



Fin n i n

OKANAGAN COLLEGE

Financial Statements

For the Year ended March 31, 2007

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STATEMENT 1

2006	
TOTAL	
\$	
092	8,152,973
169	-
223	3,883,289
-	7,112,589
758	475,556
-	-
242	19,624,407
644	52,457,831
886	72,082,238
987	3,278,451
937	66,341
953	5,289,108
248	2,347,479
125	10,981,379
447	1,640,889
329	10,657,701
218	35,237,630
519	58,517,599
142	13,573,272
149)	(7,654,424)
174	7,645,791
167	13,564,639
886	72,082,238

OKANAGAN COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007
(with comparative figures for 2006)

	2007	2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Revenue over Expenses (Statement 2)	8,320,634	6,765,520
Adjust for non-cash items		
Gain on sale of Investments	(77,465)	-
Amortization of Deferred Contributions for Capital Assets	(2,329,897)	(2,030,585)
Amortization of Capital Assets	5,376,277	3,643,644
	<u>11,289,549</u>	<u>8,378,579</u>
Changes in non-cash working capital		
Decrease (Increase) in Accounts Receivable	866,066	(1,701,606)
Increase in Inventory	(94,202)	(127,927)
Increase in Accounts Payable and Accrued Liabilities	131,536	3,158,854
(Decrease) Increase in Unfunded Accrued Payroll Benefits	(1,797,103)	587,436
(Decrease) Increase in Deferred Revenues	(371,155)	4,773,433
Cash Flows From Operating Activities	<u>10,024,691</u>	<u>15,068,769</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Marketable Securities	(12,307,622)	-
Proceeds from Sale of Investments	4,087,918	-
Purchase of Capital Assets	(7,853,090)	(8,078,425)
Cash Flows From Investing Activities	<u>(16,072,794)</u>	<u>(8,078,425)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred Contribution for Future Capital Acquisitions received (Note 7)	25,485	1,716,812
Decrease in Sinking Fund Debenture Debt	-	(2,017,878)
Repayment of Bank Debt	(65,846)	(62,967)
Cash Flows From Financing Activities	<u>(40,361)</u>	<u>(364,033)</u>
(Decrease) Increase in Cash During the Year	<u>(6,088,464)</u>	<u>6,626,311</u>
Cash at Beginning of Year	8,152,973	-
Transfers to other Entities (Note 3)	(80,737)	-
Transfers from Okanagan University College (Note 3)	7,292,320	1,526,662
Cash at End of Year	<u>9,276,092</u>	<u>8,152,973</u>

OKANAGAN COLLEGE

Notes to Financial Statements For the Year ended March 31, 2007

Okanagan College (the “College”) was designated by Order in Council on November 26, 2004, and began operations April 1, 2005. The College operates under the authority of the College and Institute Act of British Columbia. The College is a not-for-profit entity and is exempt from income tax under section 149 of the Income Tax Act.

1. Significant Accounting Policies

(a) Fund Accounting

The College follows Canadian generally accepted accounting principles for not-for-profit organizations and applies such principles consistently. The resources and operations of the College are segregated into various funds for accounting and financial reporting purposes, each being treated as a separate entity with responsibility for the stewardship of the assets allocated to it.

The Operating Fund includes revenues and expenditures related to the general instructional, administrative and other operationa services; student housing; student parking; and duplicating services.

The Specific Purpose Fund includes revenues and expenditures relating to special projects, which are undertaken by the College, and specially funded by agencies, donors, governments or appropriations from the Operating Fund. The Specific Purpose fund balance represents the balance of externally restricted funds held pending disbursement.

The Capital Fund accounts for funds received and expended for the acquisition of capital assets.

(b) Revenue Recognition

The College follows the deferral method of accounting for contributions.

Operating contributions, including grants from the Ministry of Advanced Education, are recognized as revenue in the period when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions including capital grants from the Ministry of Advanced Education are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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Notes to Financial Statements
For the Year ended March 31, 2007

Deferred contributions related to capital assets represent the unamortized and unspent amount of externally restricted contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations and changes in fund balances.

Externally restricted non-capital contributions are deferred and are 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, which are not externally restricted, are recognized as revenue when they are received.

Revenue from academic and vocational related tuition fees are recognized as revenue in the semester in which the course or program begins. Any portion of the tuition fee revenue relating to the period subsequent to March 31 is recorded as revenue in the current period as the fees are not refundable to the students.

(c) Investments

OKANAGAN COLLEGE

Notes to Financial Statements For the Year ended March 31, 2007

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(g) Financial Instruments

The College's financial instruments consist of cash, marketable securities, accounts receivable, accounts payable and accrued liabilities, bank debt and unfunded accrued payroll benefits. Unless otherwise noted, it is management's opinion that the College is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted

2. Marketable Securities

The portfolio of marketable securities is invested through Genus Capital Management. The market value of the portfolio of marketable securities at March 31, 2007 is \$8,308,677.

3.

