19)		
Approved on behalf of the Board:		

[Name]

Chair, Board of Governors

[Date signed]

Neil Fassina

President

The accompanying notes are an integral part of these financial statements

OKANAGAN COLLEGE
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED MARCH 31, 2024

	Budget		
	2024	2024	2023 Restated (note 3)
Revenue			
Government grants	\$ 67,606,679	\$ 80,073,426	\$ 68,294,167
Tuition and other fees	47,835,830	50,298,425	41,914,135
Ancillary service sales	4,073,447	4,170,185	3,801,772
Contract services	4,390,110	3,771,380	2,825,286
Other administration fees and sundry	850,763	1,427,101	1,312,475
Investment income	1,050,000	2,311,431	1,487,696
Amortization of deferred contributions for tangible capital assets	5,659,603	5,811,882	5,701,612
	<u>131,466,432</u>	<u>147,863,830</u>	<u>125,337,143</u>
Expense (note 20)			
Instruction and academic support	75,258,292	83,748,590	70,301,134
Facility and institutional support	24,525,580	28,687,368	25,231,772
Enrolment management and student support	19,669,872	22,519,448	19,291,355
Ancillary operations	3,706,309	3,605,333	3,111,602
Amortization of tangible capital assets	8,166,952	8,295,651	8,213,325
Interest on long term debt	139,427	138,950	139,427
	<u>131,466,432</u>	<u>146,995,340</u>	<u>126,288,615</u>
Annual surplus (deficit)	-	868,490	(951,472)
Accumulated surplus, at beginning of year, as originally reported	19,059,571	19,059,571	23,211,061
Prior period adjustment (note 3)	-	-	(3,200,018)
Accumulated surplus, at beginning of year, as restated	19,059,571	19,059,571	20,011,043
Accumulated surplus, end of year	<u>\$ 19,059,571</u>	<u>\$ 19,928,061</u>	<u>\$ 19,059,571</u>

STATEMENT 3

OKANAGAN COLLEGE
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2024

	2024	2023
Accumulated remeasurement gains, beginning of year	\$ 1,560,456	\$ 2,189,513
Unrealized gain (loss) on investments	687,812	(523,478)
Realized gain on investments, reclassified to statement of operations	(226,067)	(105,579)
Net remeasurement gains (losses) for the year	461,745	(629,057)
Accumulated remeasurement gains, end of year	\$ 2,022,201	\$ 1,560,456

draft

OKANAGAN COLLEGE
STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2024

	Budget		
	2024	2024	2023
			Restated (note 3)
Annual surplus (deficit)	\$ -	\$ 868,490	\$ (951,472)
Acquisition of tangible capital assets	(50,491,000)	(44,999,324)	(20,599,215)
Amortization of tangible capital assets	8,166,952	8,295,651	8,213,325
	<u>(42,324,048)</u>	<u>(35,835,183)</u>	<u>(13,337,362)</u>
Acquisition of prepaid expenses and deposits	-	(1,601,583)	(1,219,770)
Use of prepaid expenses and deposits	-	1,219,770	658,952
	<u>-</u>	<u>(381,813)</u>	<u>(560,818)</u>
Net remeasurement gains (losses)	-	461,745	(629,057)
Increase in net debt	(42,324,048)	(35,755,251)	(14,527,237)
Net debt, beginning of year, as originally reported	(141,911,205)	(141,911,205)	(124,183,950)
Prior period adjustment (note 3)	-	-	(3,200,018)
Restated net debt, beginning of year	<u>(141,911,205)</u>	<u>(141,911,205)</u>	<u>(127,383,968)</u>
Net debt, end of year	<u>\$ (184,235,253)</u>	<u>\$ (177,666,456)</u>	<u>\$ (141,911,205)</u>

