



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of the Yukon College

I have audited the accompanying financial statements of the Yukon College, which comprise the statement of financial position as at 30 June 2016, and the statement of operations, statement of changes in net assets and 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Yukon College as at 30 June 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lana Dar, CPA, CA
Principal
for the Auditor General of Canada

10 December 2016
Vancouver, Canada

YUKON COLLEGE
Management Responsibility

The financial statements are the responsibility of management and the Board of Governors of the College. The financial statements have been prepared in accordance with Canadian public sector accounting standards with Section 4200 series for government not-for-profit organizations. The financial statements include estimates based on the experience and judgement of management. The financial statements present fairly the financial position of the College as at June 30, 2016 and comparative periods, and the results of its operations and cash flows for the years then ended.

The College maintains books of account, financial and management control, 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.

These systems and practices are also designed 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 financial statements and related financial reporting matters. The Board of Governors has reviewed and approved the financial statements.

These financial statements for the years ended June 30, 2016 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



Gayle Corry, CPA, CA
Director Finance & Administrative Services

December 10, 2016

YUKON COLLEGE
Statement of Financial Position
As at June 30, 2016

ASSETS	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current Assets		
Cash (note 4)	\$ 4,945,172	\$ 4,343,687
Accounts receivable (note 3b)	3,011,501	3,551,780
Inventories	112,616	142,387
Prepaid expenses	<u>66,524</u>	<u>116,098</u>
	\$ 8,135,813	\$ 8,153,952
Other Assets		
Restricted cash (note 5)	295,961	2,314,758
Accrued pension benefit asset (note 6a)	15,476,200	14,819,200
Capital assets (note 7)	<u>8,025,705</u>	<u>7,078,407</u>
	<u>\$ 31,933,679</u>	<u>\$ 32,366,317</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,309,248	\$ 2,623,691
Deferred contributions (note 9)	2,227,542	1,861,057
Vacation leave and employee future benefits	<u>2,490,786</u>	<u>2,180,642</u>
	<u>7,027,576</u>	<u>6,665,390</u>
Long-term Liabilities		
Deferred capital contributions (note 10)	4,216,543	3,452,342
Other employee future benefits (note 6b)	<u>4,497,100</u>	<u>4,382,300</u>
	<u>8,713,643</u>	<u>7,834,642</u>
Net Assets		
Capital (note 7)	8,025,705	7,078,407
Externally restricted for endowments (note 8)	-	1,986,286
Externally restricted for pension (note 6a)	15,476,200	14,819,200
Unrestricted	<u>(7,309,445)</u>	<u>(6,017,608)</u>
	<u>16,192,460</u>	<u>17,866,285</u>
	<u>\$ 31,933,679</u>	<u>\$ 32,366,317</u>

Commitments (note 17)

Contingent liabilities (note 18)

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

Approved by the Board of Governors



 Chair



 Member

YUKON COLLEGE
Statement of Operations
For the year ended June 30

	<u>2016</u>	<u>2015</u>
Revenues		
Contributions, Government of Yukon (note 12)	\$ 23,203,356	\$ 22,765,979
Contracts (note 13 and 16)	18,879,682	17,565,618
Sales, rentals and services	1,668,934	1,706,809
Miscellaneous income (note 14)	1,360,257	1,655,425
Tuition and registration fees	1,138,780	1,217,988
Student assistance/scholarships (note 16)	694,158	799,553
Amortization of deferred capital contributions (note 10)	291,878	267,239
Interest income	50,845	73,899
	<u>\$ 47,287,890</u>	<u>\$ 46,052,510</u>
Expenses (note 11)		
Direct instruction (note 15)	\$ 18,704,538	\$ 15,923,136
Direct instructional support	9,257,622	9,972,985
General administration	6,417,263	7,513,203
Research	4,190,529	4,378,370
Services received without charge (note 12)	3,677,187	3,731,685
Cost of sales	1,809,663	1,936,996
Facility services and utilities	1,584,116	1,411,012
Amortization of capital assets (note 7)	771,628	645,501
Student assistance/scholarships	694,158	799,553
Employee leave and termination benefits	424,944	487,115
Miscellaneous	100,781	133,433
	<u>\$ 47,632,429</u>	<u>\$ 46,932,989</u>
Net operating deficit	\$ (344,539)	\$ (880,479)
Increase in accrued pension benefit asset	<u>657,000</u>	<u>1,005,300</u>
Total surplus of revenues over expenses	<u>\$ 312,461</u>	<u>\$ 124,821</u>