OKANAGAN COLLEGE
Notes to Financial Statements
For the Year ended March 31, 2007

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Notes to Financial Statements For the Year ended March 31, 2007

4. Capital Assets

	----- Cost -----			----- Accumulated Amortization -----			2007	2006
	Opening Balance	Current Year Changes (Net)	Closing Balance	Opening Balance	Current Year Amortization	Closing Balance	Net Book Value	Net Book Value
	\$	\$	\$	\$	\$	\$	\$	\$
Land	885,273	-	885,273	-	-	-	885,273	885,273
Site Improvements	4,909,260	378,507	5,287,767	4,123,594	185,550	4,309,144	978,623	785,666
Buildings – Steel/Concrete	57,733,170	3,121,834	60,855,004	19,399,238	1,482,352	20,881,590	39,973,414	38,333,932
Buildings – Woodframe	2,147,382	-	2,147,382	1,115,795	107,369	1,223,164	924,218	1,031,587
Furniture and Equipment	33,421,933	2,364,674	35,786,607	28,524,369	1,740,734	30,265,103	5,521,504	4,897,564
Computer Equipment	9,652,698	175,634	9,828,332	6,661,663	1,011,500	7,673,163	2,155,169	2,991,035
Library Books	11,706,670	554,473	12,261,143	8,545,172	599,857	9,145,029	3,116,114	3,161,498

OKANAGAN COLLEGE
Notes to Financial Statements
For the Year ended March 31, 2007

6. Unfunded Accrued Payroll Benefits

	2007	2006
	\$	\$
Holiday Pay	2,257,799	2,099,437
Severance on Resignation	444,278	457,497
Retirement Allowance benefits	8,506,000	10,448,246
Total unfunded accrued payroll benefits	11,208,077	13,005,180
Less: current portion	2,730,248	2,347,479
Long term portion	8,477,829	10,657,701

The College accrues holiday pay and severance on resignation entitlements as they are earned by the employee; however, it is expected that these unfunded liabilities will be met on a continuous basis over the long term. Payments of these amounts will be funded from revenues of the period in which they are settled.

The liability for retirement allowance benefits is determined by an actuary. For 2007, the expense for these benefits is \$1,169,000, mad-4.1f-o-f -2,0,0

OKANAGAN COLLEGE
Notes to Financial Statements
For the Year ended March 31, 2007

8. Commitments and Contingencies

- (a) The College leases, for the Penticton campus, 5.92 hectares under a long-term lease, which expires June 30, 2036, the annual payment for which is \$88,105.
- (b) The College has entered into various agreements and contracts with third parties for various services with periods ranging from one to four years; the combined annual costs over the next 4 years are estimated as follows:

	\$
Fiscal 2007/2008	1,810,331
Fiscal 2008/2009	564,291
Fiscal 2009/2010	263,026
Fiscal 2010/2011	29,335
	<u>2,666,983</u>

- (c) The College is involved in several lawsuits. Some of these lawsuits are managed and covered by the University, College and Institute Protection Program. The outcome of these matters cannot be determin

OKANAGAN COLLEGE

Notes to Financial Statements For the Year ended March 31, 2007

10. Related Organization

The Okanagan College Foundation (the "Foundation") is a separate entity controlled by the College. The Foundation raises funds from the College's alumni and from the community. The Foundation's purpose is to further the goals, objectives, and strategic interests of the College; stimulate and provide financial support for the development and expansion of educational programs, services, capital projects, and other initiatives as recommended by the College that support the mission and goals of the College; and provide financial support to enable students to participate in learning at the College and other institutions providing post-secondary education in Canada. The Foundation is a registered charity with the Canada Revenue Agency and accordingly is not subject to income tax. In accordance with its constitution and bylaws, the Foundation's operations are exclusively for charitable purposes.

The Foundation's financial results have not been consolidated in the College's financial statements. Audited financial statements of the Foundation are available on request. Financial summaries of the Foundation as at March 31, 2007 and for the year then ended are as follows:

	2007	2006
	\$	\$
Financial Position		
Total assets	7,316,914	6,674,001
Total liabilities	150	207,301
Total net assets	7,316,764	6,466,700
	7,316,914	6,674,001
Results of Operations		
Total Revenues	1,107,967	814,530
Total Expenditures	542,080	434,270
Excess of Revenues Over Expenditures	565,887	380,260
Cash Flows		
From Operating Activities	258,946	187,023
From Investing Activities	(158,798)	(87,514)
Cash at Beginning of the Year	331,328	231,819
Cash at End of the Year	431,476	331,328

Related organization transactions

Included in the College expenses is \$180,925 towards Foundation support.

During the year the College received from the Foundation grants in the amount of \$54,136 to fund specific projects.

The College provides administrative staff and necessary supplies for the Foundation's operations. Because of the difficulty in tracking and determining their fair value, contributed services and supplies are not identified in these financial statements.

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Notes to Financial Statements For the Year ended March 31, 2007

11. Capital Transfers

Included in the capital transfers in the current year, the following transaction occurred. On July 1, 2005 Okanagan College received from Okanagan University College an asset (Skaha Place) on the College's South Kelowna campus. The College also received a corresponding outstanding debenture debt of \$1,939,699. The debenture debt matured on August 31, 2005 and was settled for that amount. The College expected to re-finance that amount over a 10 year period and sought government approval to proceed with the re-financing. The approval was denied and the College decided to finance the amount from the Ancillary Services Fund.

12. Interfund Transfers

Included in interfund transfers are re-distributions of costs incurred in Ancillary operations, internal re-distribution of Operating funds to Specific Purpose funds, as well as transfers of net results from some Ancillary operations to the Operating fund and transfers from the Operating fund to the Capital fund for repayment of debt.

13. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.