

YUKON COLLEGE
Management Responsibility

The consolidated financial statements are the responsibility of management and the Board of Governors of the College. The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards with Section 4200 series for government not-for-profit organizations. The consolidated financial statements include estimates based on the experience and judgment of management.

Management is responsible for maintaining the books of account, financial and management controls, and information systems, together with management practices designed to provide reasonable assurance that reliable and accurate financial information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of College objectives and that operations are carried out effectively.

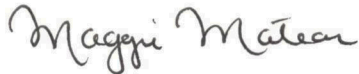
Management is also responsible for designing these systems and practices to provide reasonable assurance that transactions are in accordance with the *Yukon College Act*, bylaws and policies of the College.

The Board of Governors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board meets on a periodic basis with management and the external auditor to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters. The Board of Governors has reviewed and approved the consolidated financial statements.

These consolidated financial statements for the years ended June 30, 2019 and comparative periods have been independently audited by the College's auditor, the Auditor General of Canada, and his report is included herein.



Dr. Karen Barnes
President



Maggie Matear
Vice-President, University Services

December 7, 2019



INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of the Yukon College

Opinion

We have audited the consolidated financial statements of the Yukon College and its controlled entity (the Group), which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2019, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other 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.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 these consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

A handwritten signature in blue ink that reads "David Irving". The signature is written in a cursive, flowing style.

David Irving, CPA, CA
Principal
for the Interim Auditor General of Canada

Edmonton, Canada
7 December 2019

YUKON COLLEGE
Consolidated Statement of Financial Position
As at June 30

ASSETS	<u>2019</u>	<u>2018</u>
Current Assets		
Cash (note 4)	\$ 8,562,908	\$ 8,558,803
Accounts receivable (note 3b)	3,057,205	3,074,435
Inventories	118,497	126,662
Prepaid expenses	135,373	133,469
	<u>11,873,983</u>	<u>11,893,369</u>
Other Assets		
Restricted cash (note 5)	4,318,358	3,884,598
Accrued pension benefit asset (note 6a)	18,275,800	17,743,100
Capital assets (note 7)	9,638,277	10,428,407
	<u>\$ 44,106,418</u>	<u>\$ 43,949,474</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 3,186,609	\$ 3,192,279
Deferred contributions (note 9)	3,950,461	3,993,487
Vacation leave and employee future benefits (note 10)	2,709,236	2,516,652
Loan payable (note 11)	996,431	996,431
	<u>10,842,737</u>	<u>10,698,849</u>
Long-term Liabilities		
Deferred capital contributions (note 12)	5,933,101	6,459,443
Other employee future benefits (note 6b)	5,554,800	5,172,100
	<u>11,487,901</u>	<u>11,631,543</u>
Net Assets		
Capital (note 7)	9,638,277	10,428,407
Externally restricted for endowments (note 13)	2,722,553	2,572,828
Externally restricted for pension (note 6a)	18,275,800	17,743,100
Unrestricted	(8,860,850)	(9,125,253)
	<u>21,775,780</u>	<u>21,619,082</u>
	<u>\$ 44,106,418</u>	<u>\$ 43,949,474</u>

Contractual rights and commitments (note 19 and 20)

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board of Governors

Chair

Member

YUKON COLLEGE
Consolidated Statement of Operations
For the year ended June 30

	<u>2019</u>	<u>2018</u>
Revenues		
Contributions, Government of Yukon (note 15)	\$ 26,618,839	\$ 24,824,875
Contracts (note 16)	16,540,056	15,339,307
Tuition	2,547,290	2,326,551
Miscellaneous income (note 17)	1,921,199	1,879,615
Sales, rentals and services	1,583,449	1,662,302
Student assistance/scholarships (note 18)	836,724	768,242
Amortization of deferred capital contributions (note 12)	486,343	451,376
Interest income	208,051	110,573
	<u>\$ 50,741,951</u>	<u>\$ 47,362,841</u>
Expenses (note 14)		
Direct instruction	\$ 16,155,964	\$ 15,114,320
Direct instructional support	10,231,084	10,082,465
General administration	8,573,358	6,707,231
Research	4,471,071	4,513,909
Services received without charge (note 15)	4,466,331	3,983,667
Facility services and utilities	2,776,330	1,877,784
Cost of sales	1,654,561	1,617,001
Amortization of capital assets (note 7)	1,143,006	1,057,599
Employee leave and termination benefits	575,284	335,983
Student assistance/scholarships	569,463	724,382
Miscellaneous	118,526	104,441
	<u>\$ 50,734,978</u>	<u>\$ 46,118,782</u>
Total surplus (note 21)	<u>\$ 6,973</u>	<u>\$ 1,244,059</u>

The accompanying notes are an integral part of the consolidated financial statements.