OKANAGAN COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2024

	2024	2023
		Restated (note 3)
Net cash inflow (outflow) related to the following activities		
Operating activities		
Annual surplus (deficit)	\$ 868,490	\$ (951,472)
Adjust for non-cash items:		
Realized gain on disposal of investments	(226,067)	(105,579)
Actuarial adjustment on long term debt	(25,149)	(14,237)
Accretion expense	18,045	16,197
Amortization of deferred contributions for tangible capital assets	(5,811,882)	(5,701,612)
Amortization of tangible capital assets	8,295,651	8,213,325
	<u>3,119,088</u>	<u>1,456,622</u>
Changes in non-cash working capital		
Accounts receivable	193,366	(3,093,206)
Prepaid expenses and deposits	(381,813)	(560,818)
Inventory for resale	(44,762)	12,906
Accounts payable and accrued liabilities	6,829,933	5,923,234
Deferred revenues	1,172,578	2,198,568
Employee future benefit obligations	792,100	124,000
	<u>11,680,490</u>	<u>6,061,306</u>
Capital activities		
Acquisition of tangible capital assets	<u>(44,999,324)</u>	<u>(20,599,215)</u>
Investing activities		
Purchase of investments	(913,053)	(1,109,137)
Proceeds from disposal of investments	595,866	300,000
	<u>(317,187)</u>	<u>(809,137)</u>
Financing activities		
Deferred contributions for tangible capital assets	29,109,604	18,797,149
Repayment of long term debt	(192,885)	(192,885)
	<u>28,916,719</u>	<u>18,604,264</u>
Increase in cash and cash equivalents	(4,719,302)	3,257,218
Cash and cash equivalents at beginning of year	31,022,319	27,765,101
Cash and cash equivalents at end of year	<u>\$ 26,303,017</u>	<u>\$ 31,022,319</u>

The accompanying notes are an integral part of these financial statements

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

1. NATURE OF OPERATIONS

Okanagan College (the College) is a post-secondary educational institute funded by the Province of British Columbia (the Province) and incorporated under the College and Institute Act of British Columbia on November 26, 2004. The College is a not-for-profit entity governed by a Board of Governors, the majority of whom are appointed by the Province. The College is exempt from income tax under Section 149 of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements are the responsibility of, and have been prepared by, management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This Section requires that the financial statements be prepared in accordance with Canadian public sector accounting standards (PSAS) except regarding the accounting for government transfers as set out below.

In September 2010, the Province of British Columbia Treasury Board ("Treasury Board") provided directive through Government Organization Accounting Standards Regulation 257/2010 requiring all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sector to adopt Canadian public sector accounting standards of the Chartered Professional Accountants of Canada (CPA Canada) without not-for-profit provisions in their first fiscal year commencing on or after January 1, 2012. In March 2011, the Public Sector Accounting Board released a new *Section PS 3410 Government Transfers*. In November 2011, the Treasury Board provided a directive through Restricted Contributions Regulation 198/2011 providing direction for the reporting of restricted contributions whether they are received or receivable by the College before or after this regulation was in effect. The Treasury Board direction on the accounting treatment of restricted contributions is as described in Note 2(k).

Section 23.1 of the Budget Transparency and Accountability Act and its related regulations require the College to recognize government transfers and externally restricted contributions for tangible capital assets into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these transfers to be fully recognized as revenue in the year received. If these amounts were recognized as revenue in the year received, the financial statements of the College would be adjusted as follows:

- Year ended March 31, 2023 – increase in revenue and annual surplus of \$13,095,538.
- March 31, 2023 – increase in accumulated surplus and decrease in deferred contributions for tangible capital assets of \$133,698,346.
- Year ended March 31, 2024 – increase in revenue and annual surplus of \$23,297,722.
- March 31, 2024 – increase in accumulated surplus and decrease in deferred contributions for tangible capital assets of \$156,996,068.

(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.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments

A contract establishing a financial instrument creates, at its inception, rights and obligations to receive or deliver economic benefits. The financial assets and liabilities portray these rights and obligations in the financial statements. The College recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt.

All financial instruments are initially recorded at fair value. Canadian public sector accounting standards define the fair value of a financial instrument as the amount of the consideration that would be agreed upon between non-related parties in an arm's length transaction. The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The College's investments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there was no transfer of securities between the different levels.