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

YUKON COLLEGE
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>2016 Total</u>	<u>2015 Total</u>
Balance, beginning of year	\$ (6,017,608)	\$ 7,078,407	\$ 1,986,286	\$ 14,819,200	\$ 17,866,285	\$ 17,730,491
Capital assets acquired (note 7)	-	1,718,926	-	-	1,718,926	1,611,105
Amortization of capital assets (note 7)	-	(771,628)	-	-	(771,628)	(645,501)
Change in net assets - Capital (note 7)	(947,298)	-	-	-	(947,298)	(965,604)
Endowment (transfer) contributions - net (note 8)	-	-	(1,986,286)	-	(1,986,286)	10,973
(Increase) decrease in pension benefit asset	(657,000)	-	-	657,000	-	-
Total surplus of revenues over expenses	312,461	-	-	-	312,461	124,821
Balance, end of year	<u>\$ (7,309,445)</u>	<u>\$ 8,025,705</u>	<u>\$ -</u>	<u>\$ 15,476,200</u>	<u>\$ 16,192,460</u>	<u>\$ 17,866,285</u>

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

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

	<u>2016</u>	<u>2015</u>
Cash flows provided from operating activities:		
Total surplus of revenues over expenses	\$ 312,461	\$ 124,821
Items not affecting cash		
Amortization of capital assets (note 7)	771,628	645,501
Amortization of deferred capital contributions (note 10)	(291,878)	(267,239)
Increase (decrease) in non-cash working capital balances	1,007,358	(42,139)
Increase in accrued pension benefit asset	(657,000)	(1,005,300)
Increase in other employee future benefits	114,800	651,400
Cash flows provided from operating activities	<u>1,257,369</u>	<u>107,044</u>
Cash flows provided from (used in) investing activities:		
Increase in restricted cash	-	(153,933)
Cash flows used in investing activities	<u>-</u>	<u>(153,933)</u>
Cash flows used in capital activities:		
Capital assets acquired (note 7)	<u>(1,718,926)</u>	<u>(1,611,105)</u>
Cash flows used in capital activities	<u>(1,718,926)</u>	<u>(1,611,105)</u>
Cash flows provided from (used in) financing activities:		
Interest earned from endowments (note 8)	6,963	10,973
Increase in deferred capital contributions (note 10)	1,056,079	1,263,229
Cash flows provided from financing activities	<u>1,063,042</u>	<u>1,274,202</u>
Change in cash:		
Net increase (decrease) in cash	601,485	(383,792)
Cash		
Beginning of year	<u>4,343,687</u>	<u>4,727,479</u>
End of year	<u>\$ 4,945,172</u>	<u>\$ 4,343,687</u>

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

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

1. Purpose of the organization

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*. A significant portion of its funding is provided by the Government of Yukon. The College is not an institution of the Government of Yukon and, except to the extent an agency relationship is created by contracts with the Government, the College is not an agent of the Government. The purpose of the College is to provide excellent, relevant and accessible learning opportunities.

In September 2015, the Yukon College Foundation (the Foundation) was incorporated as a not-for-profit organization under the *Canada Not-For-Profit Corporations Act*. The Foundation is a registered charity and obtained charitable status in November 2015 under the *Income Tax Act*. 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.

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 Foundation's Board of Directors does not currently include any members 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 and the accounting function of the Foundation is performed by the College. In June 2016 the College transferred all endowments, deferred contributions and any trust accounts established for research and student scholarships and awards to the Foundation. The transferred amount was based on the balance and interest earned in those accounts up to the date of transfer. Endowments and deferred contributions in the Foundation are restricted for student awards, scholarships, financial aid and certain types of research and public lectures. The Foundation's resources received to date are not available to fund the operations of the College.