YUKON COLLEGE
Consolidated Statement of Changes in Net Assets
For the year ended June 30

	<u>Unrestricted</u>	<u>Capital</u>	<u>Externally Restricted for Endowments</u>	<u>Externally Restricted for Pension</u>	<u>2019 Total</u>	<u>2018 Total</u>
Balance, beginning of year	\$ (9,125,253)	\$ 10,428,407	\$ 2,572,828	\$ 17,743,100	\$ 21,619,082	\$ 20,175,417
Capital assets acquired - net of disposals (note 7)	-	352,876	-	-	352,876	2,643,425
Amortization of capital assets (note 7)	-	(1,143,006)	-	-	(1,143,006)	(1,057,599)
Change in net assets - Capital (note 7)	790,130	-	-	-	790,130	(1,585,826)
Endowment contributions - net (note 13)	-	-	149,725	-	149,725	199,606
Total surplus (note 21)	(525,727)	-	-	532,700	6,973	1,244,059
Balance, end of year	<u>\$ (8,860,850)</u>	<u>\$ 9,638,277</u>	<u>\$ 2,722,553</u>	<u>\$ 18,275,800</u>	<u>\$ 21,775,780</u>	<u>\$ 21,619,082</u>

The accompanying notes are an integral part of the consolidated financial statements.

YUKON COLLEGE
Consolidated Statement of Cash Flows
For the year ended June 30

	<u>2019</u>	<u>2018</u>
Operating activities:		
Total surplus	\$ 6,973	\$ 1,244,059
Items not affecting cash		
Amortization of capital assets (note 7)	1,143,006	1,057,599
Amortization of deferred capital contributions (note 12)	(486,343)	(451,376)
Increase in non-cash working capital balances	541,213	1,331,924
Increase in accrued pension benefit asset	(532,700)	(1,089,200)
Increase in other employee future benefits	382,700	358,400
Cash flows provided from operating activities	<u>1,054,849</u>	<u>2,451,406</u>
Investing activities:		
Increase in restricted cash	<u>(433,760)</u>	<u>(117,065)</u>
Cash flows used in investing activities	<u>(433,760)</u>	<u>(117,065)</u>
Capital activities:		
Proceeds from disposal of capital asset	-	92,213
Capital assets acquired (note 7)	<u>(726,710)</u>	<u>(2,719,297)</u>
Cash flows used in capital activities	<u>(726,710)</u>	<u>(2,627,084)</u>
Financing activities:		
Net investment income from endowments (note 13)	142,198	156,436
Endowment contributions (including transfers)	7,527	43,170
(Decrease) increase in deferred capital contributions (note 12)	<u>(39,999)</u>	<u>2,129,226</u>
Cash flows provided from financing activities	<u>109,726</u>	<u>2,328,832</u>
Change in cash:		
Net increase in cash	4,105	2,036,089
Cash		
Beginning of year	8,558,803	6,522,714
End of year	<u>\$ 8,562,908</u>	<u>\$ 8,558,803</u>
Interest received	\$ 208,051	\$ 110,573

The accompanying notes are an integral part of the consolidated financial statements.

YUKON COLLEGE
Notes to the Consolidated Financial Statements
Year ended June 30, 2019

1. Purpose

a) Yukon College (the College) is a post-secondary educational institution and is incorporated under the *Yukon College Act*. The College is a not-for-profit organization and is a registered charity under the *Income Tax Act* and is therefore exempt from tax. A significant portion of its funding is provided by the Government of Yukon. The purpose of the College is to provide excellent, relevant and accessible learning opportunities.

b) The Yukon College Foundation (the Foundation) is incorporated as a not-for-profit organization under the *Canada Not-For-Profit Corporations Act*. The Foundation is a registered charity under the *Income Tax Act* and is therefore exempt from tax. The Foundation was established:

- to fund, facilitate, promote and carry out activities which are consistent with the objectives of the College and to provide support for its educational facilities, educational programs and education services;
- to fund the provision of bursaries, scholarships and prizes granted by the College for any purpose for students in attendance at facilities owned and/or operated by the College;
- to receive bequests, legacies, donations, gifts, funds and property from all sources and to hold and invest such funds and property and to administer and distribute such funds and property for the purposes of the Foundation;
- to do all such other things as are incidental and ancillary to the attainment of the foregoing purposes and the exercise of the power of the Foundation.

2. Significant accounting policies

a) Basis of presentation

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The College has elected to apply the Section 4200 series for government-not-for-profit organizations.

b) Basis of consolidation

The consolidated financial statements include the accounts of the College and its controlled entity, the Foundation. All inter-entity transactions and balances have been eliminated on consolidation.

The College controls the Foundation as the Board of Governors of the College have the ability to be appointed as the majority of the members of the Board of Directors of the Foundation. The President of the College is the only board member in common for the Foundation and the College. The President is an ex-officio member of the Board of Directors of the Foundation and a non-voting member of the Board of Governors of the College. The Foundation operates out of the College's main campus building with the assistance of College employees in the advancement office.

c) Financial instruments

All financial instruments of the College are recorded at cost or amortized cost. The College does not have any financial instruments that are carried at fair value.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

2. Significant accounting policies (continued)

d) Accounts receivable

Accounts receivable are recorded at cost less valuation allowances. Valuation allowances are calculated by examining amounts overdue 90 days or more to estimate amounts deemed to be uncollectible.

e) Capital assets

Capital assets are recorded at cost, net of accumulated amortization. Assets are amortized on a straight-line basis over their estimated useful lives. Assets under construction are recorded as work in progress and are not amortized until put into production. Contributed capital assets are recorded at fair value at the time of contribution. When conditions indicate that an asset no longer contributes to the College's ability to provide its services, the carrying amount of the asset is written down to its residual value, if any.

