

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, and Risk Committee. The Finance, Audit, and Risk Committee reviews internal financial statements on a quarterly basis and external audited financial statements yearly. The Finance, Audit, and 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



Neil Fassina
President



Curtis Morcom
CFO and Vice President, Corporate Services



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, 2025, 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, 2025, and the results of its operations, remeasurement gains and losses, change in its net debt, and cash flows 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 2(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. Had the entity made an adjustment for this departure in the current year, the liability for deferred contributions for tangible capital assets as at March 31, 2025 would have been lower by \$166,236 thousand, revenue, annual surplus and accumulated surplus would have been higher by \$166,236 thousand and net debt would have been lower by \$166,236 thousand.

Independent Auditor's Report

Okanagan College

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

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

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of 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.

Independent Auditor's Report

Okanagan College

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

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

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



Sheila Dodds, CPA, CA, CIA
Acting Auditor General of British Columbia

Victoria, British Columbia, Canada
June 18, 2025

OKANAGAN COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2025

	March 31 2025	March 31 2024
Financial assets		
Cash and cash equivalents (note 3)	\$ 43,032,330	\$ 26,303,017
Investments (note 4)	15,214,709	12,964,043
Accounts receivable (note 5)		
Due from government and other government organizations	618,843	3,089,302
Other	1,676,808	1,914,568
Inventory for resale (note 6)	369,323	487,901
	<u>60,912,013</u>	<u>44,758,831</u>
Liabilities		
Accounts payable and accrued liabilities (note 8)		
Due to government and other government organizations	1,798,120	1,231,787
Other	20,435,871	28,861,315
Long term debt (note 9)	32,296,392	2,317,790
Deferred contributions (note 10)	7,361,694	7,487,704
Deferred revenue (note 11)	11,132,528	12,172,653
Deferred contributions for tangible capital assets (note 12)	166,261,686	156,996,068
Asset retirement obligation (note 13)	570,220	550,870
Employee future benefit obligations (note 14)	13,350,600	12,807,100
	<u>253,207,111</u>	<u>222,425,287</u>
Net debt	<u>(192,295,098)</u>	<u>(177,666,456)</u>
Non-financial assets		
Prepaid expenses and deposits	2,116,957	1,601,583
Tangible capital assets (note 7)	217,403,327	198,015,135
	<u>219,520,284</u>	<u>199,616,718</u>
Accumulated surplus (note 15)	<u>\$ 27,225,186</u>	<u>\$ 21,950,262</u>
Accumulated surplus is comprised of:		
Accumulated surplus	\$ 24,484,012	\$ 19,928,061
Accumulated remeasurement gains	2,741,174	2,022,201
	<u>\$ 27,225,186</u>	<u>\$ 21,950,262</u>
Contractual obligations (note 17)		
Contingent liabilities (note 18)		

Approved on behalf of the Board:



Dale Safinuk
Chair, Board of Governors
June 17, 2025



Neil Fassina
President

OKANAGAN COLLEGE
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2025

	Budget		
	2025	2025	2024
Revenue			
Government grants	\$ 76,969,357	\$ 83,940,145	\$ 80,073,426
Tuition and other fees	54,109,363	56,116,579	50,298,425
Ancillary service sales	6,200,997	6,177,930	4,170,185
Contract services	4,030,767	3,568,052	3,771,380
Other administration fees and sundry	703,576	1,502,998	1,427,101
Investment income	1,090,000	2,263,332	2,311,431
Amortization of deferred contributions for tangible capital assets	6,795,773	6,757,096	5,811,882
	<u>149,899,833</u>	<u>160,326,132</u>	<u>147,863,830</u>
Expense (note 20)			
Instruction and academic support	82,518,357	84,201,659	83,748,590
Facility and institutional support	28,356,735	30,413,311	28,687,368
Enrolment management and student support	23,026,348	25,403,566	22,519,448
Ancillary operations	4,412,375	4,933,255	3,605,333
Amortization of tangible capital assets	9,993,055	9,859,991	8,295,651
Interest on long term debt	1,592,963	958,399	138,950
	<u>149,899,833</u>	<u>155,770,181</u>	<u>146,995,340</u>
Annual surplus	-	4,555,951	868,490
Accumulated surplus, beginning of year	19,928,061	19,928,061	19,059,571
Accumulated surplus, end of year	<u>\$ 19,928,061</u>	<u>\$ 24,484,012</u>	<u>\$ 19,928,061</u>