The College has paid operating expenses in the amount of \$142,646 on behalf of the Foundation during the year. The operating expenses consist of \$111,647 in salaries and benefits and \$30,999 in operating costs. These expenses are recorded in the College's financial statements and are not recorded as expenses in the Foundation's financial statements. The Foundation receives donations for student awards and scholarships and those funds will be transferred to the College periodically during the year to disburse to students. The amount of funds transferred is disclosed in note 16 – related party transactions. The College is not responsible for the liabilities of the Foundation.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

1. Purpose of the organization (continued)

The Foundation has a year end of June 30. Similar to the College, the Foundation's financial statements are presented in accordance with Canadian public sector accounting standards. The Foundation has elected to apply the Section 4200 series for government-not-for-profit organizations. The summarized assets, liabilities and results of operations for the Foundation for the year ended June 30, 2016 is as follows:

Financial position	
Total assets	<u>\$ 3,422,945</u>
Liabilities and net assets	
Deferred contributions	\$ 130,521
Net assets	<u>3,292,424</u>
Total liabilities and net assets	<u>\$ 3,422,945</u>
Results of operations	
Revenue	\$ 259
Expenses	<u>1,259</u>
Deficiency of revenue over expenses	<u>\$ (1,000)</u>
Cash flows	
Operating activities	\$ (1,259)
Financing activities	<u>291,366</u>
Net cash inflow	<u>\$ 290,107</u>

The Hill Top Bistro and Culinary Arts Society (the Society) is incorporated under the *Societies Act* of the Yukon. The purpose of the Society is to provide training and development opportunities to those interested in participating in the culinary arts and hospitality programs offered by the College. The College controls the Society as its employees are directors of the organization. The Society operates out of the College's main campus building with the assistance of College employees from the Culinary Program and the accounting function of the Society is performed by the College. The Society's year end is March 31. The operations of the Society ended in December 2015 and the Society was dissolved in May 2016. The bistro operations have been operating out of the College since January 2016. For the year ended March 31, 2016, the Society had revenues of \$12,484 (2015 - \$37,313) and expenses of \$26,132 (2015 - \$31,663) for a deficit of (\$13,649) (2015 - \$5,650). There were no transactions between the year-end date and June 30. Total assets were nil (2015 - \$41,407) and total liabilities were nil (2015 - \$27,859) with a cumulative net surplus of nil (2015 - \$13,549). The Society's assets were donated to the College in March 2016 as required under the Society's bylaws.

2. Significant accounting policies

a) Basis of presentation

The 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.

The College does not consolidate the results and financial position of the Yukon College Foundation and the Hill Top Bistro and Culinary Arts Society in its financial statements. The Foundation and Society are controlled entities of the College but the Society was dissolved in May 2016. Information concerning these entities is presented in note 1.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

2. Significant accounting policies (continued)

b) 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.

c) Accounts receivable

Accounts receivable is recorded at the principal amount less valuation allowances.

d) 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 not received any contributed capital assets of significant value during the year.

	<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.

e) Inventories

Inventories are valued at the lower of cost and net realizable value.

f) 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 financial statements.

g) 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 has 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. Contributions by the College are recorded in the financial statements using an accrued benefit method. 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.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

2. Significant accounting policies (continued)

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.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs from plan amendments are accounted for in the period of the plan amendments.

The cost of the retirement benefits recognized during the period is comprised of the retirement benefits expense and the retirement benefits interest expense.

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.

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 (2015 - 9 years).

h) Employee vacation leave

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

i) 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.

The following is the accounting treatment that was followed for endowment contributions up to the date the endowments were transferred to the Yukon College Foundation as mentioned in note 1; endowment contributions were recognized as direct increases in endowment net assets. Interest earned on endowment contributions where a portion of the interest could not be spent was added to the endowment principal. Interest earned on endowment contributions where the investment income could be spent was deferred until the interest was spent for the specified purposes. Endowment contributions that specified that the principal could be spent were recognized as deferred contributions until they were spent for the specified purposes. The revenue from investment income and endowment contributions where the principal could be spent was recognized when the investment income and contributions were spent for the specified purposes. As the endowments have now all been transferred to the Yukon College Foundation as mentioned in note 1, there will no longer be endowment contributions in future years.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

