

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.

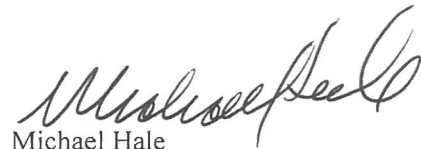
Management is also responsible for designing these systems and practices to provide reasonable assurance that transactions are in accordance with the *Yukon College Act*, bylaws and policies of the College.

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, 2018 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



Michael Hale
Chief Administrative Officer



Luzelle Nagel CPA, CA
Director, Finance & Administrative Services

December 8, 2018

This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of the Yukon College

I have audited the accompanying consolidated financial statements of the Yukon College, which comprise the consolidated statement of financial position as at 30 June 2018, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Yukon College as at 30 June 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "David Irving". The signature is written in a cursive style with a large initial 'D' and 'I'.

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

8 December 2018
Edmonton, Canada

YUKON COLLEGE
Consolidated Statement of Financial Position
As at June 30

ASSETS	<u>2018</u>	<u>2017</u> <u>Restated</u> <u>(note 2 q)</u>
Current Assets		
Cash (note 4)	\$ 8,558,803	\$ 6,522,714
Accounts receivable (note 3b)	3,074,435	3,405,396
Inventories	126,662	124,712
Prepaid expenses	<u>133,469</u>	<u>136,655</u>
	11,893,369	10,189,477
Other Assets		
Restricted cash (note 5)	3,884,598	3,767,533
Accrued pension benefit asset (note 6a)	17,743,100	16,653,900
Capital assets (note 7)	<u>10,428,407</u>	<u>8,842,581</u>
	<u>\$ 43,949,474</u>	<u>\$ 39,453,491</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,192,279	\$ 3,308,589
Deferred contributions (note 9)	3,993,487	2,838,691
Vacation leave and employee future benefits	2,516,652	2,539,070
Loan payable (note 10)	<u>996,431</u>	<u>996,431</u>
	<u>10,698,849</u>	<u>9,682,781</u>
Long-term Liabilities		
Deferred capital contributions (note 11)	6,459,443	4,781,593
Other employee future benefits (note 6b)	<u>5,172,100</u>	<u>4,813,700</u>
	<u>11,631,543</u>	<u>9,595,293</u>
Net Assets		
Capital (note 7)	10,428,407	8,842,581
Externally restricted for endowments (note 8)	2,572,828	2,373,222
Externally restricted for pension (note 6a)	17,743,100	16,653,900
Unrestricted	<u>(9,125,253)</u>	<u>(7,694,286)</u>
	<u>21,619,082</u>	<u>20,175,417</u>
	<u>\$ 43,949,474</u>	<u>\$ 39,453,491</u>

Contractual rights and commitments (note 18 and 19)

