

Financial Statements of



And Independent Auditors' Report thereon

Year ended March 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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 is management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. The significant accounting policies are summarized 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 College of New Caledonia Board 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 external audited financial statements yearly and the internal financial reports on a regular basis. The external auditor has full access to the Finance and Audit Committee, with and without management present.

KPMG conducts an independent examination, in accordance with Canadian auditing standards, and expresses an opinion on the financial statements. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of the examination and their opinion on the financial statements.



Tara Szerencsi
Vice President, Finance & Corporate Services



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INDEPENDENT AUDITORS' REPORT

To the Board of the College of New Caledonia, and
To the Minister of the Ministry of Advanced Education, Skills & Training, Province of
British Columbia

Opinion

We have audited the financial statements of the College of New Caledonia (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- the statements of operations and accumulated surplus for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2020 of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Financial Reporting Framework

We draw attention to Note 2(a) of the financial statements, which describes the basis of accounting and significant differences between such basis of accounting and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.



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

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of 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 unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We 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 our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.



- 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 we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Prince George, Canada

June 5, 2020

Statement of Financial Position
(\$ in thousands)

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

	2020	2019
Financial assets		
Cash and cash equivalents (note 3)	\$ 38,166	\$ 39,294
Investments (note 4)	1,000	1,000
Accounts receivable (note 5)	3,136	2,022
Inventories for resale	553	522
	<u>42,855</u>	<u>42,838</u>
Financial liabilities		
Accounts payable and accrued liabilities (note 6)	16,342	16,907
Accrued leave entitlement	3,957	3,519
Employee future benefits (note 7)	2,214	2,185
Deferred contributions (note 8)	8,842	8,053
Deferred revenue (note 9)	3,301	3,596
Deferred capital contributions (note 10)	103,679	95,530
Long-term debt, net of sinking funds (note 11)	1,335	1,406
	<u>139,670</u>	<u>131,196</u>
Net debt	(96,815)	(88,358)
Non-financial assets		
Endowment (note 12)	4,742	4,677
Long-term usage rights	7	13
Tangible capital assets (note 13)	113,246	104,100
Prepaid expenses	1,186	522
	<u>119,181</u>	<u>109,312</u>
Accumulated surplus (note 14)	<u>\$ 22,366</u>	<u>\$ 20,954</u>

Contractual obligations (note 15)
Contingent liabilities (note 16)
Subsequent event (note 22)

See accompanying notes to financial statements.

Approved on behalf of the board:

Chairman of the Board



Vice President, Finance & Corporate Services

Statement of Operations and Accumulated Surplus
(\$ in thousands)

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

	Budget (note 19)	2020	2019
Revenue:			
Ministry of Advanced Education and ITA grants	\$ 38,449	\$ 39,622	\$ 37,877
Ancillary services	3,388	3,218	3,175
Tuition	20,268	24,431	20,786
Special projects	114	258	202
Amortization of deferred capital contributions	3,385	3,616	3,119
Other	6,629	7,788	6,927
	72,233	78,933	72,086
Expenses (note 17):			
Instruction	43,438	45,215	43,311
Student and institutional support	15,668	16,325	11,159
Facilities operations, maintenance and infrastructure	5,946	8,158	6,444
Amortization	3,808	4,303	3,833
Ancillary services	3,259	3,195	3,238
Specific projects	114	357	290
	72,233	77,553	68,275
Excess of revenue over expenses before endowment donations and matching grants	-	1,380	3,811
Endowment donations and matching grants	-	32	262
Annual surplus	-	1,412	4,073
Accumulated surplus, beginning of year	20,954	20,954	16,881
Accumulated surplus, end of year	\$ 20,954	\$ 22,366	\$ 20,954

See accompanying notes to financial statements.

Statement of Changes in Net Debt
(\$ in thousands)

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

	Budget (note 19)	2020	2019
Annual surplus	\$ -	\$ 1,412	\$ 4,073
Acquisition of tangible capital assets	-	(13,449)	(20,289)
Amortization of tangible capital assets	3,808	4,303	3,826
Amortization of track usage rights	-	6	7
	3,808	(9,140)	(16,456)
Endowment contributions	-	(65)	(287)
Use of prepaid expenses	-	(664)	(18)
	-	(729)	(305)
Decrease (increase) in net debt	3,808	(8,457)	(12,688)
Net debt, beginning of year	(88,358)	(88,358)	(75,670)
Net debt, end of year	\$ (84,550)	\$ (96,815)	\$ (88,358)

See accompanying notes to financial statements.