	<u>Useful life (years)</u>
Equipment – general	10
Leasehold improvements	20
Equipment EDP – electronic data processing	3
Furniture & fixtures	10
Mobile trailers	20
Vehicles	5

The Works of Art are capitalized at cost and no amortization is recorded.

f) Inventories

Inventories consist of items for resale in the bookstore and food service operations and are valued at the lower of cost and net realizable value. Inventories are determined on a first in - first out basis.

g) Contributed services

The College benefits from services provided by volunteers in assisting the institution in carrying out its activities. The fair value of these services is not determinable and accordingly is not included in the consolidated financial statements

h) Employee future benefits

Pension benefits

The Yukon College Employees' Pension Plan (pension plan) is a contributory defined benefit pension plan. The pension plan provides mandatory pension benefits for all full-time employees and optional benefits for part-time employees of the College after 24 months of continuous service. The College's pension plan provides for defined retirement benefits based on an employee's years of service and average final earnings, in accordance with the federal *Pension Benefits Standards Act*, and is indexed in accordance with the change in Consumer Price Index for 12 months ending September 30th. The College has contracted with external organizations to provide the services of trustee, administration, consulting and investment management for the pension plan. The pension plan assets are held by a trustee and separate financial statements are prepared for the pension plan.

The College accrues its obligations under the pension plan and the related costs, net of plan assets.

The cost of pension benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, inflation rates, salary escalation, and retirement ages of employees.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

2. Significant accounting policies (continued)

(h) Employee future benefits (continued)

Past service costs from plan amendments are accounted for in the period of the plan amendments.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group.

Other non-pension benefits

The cost of the benefit plan, other than pension, including severance benefits, non-vesting but accumulating sick leave and special leave and managers' accrued leave, payable upon termination of employment, death or retirement, is actuarially determined using the projected accrued benefit method prorated on employment services using management's best estimate of inflation rates, salary escalation, retirement ages of employees, and is recognized over the period in which the benefits are earned (i.e. the period the employee renders service to the College). The College accrues other vacation and leave benefits for employees as earned. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group.

i) Employee vacation leave

Employee vacation leave is expensed as the benefits accrue to employees under their respective terms of employment.

j) Revenue recognition

The College follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue on the same basis and in the same periods as expenses under the terms of the restrictions. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions, such as operating grants, are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in endowment net assets. Interest earned on endowment contributions where a portion of the interest cannot be spent is added to the endowment principal. Interest earned on endowment contributions where the investment income can be spent is deferred until the interest is spent for the specified purposes.

Sales, rentals and services, miscellaneous income, and tuition are reported as revenue at the time the services are substantially provided or the products are delivered. Tuition fees received in advance of courses being delivered are deferred and recognized when the courses are delivered.

The College provides education, rentals, research and services to private companies, federal and territorial government departments, agencies and corporations through contractual arrangements. Payments received under these contracts for which the development and delivery of courses and projects are not completed are recorded as deferred revenue until completion in accordance with the terms of the agreements.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

2. Significant accounting policies (continued)

k) Allocation of expenses

The College allocates the majority of its expenses by function. General administration expenses are not allocated to other functions but are disclosed separately. Fundraising expenses incurred during the year are included in general administration expenses.

l) Restrictions on net assets

Capital represents the amount the College has spent on capital assets using its own funding sources. The accrued pension benefit asset is restricted in order to meet future pension obligations.

m) Related party transactions

The College is related to all Government of Yukon departments, corporations, agencies and the College's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. Significant transactions with related parties and balances at year-end are disclosed separately in the financial statements and notes thereto.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions are recorded on a gross basis and are measured at the carrying amount, except for when inter-entity transactions are undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length, or where costs provided are recovered, they are measured at the exchange amount.

Related party transactions other than inter-entity transactions are recorded at the exchange amount.

The College receives certain services provided by the Government of Yukon without charge. The majority of the services received without charge represent costs associated with facilities provided by the Government of Yukon at a reduced, or no, charge. These services are recognized as expenses with an offsetting credit to revenues in order to reflect the full cost of the College's operations in its financial statements. These services are recorded at amounts based on the Government of Yukon's amortization expense (for the main campus), which is the carrying amount, and on fair value for the rental of other facilities.

n) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards applicable for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses for the year. Significant areas requiring the use of management estimates relate to the determination of the accrued pension benefit asset and the liabilities for other employee future benefits, and the estimated useful lives of capital assets. Actual results could differ significantly from those estimated. Estimates are reviewed annually and as adjustments become necessary, they are recorded in the consolidated financial statements in the period which they become known.

o) Contingent liabilities

Contingent liabilities may arise from time to time in the normal course of operations. Liabilities on any litigation are recognized in the consolidated financial statements when it is likely that a future event will confirm that a liability has been incurred at the date of the consolidated financial statements and the amount can be reasonably estimated. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingent liability is disclosed in the notes to the financial statements and no liability is accrued.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

3. Financial risk management

(a) Fair value of financial instruments

The College's financial instruments consist of cash, accounts receivable, restricted cash, accounts payable and accrued liabilities and loan payable. The fair values of the College's financial instruments approximate their carrying values.