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>2018</u>	<u>2017</u>
Revenues		
Contributions, Government of Yukon (note 13)	\$ 24,824,875	\$ 25,704,304
Contracts (note 14)	15,339,307	16,489,115
Tuition	2,326,551	1,668,977
Miscellaneous income (note 15)	1,879,615	1,268,074
Sales, rentals and services	1,662,302	1,563,381
Student assistance/scholarships (note 17)	768,242	715,776
Amortization of deferred capital contributions (note 11)	451,376	360,823
Interest income	110,573	55,299
	<u>\$ 47,362,841</u>	<u>\$ 47,825,749</u>
Expenses (note 12)		
Direct instruction	\$ 15,114,320	\$ 15,881,739
Direct instructional support	10,082,465	10,062,822
General administration	6,707,231	6,362,019
Research	4,513,909	4,481,736
Services received without charge (note 13)	3,983,667	3,706,611
Facility services and utilities	1,877,784	1,918,893
Cost of sales	1,617,001	1,651,118
Amortization of capital assets (note 7)	1,057,599	920,763
Student assistance/scholarships	724,382	714,765
Employee leave and termination benefits	335,983	364,884
Miscellaneous	104,441	149,664
	<u>\$ 46,118,782</u>	<u>\$ 46,215,014</u>
Total surplus of revenues over expenses (note 20)	<u>\$ 1,244,059</u>	<u>\$ 1,610,735</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 Restated (note 2 q)</u>	<u>Externally Restricted for Pension</u>	<u>2018 Total</u>	<u>2017 Total Restated (note 2 q)</u>
Balance, beginning of year	\$ (7,694,286)	\$ 8,842,581	\$ 2,373,222	\$ 16,653,900	\$ 20,175,417	\$ 18,488,453
Capital assets acquired - net of disposals (note 7)	-	2,643,425	-	-	2,643,425	1,737,639
Amortization of capital assets (note 7)	-	(1,057,599)	-	-	(1,057,599)	(920,763)
Change in net assets - Capital (note 7)	(1,585,826)	-	-	-	(1,585,826)	(816,876)
Endowment contributions - net (note 8)	-	-	199,606	-	199,606	76,229
Total surplus of revenues over expenses (note 20)	154,859	-	-	1,089,200	1,244,059	1,610,735
Balance, end of year	<u>\$ (9,125,253)</u>	<u>\$ 10,428,407</u>	<u>\$ 2,572,828</u>	<u>\$ 17,743,100</u>	<u>\$ 21,619,082</u>	<u>\$ 20,175,417</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>2018</u>	<u>2017</u>
Cash flows provided from operating activities:		
Total surplus of revenues over expenses	\$ 1,244,059	\$ 1,610,735
Items not affecting cash		
Amortization of capital assets (note 7)	1,057,599	920,763
Amortization of deferred capital contributions (note 11)	(451,376)	(360,823)
Increase in non-cash working capital balances	1,331,924	1,059,043
Increase in accrued pension benefit asset	(1,089,200)	(1,177,700)
Increase in other employee future benefits	358,400	316,600
Cash flows provided from operating activities	<u>2,451,406</u>	<u>2,368,618</u>
Cash flows used in investing activities:		
Increase in restricted cash	<u>(117,065)</u>	<u>(48,886)</u>
Cash flows used in investing activities	<u>(117,065)</u>	<u>(48,886)</u>
Cash flows used in capital activities:		
Proceeds from disposal of capital asset	92,213	-
Capital assets acquired (note 7)	<u>(2,719,297)</u>	<u>(1,744,292)</u>
Cash flows used in capital activities	<u>(2,627,084)</u>	<u>(1,744,292)</u>
Cash flows provided from financing activities:		
Net investment income from endowments (note 8)	156,436	20,046
Endowment contributions (including transfers)	43,170	56,183
Increase in deferred capital contributions (note 11)	<u>2,129,226</u>	<u>925,873</u>
Cash flows provided from financing activities	<u>2,328,832</u>	<u>1,002,102</u>
Change in cash:		
Net increase in cash	2,036,089	1,577,542
Cash		
Beginning of year	<u>6,522,714</u>	<u>4,945,172</u>
End of year	<u>\$ 8,558,803</u>	<u>\$ 6,522,714</u>

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

YUKON COLLEGE
Notes to the Consolidated Financial Statements
Year ended June 30, 2018

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 Yukon 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 Yukon College for any purpose for students in attendance at facilities owned and/or operated by Yukon 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, 2018

2. Significant accounting policies (continued)

d) Accounts receivable

Accounts receivable is recorded at the principal amount less valuation allowances

e) Capital assets

Purchased equipment and leasehold improvements are recorded at cost, net of accumulated amortization. The items are amortized on a straight-line basis over their estimated useful lives. The College has received contributed capital assets during the year which are disclosed in note 7. 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 – 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. These inventories 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

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

2. Significant accounting policies (continued)

h) Employee future benefits

Pension benefits

The Yukon College Employees' 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. 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. 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.

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, which is estimated to be 9 years (2017 - 9 years).

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, which is estimated to be 9 years (2017 - 9 years).

i) Employee vacation leave

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

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

2. Significant accounting policies (continued)

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 can not 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 and registration fees 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 (see note 9).