Statement of Cash Flows
(\$ in thousands)

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

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,412	4,073
Items not involving cash:		
Amortization of tangible capital assets	4,303	3,826
Amortization of track usage rights	6	7
Revenue recognized from deferred capital contributions	(3,621)	(3,119)
Change in non-cash operating working capital:		
Accounts receivable	(1,114)	102
Prepaid expenses	(664)	(18)
Inventories for resale	(31)	39
Accounts payable and accrued liabilities	(565)	5,544
Accrued entitlement leave	438	229
Employee future benefits	29	66
Deferred contributions and revenue	494	(434)
Net change in cash from operating activities	687	10,315
Capital activities:		
Acquisition of tangible capital assets	(13,449)	(20,289)
Net change in cash from capital activities	(13,449)	(20,289)
Financing activities:		
Capital contributions received	11,770	18,736
Cash restricted for repayment of long-term debt	(71)	(68)
Net change in cash from financing activities	11,699	18,668
Investing activities:		
Endowments	(65)	(287)
Net change in cash from investing activities	(65)	(287)
Increase in cash and cash equivalents	(1,128)	8,407
Cash and cash equivalents, beginning of year	39,294	30,887
Cash and cash equivalents, end of year	\$ 38,166	\$ 39,294

See accompanying notes to financial statement

1. Nature of operations:

The College of New Caledonia (the “College”) is a post-secondary educational institution funded by the Province of British Columbia (the “Province”) and incorporated under *the College and Institute Act* of British Columbia. The British Columbia Ministry of Advanced Education, Skills & Training (the “Ministry”) provides the principal source of funding. The College is governed by a Board of Governors, the majority of which are appointed by the Province. The College is a registered charity and is therefore exempt from income taxes under section 149 of the *Income Tax Act*.

2. Significant accounting policies:

The financial statements of the College are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the College are as follows:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections.

Regulation 198/2011 requires that restricted contributions received or receivable for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be deferred and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

2. Significant accounting policies (continued):

(a) Basis of accounting (continued):

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- 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 Government Transfers; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100 Restricted Assets and Revenues; and
- deferred contributions met the liability criteria in accordance with PS3200 Liabilities.

As a result, revenue recognized in the statement of operations and accumulated surplus and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(b) Inventories for resale:

Inventories held for resale, comprised of bookstore inventory, is recorded at the lower of average 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.

(c) 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.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Category	Period
Buildings	5 - 70 years
Furniture, fixtures and equipment	5 - 30 years

2. Significant accounting policies (continued):

(c) Tangible capital assets (continued):

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the College's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed tangible capital assets are recorded at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

(d) Employee future benefits:

(i) The College and its employees contribute to the College Pension Plan and the Municipal Pension Plan, which are multi-employer joint trustee plans. The plans are defined benefit plans providing a pension on retirement based on the member's age at retirement, length of service and earnings. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as defined contribution plans and any contributions of the College to the plans are expensed as incurred.

(ii) Sick leave benefits are also available to certain College employees. The costs of these benefits is actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations 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 average remaining service life of the employees. Similarly, the cost and obligation of non-vesting sick leave benefits is actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

(iii) 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.

(iv) The costs of insured benefits reflected in these financial statements are the employer's portion of the insurance premiums owed for coverage of employees during the period.

2. Significant accounting policies (continued):

(e) Prepaid expenses:

Prepaid expenses include lease and contract payments that will be charged to expense over the periods the College is expected to benefit from them.

(f) Revenue recognition:

Tuition and student fees and sales of inventory are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured. Revenue related to fees or services received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or service performed.

Fee for services revenues and expenditures are recognized as activities are performed, using the percentage of completion method. Provision for all anticipated losses is made in the period in which they become evident.

Unrestricted contributions, donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors. Under Restricted Contributions Regulation 198/2011, government transfers are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

2. Significant accounting policies (continued):

(f) Revenue recognition (continued):

- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.

Investment income includes interest recorded on an accrual basis, 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.

(g) Expenses:

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

(h) Financial instruments:

Financial assets and financial liabilities are measured at cost or amortized cost, less any permanent impairment in value. The College does not hold any derivatives or equity investments that require fair value reporting and has not elected to record any other financial instruments at fair value.

A statement of remeasurement gains and losses is not presented as the College did not have remeasurement transactions to report.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

(i) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of change in value. These short term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short term cash commitments rather than investing.

2. Significant accounting policies (continued):

(j) Measurement uncertainty:

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Key areas where management has made estimates and assumptions include those related to the determination of the useful lives of tangible capital assets, amortization of related deferred capital contributions, determination of employee future benefits, and provisions for accounts receivable and contingencies. Where actual results differ from these estimates and assumptions, the impact is recorded in future periods when the differences become known.

3. Cash and cash equivalents:

Cash and cash equivalents includes cash and cash equivalents on deposit and amounts held under the Province of British Columbia Central Deposit Program which pays interest at prime minus 1.5% and are refundable on 3 days' notice.

4. Investments:

Investments consist of guaranteed investment certificates which are held at a Canadian chartered bank, earning interest ranging from 2.2% to 2.3% (2019 – 2.0% to 2.3%), and mature December 2020.