(b) Financial risks

The College's financial instruments are exposed to the following risks: interest rate risk, foreign exchange risk, credit risk, and liquidity risk. The College manages these risk exposures on an ongoing basis. The College is not party to any financial derivatives.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The fair value of the College's financial instruments approximate their carrying values due to the short term nature of these instruments. It is management's opinion that the College is not exposed to significant interest rate risk on its cash and restricted cash, which are held in a Canadian chartered bank and a reputable investment firm.

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates. The College is not exposed to any significant foreign exchange risk because instruments held in foreign currency are not considered significant.

Credit risk

Credit risk arises from the possibility that the issuer of a financial instrument fails to meet its obligation. The carrying amount of cash, restricted cash and accounts receivable represents the maximum credit exposure. The credit risk associated with these instruments is considered to be minimal due to the nature of the instruments and the fact that the majority of the accounts receivable are due from the federal, territorial, first nation and municipal governments.

Credit risk on cash and restricted cash is minimized as these assets are held with a Canadian Chartered bank and a reputable investment firm.

Information regarding the College's accounts receivable is as follows:

	<u>2019</u>	<u>2018</u>
Carrying value	\$ 3,057,205	\$ 3,074,435
Allowance for doubtful accounts	\$ 18,279	\$ 75,920
Accounts receivable % less than 30 days	79%	74%
Accounts receivable % over 90 days	8%	5%

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

3. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they become due. The College monitors its cash balance and cash flows from operations to ensure that it has sufficient liquidity on hand to meet its liabilities when due.

The College manages liquidity risk by continually monitoring actual and forecasted 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 the College's reputation. As at June 30, 2019 and 2018, substantially all of the College's accounts payable and accrued liabilities is due within 6 months of year-end.

4. Cash

The College has, if needed, an operating demand line of credit with its banker that allows the College to borrow up to \$500,000 at bank prime. The credit line was unused at both June 30, 2019 and June 30, 2018. The College's credit facility interest rates are subject to fluctuations in the prime rate.

5. Restricted cash

Restricted cash consists of \$4,267,082 (2018 - \$3,774,193) for Foundation endowment and deferred contributions and \$51,276 (2018 - \$110,405) for prepaid leave.

Restricted cash for Foundation endowment and deferred contributions consists of investments and cash invested in accordance with the articles of incorporation of the Foundation. Annual investment returns will vary from year to year. Restricted cash for prepaid leave consists of high interest savings accounts and the average annual return was 2.0% (2018 - 1.1 %).

6. Employee future benefits

a) Pension benefits

Assets in the Yukon College Employees' Pension Plan are based on fair values as reported by the custodian of the funds as at June 30, 2019. No adjustment is made for contributions/payments in transit at that date.

An actuarial valuation for accounting purposes was performed as of June 30, 2019 using the projected benefits method prorated on services. Pension benefit estimates for the year ending June 30, 2019 were made as part of the June 30, 2019 valuation. The next actuarial valuation for accounting purposes will be performed as of June 30, 2021.

An actuarial valuation for funding purposes was performed as of June 30, 2019 and the next actuarial valuation for funding purposes will be performed as of June 30, 2020. The actuarial valuation for funding purposes performed by the actuary in 2019 established the College's required current service contributions as 94.3% (2018 - 101.8%) of employee contributions. Under economic and demographic assumptions used in these calculations, this level of College contributions together with the employee contributions is sufficient to fund the current service costs of the pension plan benefits.

Total benefit payments were \$3,722,300 (2018 - \$3,159,900).

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

6. Employee future benefits (continued)

a) Pension benefits (continued)

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect management's best estimates of these future events. Key assumptions are summarized below:

	<u>2019</u>	<u>2018</u>
Weighted-average assumptions for benefit costs		
Discount rate	5.40 %	5.40 %
Expected long-term rate of return on plan assets	5.40 %	5.40 %
Rate of compensation increase	4.00 %	4.00 %
Inflation rate	2.20 %	2.20 %
Expected average remaining service life	10 years	9 years
Weighted-average assumptions of accrued benefit obligation		
Discount rate	5.50 %	5.40 %
Rate of compensation increase	3.50 %	4.00 %
Inflation rate	2.10 %	2.20 %
	<u>2019</u>	<u>2018</u>
Change in accrued benefit obligation:		
Accrued benefit obligation - beginning of year	\$ 89,528,700	\$ 83,740,100
Current service cost	2,405,300	2,559,600
Interest cost	4,849,000	4,555,300
Employee contributions	2,060,300	1,833,600
Benefits paid	(3,722,300)	(3,159,900)
Admin expenses	(210,000)	-
Actuarial gains	(7,767,200)	-
Accrued benefit obligation - end of year	<u>\$ 87,143,800</u>	<u>\$ 89,528,700</u>
Change in plan assets:		
Fair value of plan assets - beginning of year	\$ 108,098,500	\$ 101,080,500
Actual return on plan assets	4,091,100	5,499,300
Employer contributions	2,084,200	2,845,000
Employee contributions	2,060,300	1,833,600
Benefits paid	(3,722,300)	(3,159,900)
Admin expenses	(210,000)	-
Fair value of plan assets - end of year	<u>\$ 112,401,800</u>	<u>\$ 108,098,500</u>
	<u>2019</u>	<u>2018</u>
Reconciliation of funded status:		
Accrued benefit obligation - end of year	\$ (87,143,800)	\$ (89,528,700)
Fair value of plan assets	<u>112,401,800</u>	<u>108,098,500</u>
Funding surplus	25,258,000	18,569,800
Unamortized net actuarial gains	(6,982,200)	(826,700)
Accrued pension benefit asset	<u>\$ 18,275,800</u>	<u>\$ 17,743,100</u>