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. The College incurred \$239,992 (2017 - \$148,429) in fundraising expenses during the year and these costs are included in general administration expenses. Fundraising expenses consisted of salaries and benefits, contract fees, advertising and promotion and office 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.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

2. Significant accounting policies (continued)

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-entité transactions are recorded on a gross basis and are measured at the carrying amount, except for the following: when inter-entité 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-entité transactions are recorded at the exchange amount.

The College receives certain services provided by the Government of Yukon without charge (note 13). The Government of Yukon's cost for 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's amortization expense (for the main campus), which is the carrying amount, and on fair value for other spaces.

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.

p) Adoption of new accounting standards

Effective July 1, 2017, the College adopted Public Sector Accounting Handbook Sections PS 2200 - Related party disclosures, PS 3210 - Assets, PS 3320 - Contingent assets, PS 3380 - Contractual rights and PS 3420 - Inter-entité transactions. The adoption of PS 3380 required additional information to be disclosed; refer to note 18 for Contractual rights disclosure. There was no significant impact on the financial statements as a result of adopting the remaining standards.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

2. Significant accounting policies (continued)

q) Restatement

In 2016, the Foundation entered into an agreement with a donor in the amount of \$996,431, and recorded the amount received as an endowment; however, the terms of the agreement have the characteristics of a loan. The financial statements have been corrected retroactively and the comparative figures have been restated. See note 10 for an explanation of the loan payable. The effect of this change is as follows:

	<u>2017</u> <u>As previously</u> <u>stated</u>	<u>2017</u> <u>Adjustment</u>	<u>2017</u> <u>Restated</u>
<u>Statement of financial position</u>			
Loan payable	\$ -	\$996,431	\$ 996,431
Net assets - externally restricted for endowments	\$ 3,369,653	(\$996,431)	\$2,373,222
<u>Statement of changes in net assets</u>			
Balance, beginning of year	\$19,484,884	(\$996,431)	\$18,488,453
<u>Note 8 - Endowments</u>			
Endowment balance, beginning of the year	\$ 3,293,424	(\$996,431)	\$ 2,296,993

Note 10 has been added.

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: credit risk, interest rate risk, foreign exchange 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.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

3. Financial risk management (continued)

(b) Financial risks (continued)

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>2018</u>	<u>2017</u>
Carrying value	\$ 3,074,435	\$ 3,405,396
Allowance for doubtful accounts	\$ 75,920	\$ 67,495
Accounts receivable % less than 30 days	74%	69%
Accounts receivable % over 90 days	5%	4%

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, 2018 and 2017, 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 June 30, 2018. The College's credit facility interest rates are subject to fluctuations in the prime rate.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

5. Restricted cash

Restricted cash consists of \$3,774,193 (2017 - \$3,534,552) for Foundation endowment and deferred contributions and \$110,405 (2017 - \$232,981) 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 1.1% (2017 - 0.9 %).

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, 2018. No adjustment is made for contributions/payments in transit at that date.

An actuarial valuation for accounting purposes was performed as of June 30, 2017 using the projected benefits method prorated on services. Pension benefit estimates for the year ending June 30, 2018 were made as part of the June 30, 2017 valuation. The next actuarial valuation for accounting purposes will be performed as of June 30, 2019.

An actuarial valuation for funding purposes was performed as of June 30, 2018 and the next actuarial valuation for funding purposes will be performed as of June 30, 2019. The actuarial valuation for funding purposes performed by the actuary in 2018 established the College's required current service contributions as 101.8% (2017 – 132.3%) 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 \$3,159,900 (2017 - \$3,553,200).