All financial assets and liabilities are subsequently recorded at cost or amortized cost except for investments, which are recorded at fair value. The associated transaction costs for financial instruments that are subsequently measured at cost or amortized cost are added to their carrying value upon initial recognition. Transaction costs associated with financial instruments subsequently measured at fair value are expensed as incurred. Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a liability.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. Any reversals of previously recognized impairment losses are recognized in the statement of operations in the year the reversal occurs to the extent that the reversal of the impairment loss does not exceed the original carrying value of the asset.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Inventory for resale

Inventories held for resale are recorded at the lower of cost and net realizable value. Costs are assigned using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(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.

(f) Prepaid expenses

Prepaid expenses include licenses and contract payments. Prepaid expenses are recognized as an expense in the future periods expected to benefit from them.

(g) Tangible capital assets

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

Category	Years
Site improvements	10
Buildings	40
Furniture and equipment	5
Computer equipment	5

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 their net book value.

(h) Debt and other financial liabilities

All debt and other financial liabilities are recorded using cost or amortized cost except for Okanagan College's sinking fund investment, which provides funding to repay the Series BCCP-181 Province of British Columbia \$4,162,000 debenture maturing on June 9, 2029 (see Note 10). The value of the sinking fund investment at March 31, 2024, is \$1,844,210 (2023 - \$1,626,176). Fair value of the sinking fund investment is determined as provided by the Province of British Columbia.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Asset retirement obligations

Liabilities are recognized for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs are capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the accretion expense is included in the Statement of Operations.

(j) Employee future benefits

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

Sick leave benefits and retirement severance benefits are also available to the College's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans is 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 average remaining service life of the employees.

(k) Revenue recognition

Revenue from tuition fees is recognized as revenue over the course of the program. Any portion of the tuition fee revenue relating to the period after March 31 is deferred to the next fiscal year.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the College or the transfer of property is completed.

The accounting treatment for restricted contributions is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that meets the criteria for liability recognition in which case the transfer is recognized as revenue over the period that the liability is extinguished. See Note 2 (a) for the impact of this policy on these financial statements.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions placed 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 in the form of a depreciable tangible capital asset, in each case for use in providing services, are

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

recorded and referred to as deferred contributions for tangible capital assets and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred contributions for tangible capital assets 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. Contributions restricted for specific purposes other than those to be held in perpetuity or for the acquisition or development of a depreciable tangible capital asset are recorded as deferred revenues and recognized in revenue in the year in which the stipulation or restriction on the contribution has been met.
- III. Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent, are recorded as direct increases to accumulated surplus for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.

Investment income includes interest recorded on an accrual basis and 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.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties.

Donations and post construction contributions for tangible capital assets that are not externally restricted are recognized as revenue when they are received. Post construction capital contributions are contributions received after the completion of a tangible capital asset.

Ancillary sales are recognized when the product or service is provided to the consumer.

Contributed goods and services received and used in operations of the College are recognized as revenues and expenses only to the extent that their fair values can be reasonably determined or estimated.

(l) Expenses

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

(m) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the annual budget approved by the Board of Governors of the College on March 21, 2023. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

(n) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the useful life of tangible capital assets and amortization of deferred contributions for tangible capital assets, the amount of allowance for doubtful accounts, deferral of tuition revenue, asset retirement obligation, and the valuation of employee future benefit obligations. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

3. PRIOR PERIOD ADJUSTMENT

During the year, Okanagan College identified an inadvertent omission of vacation pay in accrued liabilities. The impact of the prior period adjustment on the March 31, 2023 comparative amounts included \$3,200,018 accrued vacation pay, which resulted in the opening accumulated surplus being restated from \$22,259,589 to \$19,059,571, and opening net debt being restated from \$(138,711,187) to \$(141,911,205).