2. Significant accounting policies (continued)

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).

j) 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 does not incur any significant expenses for fundraising. Administration related to fundraising is included in general administration expenses.

k) Restrictions on net assets

Invested in capital assets represents the amount the College has spent on capital assets using its own funding sources. Endowment net assets include endowment principal which must remain unexpended. The accrued pension benefit asset is restricted in order to meet future pension obligations.

l) Internal appropriations

Internal appropriations are established under the authority of the Board of Governors, by appropriation from unrestricted net assets and other employee future benefits to provide for anticipated fiscal requirements not funded from other sources.

m) Services received without charge

The free rental of the College's main campus and certain other facilities provided by the Government is recorded as contribution revenue and certain offsetting operating expenses (see note 12).

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 and disclosure of lease commitments 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 defined benefit pension plan surplus and the liabilities for other employee future benefits, and the estimated useful lives of capital assets. Financial results as determined by actual events could differ significantly from these estimates. Estimates are reviewed annually and as adjustments become necessary, they are recorded in the 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 financial statements when it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

3. Financial risk management

(a) Fair value of financial instruments

The College's financial instruments consist of cash, accounts receivable, restricted cash and accounts payable and accrued liabilities. 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 an investment firm affiliated with the bank.

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 an investment firm affiliated with the bank.

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

	<u>2016</u>	<u>2015</u>
Carrying value	\$ 3,011,501	\$ 3,551,780
Allowance for doubtful accounts	\$ 40,587	\$ 36,889
Accounts receivable % less than 30 days	75%	75%
Accounts receivable % over 90 days	10%	8%

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.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

3. Financial risk management (continued)

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, 2016 and 2015, 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 year-end and at June 30, 2015. The College's credit facility interest rates are subject to fluctuations in the prime rate.

5. Restricted cash

Restricted cash consists of \$295,961 (2015 - \$328,472) for prepaid leave and no endowments at June 30, 2016 (2015 - \$1,986,286) as the endowments were transferred to the Yukon College Foundation during the year as mentioned in note 1 and shown in note 8.

Restricted cash consists of high interest savings accounts and the average annual return on restricted cash was 0.9% (2015 - 1.3 %).

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, 2016. No adjustment is made for contributions/payments in transit at that date.

An actuarial valuation for accounting purposes was performed as of June 30, 2015 using the projected benefits method prorated on services. Estimates of the pension income for the years ending June 30, 2016 and 2017 were made as part of the June 30, 2015 valuation. The next actuarial valuation for accounting purposes will be performed as of June 30, 2018.

An actuarial valuation for funding purposes was performed as of June 30, 2016 and the next actuarial valuation for funding purposes will be performed as of June 30, 2017. The actuarial valuation for funding purposes performed by the actuary in 2016 established the College's required current service contributions as 142.3% (2015 – 161.3%) 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 \$2,674,000 (2015 - \$2,143,500).

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

6. Employee future 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>2016</u>	<u>2015</u>
Weighted-average assumptions for benefit costs		
Discount rate	5.80 %	5.80 %
Expected long-term rate of return on plan assets	5.80 %	5.80 %
Rate of compensation increase	4.25 %	4.25 %
Inflation rate	2.30 %	2.30 %
Weighted-average assumptions of accrued benefit obligation		
Discount rate	5.80 %	5.80 %
Rate of compensation increase	4.25 %	4.25 %
Inflation rate	2.30 %	2.30 %
Change in accrued benefit obligation:		
Accrued benefit obligation - beginning of year	\$ 72,543,200	\$ 66,232,800
Current service cost	2,457,900	2,465,500
Interest cost	4,247,300	3,892,000
Employee contributions	1,589,700	1,417,600
Benefits paid	(2,674,000)	(2,143,500)
Actuarial losses	-	678,800
Accrued benefit obligation - end of year	<u>\$ 78,164,100</u>	<u>\$ 72,543,200</u>
Change in plan assets:		
Fair value of plan assets - beginning of year	\$ 86,946,400	\$ 82,401,400
Actual return on plan assets	1,460,700	2,852,900
Employer contributions	2,457,900	2,418,000
Employee contributions	1,589,700	1,417,600
Benefits paid	(2,674,000)	(2,143,500)
Fair value of plan assets - end of year	<u>\$ 89,780,700</u>	<u>\$ 86,946,400</u>
Reconciliation of funded status:		
Accrued benefit obligation - end of year	\$ (78,164,100)	\$ (72,543,200)
Fair value of plan assets	<u>89,780,700</u>	<u>86,946,400</u>
Funding surplus	11,616,600	14,403,200
Unamortized net actuarial loss	3,859,600	416,000
Accrued pension benefit asset	<u>\$ 15,476,200</u>	<u>\$ 14,819,200</u>