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

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>2018</u>	<u>2017</u>
Weighted-average assumptions for benefit costs		
Discount rate	5.40 %	5.80 %
Expected long-term rate of return on plan assets	5.40 %	5.80 %
Rate of compensation increase	4.00 %	4.25 %
Inflation rate	2.20 %	2.30 %
Weighted-average assumptions of accrued benefit obligation		
Discount rate	5.40 %	5.80 %
Rate of compensation increase	4.00 %	4.25 %
Inflation rate	2.20 %	2.30 %
	<u>2018</u>	<u>2017</u>
Change in accrued benefit obligation:		
Accrued benefit obligation - beginning of year	\$ 83,740,100	\$ 78,164,100
Current service cost	2,559,600	2,319,300
Interest cost	4,555,300	4,546,600
Employee contributions	1,833,600	1,684,000
Benefits paid	(3,159,900)	(3,553,200)
Actuarial losses	-	579,300
Accrued benefit obligation - end of year	<u>\$ 89,528,700</u>	<u>\$ 83,740,100</u>
Change in plan assets:		
Fair value of plan assets - beginning of year	\$ 101,080,500	\$ 89,780,700
Actual return on plan assets	5,499,300	9,795,500
Employer contributions	2,845,000	3,373,500
Employee contributions	1,833,600	1,684,000
Benefits paid	(3,159,900)	(3,553,200)
Fair value of plan assets - end of year	<u>\$ 108,098,500</u>	<u>\$ 101,080,500</u>
	<u>2018</u>	<u>2017</u>
Reconciliation of funded status:		
Accrued benefit obligation - end of year	\$ (89,528,700)	\$ (83,740,100)
Fair value of plan assets	<u>108,098,500</u>	<u>101,080,500</u>
Funding surplus	18,569,800	17,340,400
Unamortized net actuarial loss	(826,700)	(686,500)
Accrued pension benefit asset	<u>\$ 17,743,100</u>	<u>\$ 16,653,900</u>

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

6. Employee future benefits (continued)

a) Pension benefits (continued)

	<u>2018</u>	<u>2017</u>
Elements of defined pension plan benefit costs recognized in the year:		
Current service cost, net of employee contributions	\$ 2,559,600	\$ 2,319,300
Interest cost on benefit obligation	4,555,300	4,546,600
Actual return on plan assets	(5,499,300)	(9,795,500)
Actuarial loss on accrued benefit obligation	<u>-</u>	<u>579,300</u>
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	1,615,600	(2,350,300)
Adjustment to recognize the long-term nature of employee future benefit costs:		
Difference between expected return and actual return on plan assets for year	-	4,544,600
Difference between actuarial loss recognized for the year and actual actuarial benefit loss on accrued benefit obligation for the year	<u>140,200</u>	<u>1,500</u>
Net periodic pension cost recognized	<u>\$ 1,755,800</u>	<u>\$ 2,195,800</u>
Based on fair value of plan assets held as at June 30, the assets were composed of:		
Equity securities	<u>2018</u> 55%	<u>2017</u> 56%
Debt securities	42%	41%
Other	<u>3%</u>	<u>3%</u>
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, 2018.

The funded status of the pension plan, a surplus of \$16,395,300 as at June 30, 2018 (June 30, 2017 - \$11,237,000), has been determined on the basis that the pension plan remains a going concern. As at June 30, 2018, the date of the most recent actuarial valuation for funding purposes, the pension plan had a deficit of \$6,314,200 (June 30, 2017 - \$9,346,600) if valued on the basis that the pension plan were terminated/wound up as at June 30, 2018.

The solvency ratio of the pension plan was 95.2% at June 30, 2018 (2017 – 92.5%). During the fiscal year the College contributed \$2,845,000 (2017 - \$3,373,500) to the pension plan. The Government of Yukon provided pension funding to the College during the year as described in note 13. All required contributions to the pension plan have been made.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

6. Employee future benefits (continued)

a) Pension benefits (continued)

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 \$207,108 (2017 - \$202,958) per month up to an amount of \$18,318,077 which was the estimated amount of solvency payments required to June 30, 2019 based on the June 30, 2017 valuation. The amount of the letter of credit will be revised in January 2019 as a result of the funding valuation results for June 30, 2018 and the monthly increases will be \$160,750. The maximum amount of the letter of credit is \$19,550,400 based on the June 30, 2018 funding valuation. The maximum letter of credit for 2017 was \$15,787,127, which was based on 15% of solvency liabilities as of June 30, 2017. The maximum amount of the letter of credit was exceeded in January 2017 at which time the College made monthly solvency payments of \$202,958 up to and including June 2017. The Government of Yukon covered the cost of the solvency payments. Federal pension regulations changed in 2017 allowing for the letter of credit limit to be based on 15% of solvency liabilities instead of the market value of plan assets. This enabled the College to cease making solvency payments after June 30, 2017 and to continue using the letter of credit as solvency liabilities are greater than the market value of plan assets. The value of the letter of credit at June 30, 2018 was \$15,832,777 (2017 - \$13,554,585). The letter of credit expires on July 31, 2019 but the College plans to renew the letter of credit no later than May 2019 as required by the legislation and in the amount determined by the actuarial valuation for June 30, 2018. The letter of credit is guaranteed by the Government of Yukon.