4. CASH AND CASH EQUIVALENTS

	<u>2024</u>	<u>2023</u>
Cash	\$ 13,359,187	\$ 25,733,674
Cash equivalents	<u>12,943,830</u>	<u>5,288,645</u>
	<u>\$ 26,303,017</u>	<u>\$ 31,022,319</u>

5. INVESTMENTS

Portfolio investments:

	<u>2024</u>	<u>2023</u>
Investments held at fair value:		
Fixed income	\$ 5,820,201	\$ 5,452,922
Equity investments	6,606,600	5,994,194
Alternative investments – pooled mortgage	<u>537,242</u>	<u>511,928</u>
	<u>\$ 12,964,043</u>	<u>\$ 11,959,044</u>

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

6. ACCOUNTS RECEIVABLE

The following table shows the categories of accounts receivable and the related provision for doubtful accounts:

(a) Due from government and other government organizations:

	<u>2024</u>	<u>2023</u>
Due from Provincial government	2,135,696	3,190,233
Due from Federal government	702,653	364,166
Due from other government organizations	250,953	192,869
	<u>\$ 3,089,302</u>	<u>\$ 3,747,268</u>

(b) Due from other:

	<u>2024</u>	<u>2023</u>
Student receivables	\$ 696,478	\$ 949,269
Other trade receivables	1,638,292	1,115,253
	<u>2,334,770</u>	<u>2,064,522</u>
Allowance for doubtful accounts	(420,202)	(614,554)
	<u>\$ 1,914,568</u>	<u>\$ 1,449,968</u>

7. INVENTORY FOR RESALE

Inventories recognized in the statement of financial position can be analyzed as follows:

	<u>2024</u>	<u>2023</u>
Bookstore	\$ 461,994	\$ 441,933
Other	25,907	1,206
	<u>\$ 487,901</u>	<u>\$ 443,139</u>

In 2024, a total of \$1,710,939 (2023 - \$1,579,127) of inventories were included in the Statement of Operations and Accumulated Surplus as an expense. This includes an amount of \$9,379 (2023 - \$27,011) resulting from write-down of inventories.

None of the inventories are pledged as security for liabilities.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

8. TANGIBLE CAPITAL ASSETS

The following tables show the cost, additions, transfers, disposals, accumulated amortization, and net book value of the College's tangible capital assets:

As at March 31, 2024						
	Land and site improvements	Buildings	Furniture and equipment	Computer equipment	Assets under construction	2024 Total
Cost						
Opening balance	\$ 19,858,156	\$ 206,896,672	\$ 64,678,369	\$ 18,587,722	\$ 15,475,320	\$ 325,496,239
Additions	19,014	3,981,095	1,480,199	933,478	38,585,538	44,999,324
Closing Balance	19,877,170	210,877,767	66,158,568	19,521,200	54,060,858	370,495,563
Accumulated Amortization						
Opening balance	12,786,350	74,214,978	60,912,510	16,270,939	-	164,184,777
Amortization	1,054,434	4,755,298	1,574,932	910,987	-	8,295,651
Closing balance	13,840,784	78,970,276	62,487,442	17,181,926	-	172,480,428
Net book value	\$ 6,036,386	\$ 131,907,491	\$ 3,671,126	\$ 2,339,274	\$ 54,060,858	\$ 198,015,135
As at March 31, 2023						
	Land and site improvements	Buildings	Furniture and equipment	Computer equipment	Assets under construction	2023 Total
Cost						
Opening balance	\$ 19,778,644	\$ 203,384,343	\$ 63,371,299	\$ 17,579,364	\$ 783,374	\$ 304,897,024
Additions	79,512	3,512,329	1,307,070	1,008,358	14,691,946	20,599,215
Closing Balance	19,858,156	206,896,672	64,678,369	18,587,722	15,475,320	325,496,239
Accumulated Amortization						
Opening balance	11,722,080	69,549,422	59,335,578	15,364,372	-	155,971,452
Amortization	1,064,270	4,665,556	1,576,932	906,567	-	8,213,325
Closing balance	12,786,350	74,214,978	60,912,510	16,270,939	-	164,184,777
Net book value	\$ 7,071,806	\$ 132,681,694	\$ 3,765,859	\$ 2,316,783	\$ 15,475,320	\$ 161,311,462

Assets under construction

Assets under construction as at March 31, 2024, represent work in progress of \$54,060,858 (2023 - \$15,475,320) on the housing projects in Kelowna, Salmon Arm and Vernon, the Wellness Centre in Kelowna, and the Centre for Food, Wine and Tourism in Kelowna. Amortization of these assets will commence when the assets are put into service.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table shows the categories of accounts payable and accrued liabilities:

(a) Due to government and other government organizations:

	<u>2024</u>	<u>2023</u>
Due to Provincial government	\$ 48,457	\$ 18,246
Due to Federal government	1,091,698	(98)
Due to other government organizations	<u>91,632</u>	<u>134,166</u>
	<u>\$ 1,231,787</u>	<u>\$ 152,314</u>

(b) Due to other:

	<u>2024</u>	<u>2023</u> Restated (note 3)
Trade payables	\$ 6,428,491	\$ 5,299,671
Accrued payables	6,129,072	1,837,262
Wage payables	4,802,563	4,224,843
Accrued vacation payables	3,195,706	3,200,018
Student deposits	<u>8,305,483</u>	<u>8,549,061</u>
	<u>\$ 28,861,315</u>	<u>\$ 23,110,855</u>

10. LONG TERM DEBT

Province of British Columbia - Centre for Learning \$4,162,000 bond, 3.35%, unsecured, sinking fund contributions at \$192,885 annually plus semi-annual interest of \$69,714, due June 9, 2029. Debt is reported net of sinking fund. The sinking fund balance in 2024 is \$1,844,210 (2023 - \$1,626,176).

	<u>2024</u>	<u>2023</u>
	<u>\$ 2,317,790</u>	<u>\$ 2,535,824</u>

(a) Sinking fund installments and retirement provisions

Aggregate payments for the next five fiscal years to meet sinking fund installments on externally restricted sinking funds are:

2024-2025	\$	192,885
2025-2026		192,885
2026-2027		192,885
2027-2028		192,885
2028-2029		<u>192,885</u>
	<u>\$</u>	<u>964,425</u>

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

10. LONG TERM DEBT (continued)

(b) Operating line of credit

The College has an operating line of credit with TD Canada Trust for an authorized amount of \$2,500,000, bearing interest at bank prime rate minus 0.5% on outstanding balances. On March 31, 2024, the balance outstanding on the operating line of credit was \$nil (2023 - \$nil).

11. DEFERRED CONTRIBUTIONS

The following table shows the categories of deferred contributions:

	April 1, 2023	Receipts during year	Transferred to revenue	March 31, 2024
Provincial	\$6,899,696	\$6,352,025	\$ (8,057,867)	\$ 5,193,854
Federal	1,907,609	1,083,349	(1,815,391)	1,175,567
Other	1,635,077	6,191,521	(6,708,315)	1,118,283
	\$ 10,442,382	\$ 13,626,895	\$ (16,581,573)	\$ 7,487,704

12. DEFERRED REVENUES

The following table shows the categories of deferred revenues:

	April 1, 2023	Receipts during year	Transferred to revenue	March 31, 2024
Deferred tuition	\$7,142,875	\$53,945,450	\$ (50,298,425)	\$ 10,789,899
Deferred contract fees	658,570	1,664,404	(1,373,503)	949,472
Deferred other revenue	243,952	2,328,800	(2,139,470)	433,282
	\$ 8,045,397	\$ 57,938,654	\$ (53,811,399)	\$ 12,172,653

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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13. DEFERRED CONTRIBUTIONS FOR TANGIBLE CAPITAL ASSETS

The amortization of deferred contributions for tangible capital assets is recorded as revenue in the statement of operations and accumulated surplus, and deferred contributions for tangible capital assets represents the contributions received for the purchase and/or construction of tangible capital assets, and the unamortized portion of deferred capital contributions for assets in use.

