Financial Statements of

Year ended March 31, 2020

Statement of Management Responsibility

The financial statements have been prepared by management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes of the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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

On behalf of Vancouver Community College

Ajay Patel
President and CEO
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Jamie Choi
CFO (Interim)
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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

I have audited the accompanying financial statements of Vancouver Community College (³WKH HQWLW\´), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Vancouver Community College as at March 31, 2020, and the results of its operations, change in its net debt, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Qualified Opinion

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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 RI WKH HQWLW\¶V ILQ statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Deferral of revenues

As described in Note 3 to the Financial SWDWHPHQWV, WKH HQWLW\¶V 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.

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My objectives are to obtain reasonable assurance about whether the HQWLW\¶V financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an DXGLWRU¶V UHSRUW WKDW LQFOXGHV 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¶V internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure

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.

[redacted]

Victoria, British Columbia, Canada
May 31, 2020

OFFICE OF THE Auditor General of British Columbia

Statement of Financial Position

March 31, 2020, with comparative information for 2019

Cash and cash equivalents	$	30,600,051	27.96 54 7rB

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

See accompanying notes to financial statements.

Approved on behalf of the Board:

Statement of Operations and Accummulated Surplus

Year ended March 31, 2020, with comparative information for 2019

	(note 2 k)		
Province of British Columbia grants and contributions	$ 61,619,837	$ 62,128,367	$ 60,301,696
Province of British Columbia contracts	1,225,317	1,353,869	1,553,641
Federal Government grants and contracts	4,021,672	4,611,546	4,185,447
Tuition and student fees	39,283,044	40,135,972	33,535,422
Sales of goods and services	6,215,213	5,908,777	6,141,135
Other grants and contracts	430,039	923,976	1,468,604
Miscellaneous income	2,534,212	2,720,497	2,524,251
Investment income	400,000	707,535	451,667
Revenue recognized from deferred capital contributions	5,360,125	5,471,593	5,074,488
	121,089,459	123,962,133	115,236,351
(note 17)			
Instruction and instructional support	113,511,429	115,196,550	105,777,737
Ancilliary operations	6,478,541	6,666,676	6,636,403
Special purpose funds	1,099,489	1,206,091	1,156,941
	121,089,459	123,069,317	113,571,081
	$ -	$ 892,816	$ 1,665,270
Accumulated surplus, beginning of year	20,611,511	20,611,511	18,946,241
Accumulated surplus, end of year	$ 20,611,511	$ 21,504,327	$ 20,611,511

See accompanying notes to financial statements.

Statement of Change in Net Debt

Year ended March 31, 2020, with comparative information for 2019

	(note 2 k)		
Annual surplus (deficit)	$ -	$ 892,816	$ 1,665,270
(Acquisition) of tangible capital assets	(3,000,000)	(9,675,878)	(6,753,677)

See accompanying notes to financial statements.

Statement of Cash Flows

Vancouver Community College (the “College”) is a post-secondary educational institution funded in part by the Province of British Columbia and incorporated under the College and Institute Act on November 28, 1978. The College is a not-for-profit entity governed by a Board of Governors, the majority of whom are

(a) Basis of accounting (continued):

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian Public Sector Accounting Standards which requires government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410. As a result, revenue recognized in the Statement of Operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(b) Cash and cash equivalents:

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

(c) Financial instruments:

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

(i) Fair value category: Portfolio investments in equity instruments that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and related balances reversed from the Statement of Remeasurement Gains and Losses.

(ii) Cost category: Gains and losses are recognized in the Statement of Operations when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

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

(iv) The following items are included in the cost category and measured as follows:

(A) Accounts receivable are measured at amortized cost using the effective interest method.

(B) Investments are comprised of a term deposit that is capable of prompt liquidation. The investments are cashable on demand and are recorded at amortized cost based on the transaction price on the trade date. All interest income, gains and losses are recognized in the Statement of Operations in the period in which they arise.

(C) Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

(d) Inventories for resale:

Inventories held for resale, including books and school supplies, are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated selling price less any costs to sell.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest during construction is capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of cost and replacement cost.

Cost includes the original purchase cost, plus shipping and applicable duties. Replacement cost is the estimated current cost to replace the items.

(iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period where the service benefits are received.

(f) Employee future benefits:

(i) The College and its employees make contributions to the College Pension and Municipal Pension Plans which are multi-employer joint trustee plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings. Defined contribution plan accounting is applied because sufficient information is not available to apply defined benefit accounting. Contributions are expensed as they become payable.

(ii) Sick leave benefits are also available to the College's employees. The costs of these benefits are actuarially determined based on length of service and best estimates of benefit usage, retirement ages and expected future salary and wage increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected employee average remaining service life. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation completed March 31, 2020.

(iii) The College provides long-service and gratuity benefits to the employees. The costs of these benefits are actuarially determined based on length of service and best estimates of benefit usage, retirement ages and expected future salary and wage increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected employee average remaining service life. The most recent valuation of the College's future employee benefits was completed March 31, 2020.

(iv) Employees who are members of the Faculty Association who are retiring at age 55 or over and who receive pension under the provisions of the Pension Act, receive a benefit where the College pays for Group Life Insurance premiums equivalent to the lesser of $10,000 or the coverage in effect immediately preceding retirement for five years. These benefits are recognized based on the net present value of the expected obligations.

(v) Certain College employees are entitled to the continuation of health and dental benefits while on disability leave. The accrued benefit obligation for currently disabled employees was estimated by an actuarial valuation for accounting purposes at March 31, 2020. The costs of insured benefits

and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the statement of financial position date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the Statement of Operations.

(k) Budget figures:

The budget figures have been derived from the 2019/20 Budget approved by the Board of Governors of the College on April 10, 2019. The budget is reflected in the Statement of Operations and the Statement of Changes in Net Debt.

(l) Measurement uncertainty:

The preparation of the financial statements in accordance with Canadian Public Sector Accounting(j3(nc)5/3 (o 0r6 (

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

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, 2018, indicated a $303 million surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a $2,866 million funding surplus for basic pension benefits on a going concern basis.

The College paid $6,627,011 (2019 - $6,202,197) for employer contributions to the plan in fiscal 2020.

The next valuation for the College Pension Plan will be as at August 31, 2021, with results available in 2022. The next valuation for the Municipal Pension Plan will be December 31, 2021, with results available in 2022.

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

Deferred revenue includes grants, contributions and

Deferred capital contributions are comprised of the following:

(b) Computer and copier equipment

During 2017/18 up to 2019/20, the College has entered into various capital leases for computer and copier equipment. The future minimum lease payments for all computer and copier equipment capital lease is as follows:

Total interest on leases for the year was $449,714 (2019 – $413,024).

For the year ended March 31, 2020, gift in kind donations from the Foundation to the College were $96,483 (2019 - $37,599) of which $0 (2019- $0) was recorded as tangible capital assets.

The College contributed $600,000 (2019 - $0) to the Foundation for the restricted purpose of future campus projects.

(a) Building construction contracts:

During the year ended March 31, 2009, the College completed construction of a new campus building. At year end, the College has an outstanding letter of credit with the City of Vancouver, secured by a term deposit for $237,500. This letter of credit will be held until Phase II of the campus redevelopment has been completed.

(b) Operating lease land

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

Payments required under this lease are as follows:

2021	$	127,438
2022		127,438
2023		127,438
2024		127,438
2025		135,910
Thereafter		3,159,023
Total minimum lease payments	$	3,804,685

(c) Service contracts:

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

2021	$	3,197,143
2022		210,000
2023		210,000
2024		210,000
2025		52,500
Thereafter		-
	$	3,879,643