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

6. Employee future benefits (continued)

a) Pension benefits (continued)

	<u>2019</u>	<u>2018</u>
Elements of defined pension plan benefit costs recognized in the year:		
Current service cost, net of employee contributions	\$ 2,405,300	\$ 2,559,600
Interest cost on benefit obligation	4,849,000	4,555,300
Expected return on plan assets	(5,843,000)	(5,499,300)
Amortization of actuarial losses	140,200	140,200
Net periodic pension cost recognized	<u>\$ 1,551,500</u>	<u>\$ 1,755,800</u>

Based on fair value of plan assets held as at June 30, the assets were composed of:

	<u>2019</u>	<u>2018</u>
Equity securities	55%	55%
Debt securities	42%	42%
Other	3%	3%
Total	100%	100%

The accrued pension benefit asset has been recorded on the College's books of account and is included on the consolidated statement of financial position as at June 30, 2019.

The funded status of the pension plan, a surplus of \$19,586,500 as at June 30, 2019 (June 30, 2018 - \$16,395,300), has been determined on the basis that the pension plan remains a going concern. As at June 30, 2019, the date of the most recent actuarial valuation for funding purposes, the pension plan had a deficit of \$11,295,600 (June 30, 2018 - \$6,314,200) if valued on the basis that the pension plan were terminated/wound up as at June 30, 2019.

The solvency ratio of the pension plan was 92.0% at June 30, 2019 (2018 – 95.2%). During the fiscal year the College contributed \$2,084,200 (2018 - \$2,845,000) to the pension plan as a result of the solvency deficiency. The Government of Yukon provided pension funding to the College during the year as described in note 15. All required contributions to the pension plan have been made.

For the solvency deficiency, the College obtained a letter of credit in lieu of making solvency payments. The amount of the letter of credit is equal to the amount of solvency payments required as determined by the actuary.

In May 2011, the College acquired a letter of credit for the pension plan. The *Pension Benefits Standards Act* permits that letters of credit can be obtained in lieu of making special solvency payments. The letter of credit is an escalating letter of credit that increases by \$160,750 (2018 - \$207,108) per month up to an amount of \$19,415,635 which was the estimated amount of solvency payments required to April 30, 2020 based on the June 30, 2018 valuation. The maximum amount of the letter of credit is \$21,255,500 based on the June 30, 2019 funding valuation (2018 - \$19,550,400). The value of the letter of credit at June 30, 2019 was \$17,808,135 (2018 - \$15,832,777).

The letter of credit expires on April 30, 2020 but the College plans to renew the letter of credit no later than January 2020 as required by the legislation and in the amount determined by the actuarial valuation for June 30, 2019. The letter of credit is guaranteed by the Government of Yukon.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

6. Employee future benefits (continued)

b) Other non-pension employee future benefits

The non-pension benefit plan is not funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. The benefits include severance, non-vesting but accumulating sick leave, special leave and other outstanding leave entitlements and will be paid from future sources of revenue. The actuarial valuation of the accrued benefit liability as at June 30, 2019 is:

	<u>2019</u>	<u>2018</u>
Accrued benefit obligation, end of year	\$ 5,952,000	\$ 6,104,200
Unamortized actuarial gain (loss)	<u>282,800</u>	<u>(262,100)</u>
Actuarially determined other employee future benefits, end of year	6,234,800	5,842,100
Less: Current portion included in vacation leave and employee future benefits	<u>(680,000)</u>	<u>(670,000)</u>
Long-term portion other employee future benefits, end of year	<u>\$ 5,554,800</u>	<u>\$ 5,172,100</u>

The annual benefit plan cost and change in accrued benefit liability are as follows:

	<u>2019</u>	<u>2018</u>
Accrued benefit liability, beginning of year	\$ 5,842,100	\$ 5,483,700
Add: Annual benefit plan cost:		
Current service cost	851,000	816,300
Interest on accrued benefit obligation	181,900	172,300
Amortization of net actuarial loss	<u>39,800</u>	<u>39,800</u>
Total annual benefit plan cost	1,072,700	1,028,400
Less: Benefits paid by College	<u>(680,000)</u>	<u>(670,000)</u>
Actuarially determined other employee future benefits, end of year	6,234,800	5,842,100
Less: Current portion included in vacation leave and employee future benefits	<u>(680,000)</u>	<u>(670,000)</u>
Long-term portion other employee future benefits, end of year	<u>\$ 5,554,800</u>	<u>\$ 5,172,100</u>