OKANAGAN COLLEGE
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2025

	2025	2024
Accumulated remeasurement gains, beginning of year	<u>\$ 2,022,201</u>	<u>\$ 1,560,456</u>
Unrealized gain on investments	889,395	687,812
Realized gain on investments, reclassified to statement of operations	<u>(170,422)</u>	<u>(226,067)</u>
Net remeasurement gains for the year	<u>718,973</u>	<u>461,745</u>
Accumulated remeasurement gains, end of year	<u>\$ 2,741,174</u>	<u>\$ 2,022,201</u>

OKANAGAN COLLEGE
STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2025

	Budget		
	2025	2025	2024
Annual surplus (deficit)	\$ -	\$ 4,555,951	\$ 868,490
Acquisition of tangible capital assets	(37,215,000)	(29,248,183)	(44,999,324)
Amortization of tangible capital assets	9,993,055	9,859,991	8,295,651
	<u>(27,221,945)</u>	<u>(14,832,241)</u>	<u>(35,835,183)</u>
Acquisition of prepaid expenses and deposits	-	(2,116,957)	(1,601,583)
Use of prepaid expenses and deposits	-	1,601,583	1,219,770
	<u>-</u>	<u>(515,374)</u>	<u>(381,813)</u>
Net remeasurement gains (losses)	-	718,973	461,745
Increase in net debt	(27,221,945)	(14,628,642)	(35,755,251)
Net debt, beginning of year		<u>(177,666,456)</u>	<u>(141,911,205)</u>
Net debt, end of year	<u>\$ (27,221,945)</u>	<u>\$ (192,295,098)</u>	<u>\$ (177,666,456)</u>

OKANAGAN COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2025

	2025	2024
Net cash inflow (outflow) related to the following activities		
Operating activities		
Annual surplus	\$ 4,555,951	\$ 868,490
Adjust for non-cash items:		
Realized gain on disposal of investments	(170,422)	(226,067)
Actuarial adjustment on long term debt	(160,939)	(25,149)
Accretion expense	19,350	18,045
Amortization of deferred contributions for tangible capital assets	(6,757,096)	(5,811,882)
Amortization of tangible capital assets	9,859,991	8,295,651
	<u>7,346,835</u>	<u>3,119,088</u>
Changes in non-cash working capital		
Accounts receivable	2,708,219	193,366
Prepaid expenses and deposits	(515,374)	(381,813)
Inventory for resale	118,578	(44,762)
Accounts payable and accrued liabilities	(7,859,111)	6,829,933
Deferred revenues	(1,166,135)	1,172,578
Employee future benefit obligations	543,500	792,100
	<u>1,176,512</u>	<u>11,680,490</u>
Capital activities		
Acquisition of tangible capital assets	(29,248,183)	(44,999,324)
Investing activities		
Purchase of investments	(2,211,272)	(913,053)
Proceeds from disposal of investments	850,000	595,866
	<u>(1,361,272)</u>	<u>(317,187)</u>
Financing activities		
Deferred contributions for tangible capital assets	16,022,714	29,109,604
Proceeds of long term debt	30,332,426	-
Repayment of long term debt	(192,885)	(192,885)
	<u>46,162,255</u>	<u>28,916,719</u>
Increase (decrease) in cash and cash equivalents	16,729,313	(4,719,302)
Cash and cash equivalents at beginning of year	26,303,017	31,022,319
Cash and cash equivalents at end of year	<u>\$ 43,032,330</u>	<u>\$ 26,303,017</u>
Supplemental cash flow information		
Cash paid for interest	958,399	138,950
Cash receipts from interest	1,792,207	1,849,937

The accompanying notes are an integral part of these financial statements

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

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. As a result, revenue recognized in the statement of operations and certain related deferred capital contributions are recorded differently under Canadian public sector accounting standards.

(b) Cash and cash equivalents

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

(c) Financial instruments

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.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments consist of cash and cash equivalents, investments, accounts receivable, and accounts payable and accrued liabilities.

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, 2025

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. Tangible capital assets 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 the College's sinking fund investment which is recorded at fair value.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

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 and Accumulated Surplus.

(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 trustee plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service, and highest earnings averaged over five years. 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.