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, prorated 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, 2018 is:

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation, end of year	\$ 6,104,200	\$ 5,785,600
Unamortized actuarial loss	<u>(262,100)</u>	<u>(301,900)</u>
Actuarially determined other employee future benefits, end of year	5,842,100	5,483,700
Less: Current portion included in vacation leave and employee future benefits	<u>(670,000)</u>	<u>(670,000)</u>
Long-term portion other employee future benefits, end of year	<u>\$ 5,172,100</u>	<u>\$ 4,813,700</u>

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

	<u>2018</u>	<u>2017</u>
Accrued benefit liability, beginning of year	\$ 5,483,700	\$ 5,167,100
Add: Annual benefit plan cost:		
Current service cost	816,300	783,000
Interest on accrued benefit obligation	172,300	163,800
Amortization of net actuarial loss	<u>39,800</u>	<u>39,800</u>
Total annual benefit plan cost	1,028,400	986,600
Less: Benefits paid by College	<u>(670,000)</u>	<u>(670,000)</u>
Actuarially determined other employee future benefits, end of year	5,842,100	5,483,700
Less: Current portion included in vacation leave and employee future benefits	<u>(670,000)</u>	<u>(670,000)</u>
Long-term portion other employee future benefits, end of year	<u>\$ 5,172,100</u>	<u>\$ 4,813,700</u>

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

6. Employee future benefits (continued)

b) Other non-pension employee future benefits (continued)

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

	<u>2018</u>	<u>2017</u>
Weighted average assumptions for benefit costs:		
Discount rate	2.75%	2.75%
Rate of compensation increase		
for 10 years	4.25%	4.25%
thereafter	4.75%	4.75%
Weighted average assumptions for accrued benefit obligation:		
Discount rate	2.75%	2.75%
Rate of compensation increase		
for 10 years	4.25%	4.25%
thereafter	4.75%	4.75%

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

7. Capital assets

	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>

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

7. Capital assets (continued)

	Beginning of Year	Additions	Disposals	Transfer to Capital Assets	End of Year
June 30, 2017					
Cost:					
Leasehold Improvements	\$ 4,221,990	\$ 27,234	\$ (127,192)	\$ 371,991	\$ 4,494,023
Equipment General	2,711,653	792,409	(54,349)	-	3,449,713
Equipment EDP	413,970	114,848	-	-	528,818
Mobile Trailers	2,247,200	26,083	-	-	2,273,283
Furniture and Fixtures	266,536	28,678	(24,925)	-	270,289
Works of Art	52,349	15,599	-	-	67,948
Vehicles	446,710	-	-	-	446,710
Work in Progress	474,592	739,441	-	(371,991)	842,042
Total	\$ 10,835,000	\$ 1,744,292	\$ (206,466)	\$ -	\$ 12,372,826
Accumulated Amortization:					
Leasehold Improvements	\$ 1,294,700	\$ 231,501	\$ (127,192)	\$ -	\$ 1,399,009
Equipment General	795,692	307,466	(47,696)	-	1,055,462
Equipment EDP	100,190	156,166	-	-	256,356
Mobile Trailers	318,808	113,067	-	-	431,875
Furniture and Fixtures	91,397	27,448	(24,925)	-	93,920
Works of Art	-	-	-	-	-
Vehicles	208,508	85,115	-	-	293,623
Work in Progress	-	-	-	-	-
Total	\$ 2,809,295	\$ 920,763	\$ (199,813)	\$ -	\$ 3,530,245
Carrying Amounts:	\$ 8,025,705	\$ 823,529	\$ (6,653)	\$ -	\$ 8,842,581