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

	<u>2019</u>	<u>2018</u>
Weighted average assumptions for benefit costs:		
Discount rate	2.75%	2.75%
Rate of compensation increase		
for 10 years	2.75%	4.25%
thereafter	3.25%	4.75%
Expected average remaining service life	11 years	9 years
Weighted average assumptions for accrued benefit obligation:		
Discount rate	2.75%	2.75%
Rate of compensation increase		
for 10 years	2.75%	4.25%
thereafter	3.25%	4.75%
Expected average remaining service life	11 years	9 years

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

7. Capital assets

	Beginning of Year	Additions	Disposals	Transfer to Capital Assets	End of Year
June 30, 2019					
Cost:					
Leasehold Improvements	\$ 6,907,460	\$ 207,587	\$ (58,730)	\$ -	\$ 7,056,317
Equipment General	3,598,689	352,063	(197,777)	-	3,752,975
Equipment EDP	662,210	108,235	(8,757)	-	761,688
Mobile Trailers	2,273,284	-	-	-	2,273,284
Furniture and Fixtures	313,636	56,075	(16,414)	-	353,297
Works of Art	76,198	2,750	-	-	78,948
Vehicles	521,633	-	-	-	521,633
Work in Progress	406,481	-	(373,834)	-	32,647
Total	<u>\$ 14,759,591</u>	<u>\$ 726,710</u>	<u>\$ (655,512)</u>	<u>\$ -</u>	<u>\$ 14,830,789</u>
Accumulated Amortization:					
Leasehold Improvements	\$ 1,599,362	\$ 373,880	\$ (58,730)	\$ -	\$ 1,914,512
Equipment General	1,266,606	387,997	(197,777)	-	1,456,826
Equipment EDP	428,493	155,137	(8,757)	-	574,873
Mobile Trailers	545,539	113,664	-	-	659,203
Furniture and Fixtures	112,446	37,013	(16,414)	-	133,045
Works of Art	-	-	-	-	-
Vehicles	378,738	75,315	-	-	454,053
Work in Progress	-	-	-	-	-
Total	<u>\$ 4,331,184</u>	<u>\$ 1,143,006</u>	<u>\$ (281,678)</u>	<u>\$ -</u>	<u>\$ 5,192,512</u>
Carrying Amounts:	<u>\$ 10,428,407</u>	<u>\$ (416,296)</u>	<u>\$ (373,834)</u>	<u>\$ -</u>	<u>\$ 9,638,277</u>

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

7. Capital assets (continued)

	Beginning of Year	Additions	Disposals	Transfer to Capital Assets	End of Year
June 30, 2018					
Cost:					
Leasehold Improvements	\$ 4,494,023	\$ 1,979,626	\$ (77,118)	\$ 510,929	\$ 6,907,460
Equipment General	3,449,713	389,957	(240,979)	-	3,598,691
Equipment EDP	528,818	133,392	-	-	662,210
Mobile Trailers	2,273,283	-	-	-	2,273,283
Furniture and Fixtures	270,289	57,782	(14,435)	-	313,636
Works of Art	67,948	8,250	-	-	76,198
Vehicles	446,710	74,922	-	-	521,632
Work in Progress	842,042	75,368	-	(510,929)	406,481
Total	<u>\$ 12,372,826</u>	<u>\$ 2,719,297</u>	<u>\$ (332,532)</u>	<u>\$ -</u>	<u>\$ 14,759,591</u>
Accumulated Amortization:					
Leasehold Improvements	\$ 1,399,009	\$ 277,470	\$ (77,118)	\$ -	\$ 1,599,361
Equipment General	1,055,462	376,249	(165,107)	-	1,266,604
Equipment EDP	256,356	172,137	-	-	428,493
Mobile Trailers	431,875	113,664	-	-	545,539
Furniture and Fixtures	93,920	32,964	(14,435)	-	112,449
Works of Art	-	-	-	-	-
Vehicles	293,623	85,115	-	-	378,738
Work in Progress	-	-	-	-	-
Total	<u>\$ 3,530,245</u>	<u>\$ 1,057,599</u>	<u>\$ (256,660)</u>	<u>\$ -</u>	<u>\$ 4,331,184</u>
Carrying Amounts:	<u>\$ 8,842,581</u>	<u>\$ 1,661,698</u>	<u>\$ (75,872)</u>	<u>\$ -</u>	<u>\$ 10,428,407</u>

The land and buildings at Ayamdigut Campus and some community campuses are owned by the Government of Yukon and leased to the College at no charge. The Government of Yukon is responsible for major maintenance and upkeep of the building and grounds, and the College is responsible for minor interior maintenance and repairs. The College received contributed capital assets in 2018. In 2018 the assets consisted of two vehicles to be used in the Centre for Northern Innovation in Mining. The appraised amount of \$27,500 was added to the value of vehicles.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

8. Accounts payable and accrued liabilities

	<u>2019</u>	<u>2018</u>
Payroll payable	\$ 1,273,258	\$ 1,546,084
Trades accounts payable	1,139,107	905,897
Accrued accounts payable	247,446	373,019
Other payables	526,798	367,279
	<u>\$ 3,186,609</u>	<u>\$ 3,192,279</u>