5. Accounts receivable:

	2020	2019
Accruals	\$ 921	\$ 323
General	1,446	912
Students	216	224
Other	702	712
Allowance for doubtful accounts	(149)	(149)
	\$ 3,136	\$ 2,022

Notes to Financial Statements
(\$ in thousands)

Year ended March 31, 2020

6. Accounts payable and accrued liabilities:

	2020	2019
Trade	\$ 4,021	\$ 2,699
Student deposits	5,911	9,698
Payroll	2,921	1,087
Accruals	1,058	1,653
Other	2,431	1,770
	\$ 16,342	\$ 16,907

7. Employee future benefits:

(a) Employee future benefits:

Certain employees of the College are entitled to sick leave benefits in accordance with the terms and conditions of their employment contracts. These include post-retirement benefits, benefits that are expected to be provided after employment but prior to retirement and which vest or accumulate during service; and compensated absence benefits, benefits paid during employment, including sick pay benefits that accumulate and are payable upon a future illness or injury-related absence. The benefit expense associated with the covered benefits attributed to the accounting period is included in the College's statement of operations and the accrued benefit liability for the benefits attributed to employee service to the accounting date are included in the College's statement of financial position. The accrued benefit obligation and the net periodic benefit costs were estimated by an actuarial valuation completed in March 2020.

	2020	2019
Accrued benefit obligation:		
Balance, beginning of the year	\$ 1,727	\$ 1,747
Current benefit cost, net	(151)	74
Benefits paid	(94)	(94)
Accrued benefit liability, end of year	1,482	1,727
Unamortized actuarial gain	732	458
Accrued benefit obligation, end of year	\$ 2,214	\$ 2,185

7. Employee future benefits (continued):

The components of the net benefit expense for this item are as follows:

	2020	2019
Projected service cost	\$ 136	\$ 151
Interest expense	45	54
Recognition of net actuarial gain	(332)	(131)
	\$ (151)	\$ 74

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

	2020	2019
Discount rates	2.5%	2.75%
Expected future inflation rates	2.00%	2.00%
Expected wage and salary increases	1.14%	1.14%

(b) Pension plans:

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 pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2019, the College Pension Plan has about 15,000 active members, and approximately 8,000 retired members. As at December 31, 2018, the Municipal Pension Plan has about 205,000 active members, including approximately 6,000 from colleges.

7. Employee future benefits (continued):

(b) Pension plans (continued):

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 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 funding surplus for basic pension benefits. The next valuation will be August 31, 2021, with results available in 2022. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits. The next valuation will be December 31, 2021, with results available later in 2022.

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 the plans in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The College paid \$3,729 (2019 – \$3,370) for employer contributions and \$3,581 (2019 - \$3,232) in employee contributions to the plans in fiscal 2020.

Notes to Financial Statements
(\$ in thousands)

Year ended March 31, 2020

8. Deferred contributions:

Deferred contributions are comprised of funds restricted by the following sources:

	April 1, 2019	Receipts during year	Recognized to revenue	March 31, 2020
Ministry of Advanced Education	\$ 3,612	\$ 1,918	\$ 1,597	\$ 3,933
Other Provincial ministries and corporations	1,582	963	1,215	1,330
Other	2,859	2,835	2,115	3,579
	<u>\$ 8,053</u>	<u>\$ 5,716</u>	<u>\$ 4,927</u>	<u>\$ 8,842</u>

9. Deferred revenue:

Deferred revenue includes tuition and other fees received in advance of the related activity performed:

	2020	2019
Tuition fees	\$ 2,434	\$ 2,741
Other	867	855
	<u>\$ 3,301</u>	<u>\$ 3,596</u>

10. Deferred capital contributions:

Continuity of deferred capital contributions is as follows:

	2020	2019
Balance, beginning of year	\$ 95,530	\$ 79,913
Contributions received during the year	11,005	16,100
Amortization of deferred capital contributions	(3,621)	(3,125)
Unspent contributions	765	2,642
Balance, end of year	\$ 103,679	\$ 95,530

Notes to Financial Statements
(\$ in thousands)

Year ended March 31, 2020

11. Long term debt, net of sinking fund:

	2020	2019
Ministry of Finance loan, repayable in annual payments of 0.88% of the principal amount in each year prior to maturity. Interest payments at 9.00% per annum payable semi-annually. Matures August, 2024.	\$ 2,575	\$ 2,575
Sinking fund asset	(1,240)	(1,169)
	\$ 1,335	\$ 1,406

Sinking fund payments in the next four years are as follows:

2021	\$ 23
2022	23
2023	23
2024	612
	681
Estimated sinking fund income	654
	\$ 1,335

12. Endowments

	2020	2019
Prescribed long-term securities	\$ 4,179	\$ 4,229
Interest bearing bank account	687	555
Accounts receivable	13	12
Accounts payable and deferred revenue	(137)	(119)
	\$ 4,742	\$ 4,677

Notes to Financial Statements
(\$ in thousands)

Year ended March 31, 2020

12. Endowments (continued):

The College has established a permanent endowment fund to provide income from which scholarships and bursaries can be awarded to students at the College. The capital of the fund is provided partly from designated funds, partly through donations from third parties and partly by matching government or other grants; the capital cannot be used for any other purpose.