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 and 2017. 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. In 2017 the assets consisted of two donated lathes to be used in trades. The appraised amount of \$123,165 was added to the value of equipment.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

8. Endowments

	<u>2018</u>	<u>2017</u> <u>Restated</u> <u>(note 2q)</u>
Endowment balance, beginning of year	2,373,222	2,296,993
Investment income added to net assets	156,436	20,046
Contributions from donors	33,605	45,601
Transfer of deferred contributions to endowments	9,565	10,582
Endowment balance, end of year	<u>\$ 2,572,828</u>	<u>\$ 2,373,222</u>
Investment income added to net assets	\$ 156,436	\$ 20,046
Net income on investments recognized as revenue	5,116	1,260
Total investment income on endowments and trusts	<u>\$ 161,552</u>	<u>\$ 21,306</u>

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

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>2018</u>	<u>2017</u>
Contracts	\$ 2,868,202	\$ 2,094,083
Tuition	711,076	254,570
Endowment and trust accounts	414,209	490,038
Total deferred contributions	<u>\$ 3,993,487</u>	<u>\$ 2,838,691</u>

Change in Deferred Contributions:

	<u>2018</u>					<u>2017</u>
	Contracts	Tuition & Registration Fees	Endowments & Trusts	Yukon Government Operating Contributions	Total	
Balance, beginning of year	\$ 2,094,083	\$ 254,570	\$ 490,038	\$ -	\$ 2,838,691	\$ 2,358,063
Investment income on trusts & endowments	-	-	83,814	-	83,814	10,216
Contributions	16,113,426	2,783,057	636,034	20,734,123	40,266,640	40,014,921
Revenue recognized	(15,339,307)	(2,326,551)	(768,041)	(20,734,123)	(39,168,022)	(39,533,927)
Transfer to endowments & unrestricted	-	-	(27,636)	-	(27,636)	(10,582)
Balance, end of year	<u>\$ 2,868,202</u>	<u>\$ 711,076</u>	<u>\$ 414,209</u>	<u>\$ -</u>	<u>\$ 3,993,487</u>	<u>\$ 2,838,691</u>

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

10. 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.

11. 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>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 4,781,593	\$ 4,216,543
Restricted government contributions	2,129,226	925,873
Amount amortized to revenue	<u>(451,376)</u>	<u>(360,823)</u>
Balance, end of year	<u>\$ 6,459,443</u>	<u>\$ 4,781,593</u>

12. Expenditures by object

	<u>2018</u>	<u>2017</u>
Salaries, wages and benefits	\$ 28,319,768	\$ 28,130,196
Contract services	6,727,739	7,078,058
Utilities and communications	1,874,516	1,644,088
Material and supplies	1,712,063	2,093,576
Cost of sales and ancillary services	1,617,001	1,651,118
Travel	1,307,111	1,027,083
Rental of facilities and equipment	1,062,765	1,032,821
Amortization of capital assets	1,057,599	920,763
Student assistance/scholarships	724,382	714,765
Promotion, events and advertising	576,278	520,513
Licenses, permits, and memberships	378,072	487,971
Employee leave and termination benefits	335,983	364,884
Bank fees and credit card commissions	204,846	187,803
Books and subscriptions	99,388	107,928
Other	81,305	208,716
Postage and freight	39,966	44,731
	<u>\$ 46,118,782</u>	<u>\$ 46,215,014</u>

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

13. Government of Yukon contributions

	<u>2018</u>	<u>2017</u>
Operating contributions	\$ 20,734,123	\$ 20,664,500
Pension funding	107,085	1,333,193
Services received without charge	<u>3,983,667</u>	<u>3,706,611</u>
	<u>\$ 24,824,875</u>	<u>\$ 25,704,304</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 2018 Government of Yukon core funding contributions, pension funding, and services received without charge made up 52% of total revenues (2017 - 54%). In 2018 the College received \$107,085 for pension letter of credit costs. In 2017, the College received \$1,333,193 in funding for pension solvency and letter of credit costs. No funds were received for pension employer service cost or pension solvency in 2018.