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

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

the form of a depreciable tangible capital asset, in each case for use in providing services, are 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 12, 2024. 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

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the useful 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. CASH AND CASH EQUIVALENTS

	<u>2025</u>	<u>2024</u>
Cash	\$ 38,052,834	\$ 13,359,187
Cash equivalents	<u>4,979,496</u>	<u>12,943,830</u>
	<u>\$43,032,330</u>	<u>\$ 26,303,017</u>

4. INVESTMENTS

Portfolio investments:

	<u>2025</u>	<u>2024</u>
Investments held at fair value:		
Fixed income	\$ 6,188,616	\$ 5,820,201
Equity investments	8,444,371	6,606,600
Alternative investments – pooled mortgage	<u>581,722</u>	<u>537,242</u>
	<u>\$ 15,214,709</u>	<u>\$ 12,964,043</u>

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

5. 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>2025</u>	<u>2024</u>
Due from Provincial government	\$ 191,612	\$ 2,135,696
Due from Federal government	334,150	702,653
Due from other government organizations	93,081	250,953
	\$ 618,843	\$ 3,089,302

(b) Due from other:

	<u>2025</u>	<u>2024</u>
Student receivables	\$ 976,584	\$ 696,478
Other trade receivables	1,160,688	1,638,292
	2,137,272	2,334,770
Allowance for doubtful accounts	(460,464)	(420,202)
	\$ 1,676,808	\$ 1,914,568

6. INVENTORY FOR RESALE

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

	<u>2025</u>	<u>2024</u>
Bookstore	\$ 354,530	\$ 461,994
Other	14,793	25,907
	\$ 369,323	\$ 487,901

In 2025, a total of \$1,822,982 (2024 - \$1,710,939) of inventories were included in the Statement of Operations and Accumulated Surplus as an expense. This includes an amount of \$16,779 (2024 - \$9,379) 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, 2025

7. 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:

Cost	April 1, 2024	Additions	Disposals/ Transfers	March 31, 2025
Land	\$ 672,538	\$ -	\$ -	\$ 672,538
Site improvements	19,204,632	505,094	5,849,907	25,559,633
Buildings	210,877,767	4,925,638	60,595,625	276,399,032
Furniture and equipment	66,158,568	2,610,724	3,251,837	72,021,126
Computer equipment	19,521,200	951,528	-	20,472,729
Assets under construction	54,060,858	20,255,199	(69,721,809)	4,594,248
Total	\$ 370,495,563	\$ 29,248,183	\$ (24,440)	\$ 399,719,306

Accumulated Amortization	April 1, 2024	Amortization Expense	Disposals	March 31, 2025
Site improvements	\$ 13,840,784	\$ 1,359,162	\$ -	\$ 15,199,946
Buildings	78,970,276	5,614,944	-	84,585,220
Furniture and equipment	62,487,442	1,978,494	(24,440)	64,441,496
Computer equipment	17,181,926	907,391	-	18,089,317
Total	\$ 172,480,428	\$ 9,859,991	\$ (24,440)	\$ 182,315,979

Cost	April 1, 2023	Additions	Disposals/ Transfers	March 31, 2024
Land	\$ 672,538	\$ -	\$ -	\$ 672,538
Site improvements	19,185,618	19,014	-	19,204,632
Buildings	206,896,672	3,981,095	-	210,877,767
Furniture and equipment	64,678,369	1,480,199	-	66,158,568
Computer equipment	18,587,722	933,478	-	19,521,200
Assets under construction	15,475,320	38,585,538	-	54,060,858
Total	\$ 325,496,239	\$ 44,999,324	\$ -	\$ 370,495,563

Accumulated Amortization	April 1, 2023	Amortization Expense	Disposals	March 31, 2024
Site improvements	12,786,350	1,054,434	-	13,840,784
Buildings	74,214,978	4,755,298	-	78,970,276
Furniture and equipment	60,912,510	1,574,932	-	62,487,442
Computer equipment	16,270,839	910,987	-	17,181,926
Total	\$ 164,184,677	\$ 8,295,651	\$ -	\$ 172,480,428

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

7. TANGIBLE CAPITAL ASSETS (continued)

Net Book Value	March 31, 2025	March 31, 2024
Land	\$ 672,538	\$ 672,538
Site improvements	10,359,686	5,363,848
Buildings	191,813,812	131,907,491
Furniture and equipment	7,579,631	3,671,126
Computer equipment	2,383,412	2,339,274
Assets under construction	4,594,248	54,060,858
Total	\$ 217,403,327	\$ 198,015,135

Assets under construction

Assets under construction as at March 31, 2025, represent work in progress of \$4,594,248 (2024 - \$54,060,858) on housing in Penticton, 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.