As at March 31, 2020, the College received \$32 (2019 - \$262) of external contributions and has internally transferred \$33 (2019 - \$27) to endowments.

Long-term securities are composed mainly of GICs and provincial bonds. Effective interest rates are between 2.09% and 2.72% (2019 – 2.05% and 4.4%) with maturities in 2020 and 2021.

Not included elsewhere in these financial statements are investments with the Prince George Community Foundation with an estimated market value of \$425 (2019 - \$464) and the Vancouver Foundation with a market value of \$456 (2019 - \$500). These amounts are held in perpetuity by the stated Foundations and because they are not controlled by the College are not included as assets of the College. The College does receive payments from these investments based on investment earnings of the Foundations and reports this as income when declared. During the year, the College received \$19 (2019 - \$19) in interest income from these investments.

13. Tangible capital assets:

Cost	March 31, 2019	Additions	Transfers/ Disposals	March 31, 2020
Land	\$ 3,293	\$ -	\$ -	\$ 3,293
Buildings	125,813	11,737	-	137,550
Furniture, fixtures and equipment	40,241	1,712	-	41,953
	\$ 169,347	\$ 13,449	\$ -	\$ 182,796

Accumulated amortization	March 31, 2019	Disposals	Amortization Expense	March 31, 2020
Buildings	\$ 34,992	\$ -	\$ 2,713	\$ 37,705
Furniture, fixtures and equipment	30,255	-	1,590	31,845
	\$ 65,247	\$ -	\$ 4,303	\$ 69,550

Notes to Financial Statements
(\$ in thousands)

Year ended March 31, 2020

13. Tangible capital assets (continued):

	Net book value March 31, 2019	Net book value March 31, 2020
Land	\$ 3,293	\$ 3,293
Buildings	90,831	99,845
Furniture, fixtures and equipment	9,986	10,108
	\$ 104,100	\$ 113,246

14. Accumulated Surplus

The components of accumulated surplus are as follows:

	2020	2019
Investment in tangible capital assets	\$ 9,003	\$ 8,820
Endowment funds	4,742	4,677
Internally restricted and unrestricted amounts	8,621	7,457
	\$ 22,366	\$ 20,954

15. Contractual obligations:

Operating leases:

The College is committed to minimum annual lease payments under various operating leases. The future minimum annual payments over the next two years are as follows:

2021	\$ 146
2022	128
2023	128
	\$ 402

16. Contingent liabilities:

The College may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of business. At March 31, 2020, there are claims outstanding and management has determined the outcome to be undeterminable and thus no accrual has been recorded. It is considered that the potential claims would not materially affect the College's financial statements and any amounts ultimately settled will be recorded in the period in which the claim is resolved.

17. Expenses by object:

The following is a summary of expenses by object:

	2020	2019
Salaries and benefits	\$ 53,113	\$ 47,700
Supplies and services	8,145	7,463
Contract and professional services	5,299	4,245
Costs of goods sold	1,674	1,868
Utilities	1,706	1,684
Facility infrastructure maintenance	2,544	498
Interest	232	232
Scholarships and bursaries	537	752
Amortization	4,303	3,833
	\$ 77,553	\$ 68,275

18. Financial risk management:

It is management's opinion that the College is not exposed to significant interest, currency, liquidity or credit risks arising from its financial instruments. The carrying value of cash and cash equivalents, accounts receivable and accounts payables and accrued liabilities approximate fair value because of the short maturity of these instruments.

19. Budget data:

Budget figures have been provided for comparative purposes and have been derived from the budget approved by the Board of the College on April 26, 2019. The budget is reflected in the statement of operations and the statement of changes in net debt.

20. Related parties:

The College is related through common ownership to all Province of British Columbia ministries, agencies, crown corporations, school districts, health authorities, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

21. Contractual rights:

The College has entered into contracts or agreements in the normal course of operations that it expects will result in the realization of assets and revenues in future fiscal years. The College is the recipient of research grants from various federal, provincial, and municipal funding agencies. These funding agreements do not abnormally impact the College's financial position and do not guarantee the College the right to future funding.

22. Subsequent event:

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. Subsequent to March 31, 2020, the situation continues to be dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the College is not known at this time. The current challenging economic climate may lead to adverse changes in cash flows and working capital levels, which may also have a direct impact on the operating results and financial position of the College in the future.