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 recorded at amounts based on the Government's amortization expense (for the main campus), which is the carrying amount, and on fair value for other spaces, plus any related operating expenses.

14. 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>2018</u>	<u>2017</u>
Third party funded projects and programs	\$ 13,595,513	\$ 14,568,893
Training and non-credit course fees	<u>1,743,794</u>	<u>1,920,222</u>
	<u>\$ 15,339,307</u>	<u>\$ 16,489,115</u>

15. Miscellaneous income:

	<u>2018</u>	<u>2017</u>
Salary, travel and other expense recovery	\$ 805,469	\$ 358,212
Pension contract recovery	572,159	564,406
General student fees	196,608	104,117
Computer lab usage fees	150,235	126,530
Other miscellaneous revenue	75,272	29,227
Facilities and equipment rental	45,732	58,472
Book, publication and supply sales	20,316	18,470
Course materials recovery	<u>13,824</u>	<u>8,640</u>
	<u>\$ 1,879,615</u>	<u>\$ 1,268,074</u>

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

16. Centre for Northern Innovation in Mining

The Government of Yukon and the Canadian Northern Economic Development Agency (CANNOR) provided funds to the College for the purpose of constructing and operating the Centre for Northern Innovation in Mining (CNIM). The Government of Yukon provided \$4,146,975 and CANNOR provided \$4,146,975 over three years for the construction of the building. The CNIM building was completed in 2017 and is owned by the Government of Yukon and is designed to provide training and research, through the delivery of accredited programming in mining, trades and technologies as well as relevant applied research projects and through industry partnerships.

The following amounts pertain to the construction of the CNIM building and have been included in the consolidated statement of operations:

	<u>2018</u>	<u>2017</u>
<u>Revenues</u>		
Government of Yukon (note 17)	\$ -	\$ 775,098
CANNOR	-	775,098
	-	1,550,196
<u>Expenses</u>		
Project management	-	41,431
Building construction and design	-	1,508,765
	-	1,550,196
Revenues less expenses	\$ -	\$ -

17. 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 \$9,663,638 (2017 - \$9,164,052) (note 16), 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 \$436,139 (2017 - \$495,046) 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 \$250,557 (2017 - \$189,367) 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, 2018 there was \$167,568 (2017 - \$76,282) of accounts payable and \$1,064,297 (2017 - \$1,109,323) of accounts receivable related to the Government of Yukon. At June 30, 2018 there was \$525,207 (2017 - \$942,058) of deferred contributions and \$4,992,970 (2017 - \$3,249,890) of deferred capital contributions related to the Government of Yukon.

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

18. 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 Yukon</u>	<u>Government of Canada</u>	<u>Other</u>
2018-19	22,727,001	2,400,597	1,574,830
2019-20	1,385,847	1,156,693	1,198,071
2020-21	721,399	62,500	1,102,609
2021-22	-	62,500	943,610
	<u>\$ 24,834,247</u>	<u>\$ 3,682,290</u>	<u>\$ 4,819,120</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, a power supply upgrade to the Ayamdigut campus, 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.

19. 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>
2018-19	177,553	57,589	543,891
2019-20	152,327	48,055	301,741
2020-21	158,419	48,055	218,572
2021-22	164,757	-	-
2022-23	171,367	-	-
2023-24	178,222	-	-
	<u>\$ 1,002,645</u>	<u>\$ 153,699</u>	<u>\$ 1,064,204</u>

YUKON COLLEGE
Notes to Consolidated Financial Statements
Year ended June 30, 2018

20. Total surplus of revenues over expenses

The total surplus of revenues over expenses includes net periodic pension cost of \$1,755,800 (2017 - \$2,195,800). However, as disclosed in note 6, the College's employer contributions to the accrued pension benefit asset were \$2,845,000 (2017 - \$3,273,500), which is \$1,089,200 (2017 - \$1,077,700) higher than the College's net periodic pension cost.

21. Comparative figures

Certain comparative figures for 2017 have been reclassified to conform with the 2018 presentation.