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 133,698,346	\$120,602,809
Deferred contributions received from:		
Provincial government	28,802,313	18,641,344
Federal government	78,988	41,081
Donations	164,829	114,724
Other	63,474	-
	<u>162,807,950</u>	<u>139,399,958</u>
Less: Amounts amortized to revenue	(5,811,882)	(5,701,612)
Balance, end of year	<u>\$ 156,996,068</u>	<u>\$133,698,346</u>

14. ASSET RETIREMENT OBLIGATION

The asset retirement obligation is related to asbestos and other hazardous materials that have been identified in the Colleges buildings. The estimated undiscounted asset retirement obligation is \$956,926 (2023 - \$956,926). A discount rate of 3.47% (2023 – 3.13%), the BC weighted average effective rate as at March 31, 2023, was used to calculate the present value of the asset retirement obligation. The modified retroactive application was adopted in fiscal 2023, and the timing of these expenditures is estimated to occur between 2024 and 2043 with regular replacement, renovation, or disposal of assets.

	<u>2024</u>	<u>2023</u>
Opening balance	\$ 532,825	\$ 516,628
Accretion costs	<u>18,045</u>	<u>16,197</u>
Balance, end of year	<u>\$ 550,870</u>	<u>\$ 532,825</u>

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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15. EMPLOYEE FUTURE BENEFITS

(a) Pension benefits

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the plans, including investment of assets and administration of benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula.

As at August 31, 2023, the College Pension Plan has about 17,200 active members, and approximately 10,700 retired members. As at December 31, 2022, the Municipal Pension Plan has about 240,000 active members, including approximately 7,000 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 an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age 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 unfunded actuarial liability.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2021, indicated a \$202 million surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The Okanagan College paid \$7,695,754 (2023 - \$6,752,254) for employer contributions to the plans in fiscal 2024.

The next valuation for the College Pension Plan will be as at August 31, 2024. The next valuation for the Municipal Pension Plan will be December 31, 2024.

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 benefit obligations

The College does not establish plan assets to fund the employee future benefit obligations. The College has been providing and will continue to provide for the payment of these benefits as they become due.

Employees of the College are entitled to sick leave in accordance with the terms and conditions of their employment contracts. Sick leave credits accumulate for employees of the College. As they render services, they earn the right to the sick leave benefit. The College recognizes a liability and an expense for sick leave in the period in which employees render services in return for the benefits.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

15. EMPLOYEE FUTURE BENEFITS (continued)

Retirement benefit payments represent the College's share of the cost to provide certain employees with various benefits upon retirement. These retirement benefits are determined based on collective bargaining agreements and/or the terms and conditions of employment, which provides a retiring allowance for eligible employees based on the years of service with Okanagan College. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation completed as at March 31, 2024.

Information about liabilities for the College's employee future benefit obligations is as follows:

	<u>Sick Leave</u>	<u>Retirement and other</u>	<u>2024</u>	<u>2023</u>
Benefit obligation balance, beginning of year	\$ 5,119,900	\$10,650,800	\$ 15,770,700	\$ 15,742,600
Current service cost	471,800	917,200	1,389,000	1,322,900
Interest cost	147,000	301,100	448,100	445,900
Benefits paid	(607,300)	(1,163,400)	(1,770,700)	(1,740,700)
Actuarial loss/(gain)	43,800	(305,600)	(261,800)	-
Other	-	28,300	28,300	-
Benefit Obligation Balance, end of year	5,175,200	10,428,400	15,603,600	15,770,700
Unamortized actuarial loss			(2,796,500)	(3,755,700)
Benefit Liability Balance, end of year			\$ 12,807,100	\$ 12,015,000
Components of net benefit expense			<u>2024</u>	<u>2023</u>
Service cost			\$ 1,389,000	\$ 1,322,900
Interest cost			448,100	445,900
Amortization of net actuarial loss			697,400	630,300
Other			28,300	-
Net benefit expense			\$ 2,562,800	\$ 2,399,100

The actuarial assumptions adopted in preparing the College's accrued benefit liability are as follows:

	<u>2024</u>	<u>2023</u>
Interest (discount) rate	4.443%	2.780%
Wages and salary escalation rate range	2 – 5.6%	2 – 4%
Expected average remaining service life of employees	9 years	9 years

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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16. ACCUMULATED SURPLUS

The following table shows the changes in accumulated surplus:

	Operating surplus	Unfunded employee future benefit obligations	Investment in tangible capital assets	Remeasurement gains and losses	2024 Total	2023 Total Restated
Accumulated surplus, as previously stated	\$6,530,106	\$ (12,015,000)	\$ 24,544,465	\$ 1,560,456	\$ 20,620,027	\$ 25,400,574
Prior period adjustment (note 3)	-	-	-	-	-	(3,200,018)
Restated accumulated surplus, beginning of year	6,530,106	(12,015,000)	24,544,465	1,560,456	20,620,027	22,200,556
Annual surplus (deficit)	4,137,255	(792,100)	(2,476,665)	-	868,490	(951,472)
Net remeasurement gains (losses) for the year	-	-	-	461,745	461,745	(629,057)
Acquisition of tangible capital assets	(15,889,720)	-	15,889,720	-	-	-
Repayment of long term debt	(192,885)	-	192,885	-	-	-
Accumulated surplus, end of year	\$ (5,415,244)	\$ (12,807,100)	\$38,150,405	\$ 2,022,201	\$ 21,950,262	\$ 20,620,027

17. RELATED PARTY TRANSACTIONS

(a) Other agency operations:

The College is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

(b) Okanagan College Foundation:

The Okanagan College Foundation (the "Foundation") is a separate society formed by the community to facilitate investment in post-secondary education in the region. Their purpose as it relates to Okanagan College is to further the goals, objectives, and strategic interests of Okanagan College; stimulate and provide financial support for the development and expansion of educational programs, services, capital projects, and other initiatives as recommended by Okanagan College that support the mission and goals of Okanagan College; and provide financial support to enable students to participate in learning at Okanagan College and other institutions providing post-secondary education in Canada. The Foundation is a registered charity under the provisions of the Income Tax Act of Canada. The net assets and results of operations of the Foundation have not been included in these financial statements.

Under the Capital Campaign Line of Credit Agreement between Okanagan College and the Foundation, the College may provide funds to the Foundation, up to a maximum of \$1,250,000, by way of a line of credit so as to cover the costs to be incurred by the Foundation in operating and running the Capital Campaign(s).

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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17. RELATED PARTY TRANSACTIONS (continued)

The line of credit payable shall be made free of interest provided that the Foundation shall comply strictly with the terms of the agreement. The Foundation shall repay amounts owed on the line of credit payable pursuant to the terms of this Agreement on the following basis:

- On March 31 in each year, repayment of a minimum of 20% of the pledge payments that are received, to a maximum amount of all outstanding credit; and
- At any time forthwith upon demand from the College.

The balance outstanding of the line of credit payable under the Capital Campaign Line of Credit Agreement as at March 31, 2024 was \$nil (2023 - \$nil). During the year, Okanagan College approved \$291,623 (2023 - \$93,712) for forgiveness of the line of credit agreement.

During the year, the Foundation awarded to Okanagan College grants in the amount of \$575,583 (2023 - \$282,894) to fund specific programs and transferred \$197,008 (2023 - \$127,383) raised in the capital campaigns to support the Kelowna Health Sciences Building and playgrounds for Kelowna and Penticton.

18. CONTRACTUAL OBLIGATIONS

The College has entered into multi-year contracts for construction, property leases, and delivery of services. These contractual obligations will become liabilities in the future when the terms of contracts are met. Amounts related to the unperformed portion of the contracts are shown in the table below.

Contractual obligations related to construction, property leases, and delivery of services are as follows:

	2025	2026	2027	2028	2029	Thereafter	Total
Construction	\$ 22,249,475	\$ 875,000	\$ -	\$ -	\$ -	\$ -	\$ 23,124,475
Property leases	428,506	390,256	374,483	378,914	379,884	8,923,484	10,875,527
Service contracts	1,154,452	371,285	68,839	23,200	-	-	1,617,776
	\$ 23,832,433	\$ 1,636,541	\$ 443,322	\$ 402,114	\$ 379,884	\$ 8,923,484	\$ 35,617,778

19. CONTINGENT LIABILITIES

The College is involved in litigation from time to time, which arises in the normal course of operations. Liabilities related to litigation are recognized in the financial statements when the outcome becomes reasonably determinable. In management's judgement, there is currently no significant negative exposure from existing litigation.