8. 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>2025</u>	<u>2024</u>
Due to Provincial government	\$ 527,043	\$ 48,457
Due to Federal government	1,265,652	1,091,698
Due to other government organizations	5,425	91,632
	<u>\$ 1,798,120</u>	<u>\$ 1,231,787</u>

(b) Due to other:

	<u>2025</u>	<u>2024</u>
Trade payables	\$ 2,861,996	\$ 6,428,491
Accrued payables	1,883,463	6,129,072
Wage payables	4,623,669	4,802,563
Accrued vacation payables	3,493,083	3,195,706
Employee retirement incentive program	2,566,828	-
Student deposits	5,006,832	8,305,483
	<u>\$ 20,435,871</u>	<u>\$ 28,861,315</u>

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

9. LONG TERM DEBT

	<u>2025</u>	<u>2024</u>
Province of British Columbia – Housing \$30,619,000 bonds, unsecured, bears interest at 4.25% payable semi-annually, with the principal repayable at maturity on December 18, 2053	\$ 30,332,426	\$ -
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 2025 is \$2,198,034 (2024 - \$1,844,210).	<u>\$1,963,966</u>	<u>2,317,790</u>
	<u>\$ 32,296,392</u>	<u>\$ 2,317,790</u>

The principle portion of the debt repayments over the next five years and thereafter are as follows:

2025-2026	\$	-
2026-2027		-
2027-2028		-
2028-2029		-
2029-2030		4,162,000
Thereafter		30,619,000

(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:

2025-2026	\$	192,885
2026-2027		192,885
2027-2028		192,885
2028-2029		192,885
2029-2030		<u>96,443</u>
		<u>\$ 867,983</u>

(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, 2025, the balance outstanding on the operating line of credit was \$nil (2024 - \$nil).

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

10. DEFERRED CONTRIBUTIONS

The following table shows the categories of deferred contributions:

	April 1, 2024	Receipts during year	Transferred to revenue	March 31, 2025
Provincial	\$ 6,312,137	\$12,126,111	\$ (12,179,173)	\$ 6,259,075
Federal	1,175,567	974,132	(1,047,080)	1,102,619
	\$ 7,487,704	\$ 13,100,243	\$ (13,226,253)	\$ 7,361,694

11. DEFERRED REVENUES

The following table shows the categories of deferred revenues:

	April 1, 2024	Receipts during year	Transferred to revenue	March 31, 2025
Deferred tuition	\$ 10,789,899	\$55,284,222	\$ (56,116,573)	\$ 9,957,548
Deferred contract fees	949,472	1,451,926	(1,836,653)	564,745
Deferred other revenue	433,282	4,747,003	(4,570,050)	610,235
	\$ 12,172,653	\$ 61,483,151	\$ (62,523,276)	\$ 11,132,528

12. 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>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 156,996,068	\$133,698,346
Deferred contributions received from:		
Provincial government	14,369,747	28,802,313
Federal government	651,325	78,988
Donations	972,885	164,829
Other	28,757	63,474
	173,018,782	162,807,950
Less: Amounts amortized to revenue	(6,757,096)	(5,811,882)
Balance, end of year	\$ 166,261,686	\$156,996,068

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

13. 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 (2024 - \$956,926). A discount rate of 3.64% (2024 – 3.47%), the BC weighted average effective rate as at March 31, 2024, 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 2025 and 2043 with regular replacement, renovation, or disposal of assets.

	<u>2025</u>	<u>2024</u>
Opening balance	\$ 550,870	\$ 532,825
Accretion costs	19,350	18,045
Balance, end of year	\$ 570,220	\$ 550,870

14. 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, 2024, the College Pension Plan has about 18,000 active members, and approximately 11,200 retired members. As at December 31, 2023, the Municipal Pension Plan has about 256,000 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 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.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

14. EMPLOYEE FUTURE BENEFITS (continued)

The Okanagan College paid \$7,874,133 (2024 - \$7,695,754) for employer contributions to the plans in fiscal 2025.

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.