9. Deferred contributions

These represent unspent externally restricted resources which have been received and relate to expenses that will occur in subsequent periods, and are therefore not recognized as revenue until the related expenses are incurred. These contributions may only be used in certain programs or in the completion of specific work. The Foundation endowment accounts consist of funds that can be used for student awards, scholarships and programs. The College trust accounts consist of funds used for employee benefits, emergency disbursements to students and the student training allowance. Deferred contributions are comprised of funds restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Contracts	\$ 2,604,568	\$ 2,868,202
Tuition	890,211	711,076
Endowment and trust accounts	455,682	414,209
Total deferred contributions	<u>\$ 3,950,461</u>	<u>\$ 3,993,487</u>

Change in Deferred Contributions:

			<u>2019</u>			<u>2018</u>
	Contracts	Tuition & Registration Fees	Endowments & Trusts	Yukon Government Operating Contributions	Total	
Balance, beginning of year	\$ 2,868,202	\$ 711,076	\$ 414,209	\$ -	\$ 3,993,487	\$ 2,838,691
Investment income on trusts & endowments	-	-	77,312	-	77,312	83,814
Contributions	16,276,422	2,726,425	772,507	22,030,760	41,806,114	40,266,640
Revenue recognized	(16,540,056)	(2,547,290)	(808,346)	(22,030,760)	(41,926,452)	(39,168,022)
Transfer to endowments & unrestricted	-	-	-	-	-	(27,636)
Balance, end of year	<u>\$ 2,604,568</u>	<u>\$ 890,211</u>	<u>\$ 455,682</u>	<u>\$ -</u>	<u>\$ 3,950,461</u>	<u>\$ 3,993,487</u>

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

10. Vacation leave and employee future benefits

	<u>2019</u>	<u>2018</u>
Vacation leave liability	\$ 1,878,369	\$ 1,679,992
Current portion of other employee future benefits (note 6b)	680,000	670,000
Long service leave liability	139,836	125,481
Compensatory pay liability	11,031	41,179
	<u>\$ 2,709,236</u>	<u>\$ 2,516,652</u>

11. Loan payable

The Yukon College Foundation, whose financial results are consolidated in these financial statements (note 2 b), has entered into an agreement with a donor for a non-interest bearing loan that is invested as deemed appropriate by the Foundation. Income from the loan will be used to establish and grow a research endowment. The principal will remain invested until it has been gifted to the Foundation at which time it will be added to the research endowment and managed under the terms of the endowment agreement. While the loan is repayable within 90 days on demand, the loan will be in place for a minimum of five years but may be converted to a gift at any time by the donor.

12. Deferred capital contributions

Deferred capital contributions represent restricted contributions received or receivable to purchase capital assets. The changes in the deferred capital contributions balance for the year are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 6,459,443	\$ 4,781,593
Restricted government contributions	(39,999)	2,129,226
Amount amortized to revenue	(486,343)	(451,376)
Balance, end of year	<u>\$ 5,933,101</u>	<u>\$ 6,459,443</u>

13. Endowments

	<u>2019</u>	<u>2018</u>
Endowment balance, beginning of year	2,572,828	2,373,222
Investment income added to net assets	142,198	156,436
Contributions from donors	7,527	33,605
Transfer of deferred contributions to endowments	-	9,565
Endowment balance, end of year	<u>\$ 2,722,553</u>	<u>\$ 2,572,828</u>
Investment income added to net assets	\$ 142,198	\$ 156,436
Net income on investments recognized as revenue	3,187	5,116
Total investment income on endowments and trusts	<u>\$ 145,385</u>	<u>\$ 161,552</u>

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

14. Expenditures by object

	<u>2019</u>	<u>2018</u>
Salaries, wages and benefits	\$ 31,115,423	\$ 29,305,009
Contract services	8,498,785	6,727,739
Utilities and communications	2,257,368	1,874,516
Material and supplies	1,791,450	1,712,063
Travel	1,351,460	1,307,111
Rental of facilities and equipment	1,203,996	1,062,765
Amortization of capital assets	1,143,006	1,057,599
Cost of sales and ancillary services	671,734	631,760
Employee leave and termination benefits	575,284	335,983
Student assistance/scholarships	569,463	724,382
Promotion, events and advertising	486,414	576,278
Licenses, permits, and memberships	475,763	378,072
Bank fees and credit card commissions	348,834	204,846
Other	133,299	81,305
Books and subscriptions	68,286	99,388
Postage and freight	44,413	39,966
	<u>\$ 50,734,978</u>	<u>\$ 46,118,782</u>

Fundraising expenses totaling \$364,082 (2018 - \$239,992) are included in salaries, wages and benefits, contract services, material and supplies, promotion, events and advertising.

15. Government of Yukon contributions

	<u>2019</u>	<u>2018</u>
Operating contributions	\$ 22,030,760	\$ 20,734,123
Pension funding	121,748	107,085
Services received without charge	4,466,331	3,983,667
	<u>\$ 26,618,839</u>	<u>\$ 24,824,875</u>

A significant portion of the College's income is received from the Government of Yukon in the form of annual operating contributions and services received without charge. In 2019, Government of Yukon core funding contributions, pension funding, and services received without charge made up 52% of total revenues (2018 - 52%). In 2019, the College received \$121,748 (2018 - \$107,085) for pension letter of credit costs.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

16. Contracts

Revenue from contracts consists of revenue from third party contracts, non-credit program revenues, training provided to federal, territorial and municipal governments and to First Nations, not for profit, private and public organizations.