The College is a member of the University, College and Institute Protection Program (UCIPP), which is an actuarially valuated program of self-insurance for the Province of British Columbia that has been in place since 1987. It is one of several self-insurance programs operated within the Insurance and Risk Management Account (IRMA), a special account established under the Financial Administration Act and managed and operated by the Risk Management Branch of the Ministry of Finance. Annually, an independent actuarial firm reviews the claims history, funding levels, and balances in the various programs making up IRMA to ensure it is adequately funded to cover both known claims and incurred (but not reported) losses.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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20. SEGMENTED INFORMATION

Segmentation is defined by the College as groups of activities that have in common that they serve a particular purpose that is unique and meaningful in the post-secondary sector and is well understood by the readers. Costs in these activities are salaries, wages, contracts, benefits, and non-personnel costs such as consulting, travel, printing, supplies, services, repairs, and maintenance.

The College has identified the following segments and associated groups of activities based upon the functional areas of service as provided by various departments within the College:

- (a) Instruction and academic support - This segment includes direct department cost and academic support costs of delivering programs. These costs include personnel and non-personnel operating costs directly held in academic departments.
- (b) Facility and institutional support - This segment captures costs associated with the operation of the following support departments: Board of Governors, Executive Offices, Financial Services, Human Resources, Facilities and Business Services, Information Technology Services, Legal Affairs, and Public Affairs. Costs included within these departments are costs associated with staff recruitment and termination, legal fees, custodial services, grounds maintenance, security, occupational health and safety, and shipping and receiving. In addition, institutional costs such as investment fees, insurance premiums, bank charges, audit fees and employee related costs are included here.
- (c) Enrolment management and student support - This segment, unique to the post-secondary sector, includes enrolment management and student service costs such as student recruitment, student registration, student placement, student counseling and library services. It also includes administrative costs in the Regional Dean's offices in all campus locations, and operating costs for scholarships, fundraising and alumni administration.
- (d) Ancillary operations - This segment includes the activities of the ancillary operations. An ancillary operation is one that provides goods and services to students, staff or others, and that charges a fee directly related to the cost of providing the goods or services. Ancillary operations include parking, food services, student residence and bookstores. Costs associated with this segment include administration and support costs related to these activities.
- (e) Amortization of tangible capital assets - This segment includes the amortization costs of all depreciable assets. Depreciable assets include site improvements, buildings, furniture and equipment and computer equipment.
- (f) Interest on long term debt - Disclosure is required as a separate item under PS 3230.15(f) of the Canadian public sector accounting standards.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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21. EXPENSES BY OBJECT

Total expenses by object are itemized as follows:

	Budget		
	<u>2024</u>	<u>2024</u>	<u>2023</u>
			Restated (note 3)
Salary and benefits	\$ 97,237,193	\$ 108,378,861	\$ 92,699,340
Supplies and services	25,922,860	30,181,878	25,236,523
Amortization of tangible capital assets	8,166,952	8,295,651	8,213,325
Interest on long term debt	139,427	138,950	139,427
	\$ 131,466,432	\$ 146,995,340	\$126,288,615

22. FINANCIAL RISK MANAGEMENT

The College has exposure to the following risks with respect to its financial instruments: credit risk, market risk and liquidity risk.

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

(a) Credit risk

Credit risk is the risk of financial loss to the College if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the College consisting of cash and cash equivalents, investments, and accounts receivable.

The College manages its credit risk through a prudent investment policy approved by the College's Board of Governors. The College's accounts receivable are numerous and diverse and therefore the College has no significant concentration of credit risk. Accounts receivable are carefully monitored and are actively pursued, which includes the use of a collection agency for balances more than three months old. The College's exposure to credit risk is minimal and there was no significant change in exposure from the prior year.

(b) Market risk

Market risk is the risk that changes in market factors, 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 investments.

Interest rate risk is the risk that the fair value of the 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.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

22. FINANCIAL RISK MANAGEMENT (continued)

(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 forecast 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 its reputation.

23. COMPARATIVE FIGURES

Certain comparative figures from the prior year have been reclassified to conform to the presentation format adopted for the current year.

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