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, and the next valuation will be as at March 31, 2027.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

14. EMPLOYEE FUTURE BENEFITS (continued)

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

	<u>Sick Leave</u>	<u>Retirement and other</u>	<u>2025</u>	<u>2024</u>
Benefit obligation balance, beginning of year	\$ 5,175,200	\$10,428,400	\$ 15,603,600	\$15,770,700
Current service cost	424,900	794,200	1,219,100	1,389,000
Interest cost	232,500	462,600	695,100	448,100
Benefits paid	(735,700)	(1,252,300)	(1,988,000)	(1,770,700)
Actuarial loss/(gain)	-	-	-	(261,800)
Other	-	-	-	28,300
Benefit Obligation Balance, end of year	<u>5,096,900</u>	<u>10,432,900</u>	<u>15,529,800</u>	<u>15,603,600</u>
Unamortized actuarial loss			(2,179,200)	(2,796,500)
Benefit Liability Balance, end of year			<u>\$ 13,350,600</u>	<u>\$ 12,807,100</u>
Components of net benefit expense			<u>2025</u>	<u>2024</u>
Service cost			\$ 1,219,100	\$ 1,389,000
Interest cost			695,100	448,100
Amortization of net actuarial loss			617,300	697,400
Other			-	28,300
Net benefit expense			<u>\$ 2,531,500</u>	<u>\$ 2,562,800</u>

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

	<u>2025</u>	<u>2024</u>
Interest (discount) rate	4.443%	4.443%
Wages and salary escalation rate range	2 – 5.6%	2 – 5.6%
Expected average remaining service life of employees	9 years	9 years

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

15. ACCUMULATED SURPLUS

Accumulated surplus is comprised of the following:

	<u>2025</u>	<u>2024</u>
Investment in tangible capital assets	\$ 18,275,028	\$ 38,150,405
Internally restricted		
Faculty and department reserves	2,377,251	2,286,394
Ancillary reserves	666,939	-
Unrestricted	16,515,394	(7,701,638)
Unfunded employee future benefit obligations	(13,350,600)	(12,807,100)
Accumulated remeasurement gains	2,741,174	2,022,201
	<u>\$ 27,225,186</u>	<u>\$ 21,950,262</u>

Investment in tangible capital assets represents the cost of capital assets acquired by the College, net of funding from restricted capital contributions, debt, and asset retirement obligations.

Faculty and department reserves are professional development and alumni funds permitted to carry forward at the end of each year per the collective agreements.

Ancillary reserves represent accumulated funds held for the capital requirements of ancillaries for Parking Services and Housing.

Unrestricted represents amounts from the College's operating activities.

16. 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.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

16. RELATED PARTY TRANSACTIONS (continued)

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).

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, 2025 was \$nil (2024 - \$nil). During the year, Okanagan College approved \$460,180 (2024 - \$291,623) for forgiveness of the line of credit agreement.

During the year, the Foundation awarded to Okanagan College grants in the amount of \$496,447 (2024 - \$575,583) to fund specific programs and transferred \$661,294 (2024 -\$197,008) raised in the capital campaigns to support the Kelowna Health Sciences Building and Vernon childcare spaces.

17. 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, leases (equipment, fleet vehicles, and property), and delivery of services are as follows:

	2026	2027	2028	2029	2030	Thereafter	Total
Construction	\$ 13,018,885	\$ 15,169,846	\$ -	\$ -	\$ -	\$ -	\$ 28,188,731
Leases	606,918	602,256	487,292	381,155	367,262	8,556,222	11,001,106
Service contracts	1,816,565	612,096	387,313	362,696	400	-	3,179,070
	\$ 15,442,368	\$ 16,384,198	\$ 874,605	\$ 743,851	\$ 367,662	\$ 8,556,222	\$ 42,368,906

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

18. 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.

19. 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.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

19. SEGMENTED INFORMATION (continued)

- (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.

20. EXPENSES BY OBJECT

Total expenses by object are itemized as follows:

	Budget	2025	2025	2024
Salary and benefits	\$ 108,765,733	\$ 113,117,001	\$108,378,861	
Supplies and services	29,548,082	31,834,790	30,181,878	
Amortization of tangible capital assets	9,993,055	9,859,991	8,295,651	
Interest on long term debt	1,592,963	958,399	138,950	
	\$ 149,899,833	\$ 155,770,181	\$146,995,340	

21. 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.

OKANAGAN COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

21. FINANCIAL RISK MANAGEMENT (continued)

(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.

(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.