Contract revenue is comprised of the following:

	<u>2019</u>	<u>2018</u>
Third party funded projects and programs	\$ 14,946,881	\$ 13,595,513
Training and non-credit course fees	1,593,175	1,743,794
	<u>\$ 16,540,056</u>	<u>\$ 15,339,307</u>

17. Miscellaneous income:

	<u>2019</u>	<u>2018</u>
Salary, travel and other expense recovery	\$ 834,355	\$ 805,469
Pension contract recovery	594,784	572,159
Other miscellaneous revenue	136,157	75,272
General student fees	172,432	196,608
Computer lab usage fees	119,205	150,235
Facilities and equipment rental	48,352	45,732
Book, publication and supply sales	10,190	20,316
Course materials recovery	5,724	13,824
	<u>\$ 1,921,199</u>	<u>\$ 1,879,615</u>

18. Related party transactions

In addition to those related party transactions disclosed elsewhere, the College enters into transactions with related entities in the normal course of business.

The College regularly enters into contracts for the provision of services to Departments of the Government of Yukon. These contracts, the value of which is \$8,680,872 (2018 - \$9,663,638), are recorded as contracts revenue on the Consolidated Statement of Operations. The College also receives funds from the Government of Yukon for student training allowances, the value of which is \$497,538 (2018 - \$436,139) and this is recognized on the Consolidated Statement of Operations within student assistance/scholarships. Included in the amortization of deferred capital contributions on the Consolidated Statement of Operations is \$246,459 (2018 - \$250,557) related to the Government of Yukon. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At June 30, 2019 there was \$121,630 (2018 - \$167,568) of accounts payable and accrued liabilities and \$1,490,853 (2018 - \$1,064,297) of accounts receivable related to the Government of Yukon. At June 30, 2019 there was \$640,478 (2018 - \$525,207) of deferred contributions and \$4,706,511 (2018 - \$4,992,970) of deferred capital contributions related to the Government of Yukon. The College has a lease agreement with the Government of Yukon for a building and land lease which expires June 2022. Lease payments total \$47,828 for fiscal 2020, \$49,194 for 2021, and \$50,561 for 2022.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2019

19. Contractual rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The College's contractual rights arise because of contracts entered into for undertaking specific programs and projects in the normal course of business. The following table summarizes the contractual rights of the College:

	<u>Government of Canada</u>	<u>Government of Yukon</u>	<u>Other</u>	<u>Total</u>
2019-20	2,077,600	22,346,793	957,614	25,382,007
2020-21	673,296	1,390,187	1,121,556	3,185,039
2021-22	389,229	891,250	877,867	2,158,346
Thereafter	288,000	-	851,367	1,139,367
	<u>\$ 3,428,125</u>	<u>\$ 24,628,230</u>	<u>\$ 3,808,404</u>	<u>\$ 31,864,759</u>

Government of Yukon contributions consist of funds to be received for core operational funding, the Centre for Northern Innovation in Mining, university transition, the Yukon Research Centre, the Cold Climate Innovation Centre, programs such as Practical Nursing and Environmental Monitoring and other initiatives.

Government of Canada contributions consist of funds to be received for the Northern Basic Adult Education program, the Industrial Research Chair – Northern Energy Innovation, a Yukon satellite program, and various other programs and initiatives such as Industrial Research Assistance, Partners for Children, Bringing Research Home and Environmental Monitoring.

Other contributions consist of funds to be received for student support, the Industrial Research Chair – Northern Energy Innovation and other initiatives.

20. Commitments

Leases

The College has operating leases and maintenance service agreements for classroom space, telecommunication, the information system and course curriculum and is committed to basic payments as follows:

	<u>Maintenance Service Agreements</u>	<u>Facility Leases</u>	<u>Telecommunication, Course Curriculum and Other Contracts</u>
2019-20	157,826	323,824	350,770
2020-21	164,139	238,441	258,572
2021-22	170,705	50,561	40,000
2022-23	177,553	-	40,000
2023-24	184,655	-	-
	<u>\$ 854,878</u>	<u>\$ 612,826</u>	<u>\$ 689,342</u>

YUKON COLLEGE
Notes to Consolidated Financial Statements
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21. Total surplus

The total surplus includes net periodic pension cost of \$1,551,500 (2018 - \$1,755,800). However, as disclosed in note 6, the College's employer contributions to the accrued pension benefit asset were \$2,084,200 (2018 - \$2,845,000), which is \$532,700 (2018 - \$1,089,200) higher than the College's net periodic pension cost.

22. Subsequent event

On November 27, 2019, the Yukon University Act received royal assent. The Act enables the College to transition to Yukon University. It includes provisions to ensure the university is a hybrid institution that offers a comprehensive range of programming including trades, adult basic education, certificates, diplomas, degrees and applied research, and ensures a commitment to work with Yukon First Nations and communities to meet the diverse education needs of Yukon. The financial impact from this Act is not determinable at this time.

23. Comparative figures

Certain comparative figures for 2018 have been reclassified to conform with 2019 presentation.