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

6. Employee future benefits (continued)

	<u>2016</u>	<u>2015</u>
Elements of defined pension plan benefit costs recognized in the year:		
Current service cost, net of employee contributions	\$ 2,457,900	\$ 2,465,500
Interest cost on benefit obligation	4,247,300	3,892,000
Actual return on plan assets	(1,460,700)	(2,852,900)
Actuarial loss on accrued benefit obligation	-	678,800
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	5,244,500	4,183,400
Adjustment to recognize the long-term nature of employee future benefit costs:		
Difference between expected return and actual return on plan assets for year	(3,622,000)	(1,975,400)
Difference between actuarial (gain) loss recognized for the year and actual actuarial benefit (gain) loss on accrued benefit obligation for the year	178,400	(795,300)
Net periodic pension cost recognized	\$ 1,800,900	\$ 1,412,700
Based on fair value of plan assets held as at June 30, the assets were composed of:	<u>2016</u>	<u>2015</u>
Equity securities	57%	58%
Debt securities	41%	40%
Other	2%	2%
Total	100%	100%

The accrued benefit asset has been recorded on the College's books of account and is included on the statement of financial position as at June 30, 2016.

The funded status of the pension plan, a surplus of \$8,044,300 as at June 30, 2016 (June 30, 2015 - \$6,809,700), has been determined on the basis that the pension plan remains a going concern. As at June 30, 2016, the date of the most recent actuarial valuation for funding purposes, the pension plan had a deficit of \$19,310,100 (June 30, 2015 - \$14,384,500) if valued on the basis that the pension plan were terminated/wound up as at June 30, 2016.

The solvency ratio of the pension plan was 84.1% at June 30, 2016 (2015 – 87.1%). During the fiscal year the College contributed \$2,457,900 (2015 - \$2,418,000) to the pension plan. The Government of Yukon did not provide pension funding to the College during the year. All required contributions to the pension plan have been made.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

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 \$202,958 (2015 - \$242,075) per month up to an amount of \$13,554,585 (2015 - \$12,921,258), which is the maximum amount of the letter of credit based on 15% of the market value of the plan assets as of June 30, 2016. The maximum amount of the letter of credit is expected to be exceeded in February 2017 at which time the College will have to make monthly solvency payments of \$202,958. As the Government of Yukon has committed in writing to cover the cost of solvency payments for the College, a funding agreement will be received from them by March 31, 2017 to cover the payments required by the College. As long as the College must continue making solvency payments, the Government of Yukon has committed to covering this cost through an annual funding agreement. The value of the letter of credit at June 30, 2016 was \$12,325,863 (2015 - \$10,016,358) (note 18). The letter of credit expires on July 31, 2017 but the College plans to renew the letter of credit no later than May 2017 as required by the legislation and in the amount determined by the actuarial valuation for June 30, 2016. 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, 2016 is:

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation, end of year	\$ 5,508,800	\$ 5,009,400
Unamortized actuarial loss	<u>(341,700)</u>	<u>(127,100)</u>
Actuarially determined other employee future benefits, end of year	5,167,100	4,882,300
Less: Current portion included in vacation leave and employee future benefits	<u>(670,000)</u>	<u>(500,000)</u>
Long-term portion other employee future benefits, end of year	<u>\$ 4,497,100</u>	<u>\$ 4,382,300</u>

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

	<u>2016</u>	<u>2015</u>
Accrued benefit liability, beginning of year	\$ 4,882,300	\$ 4,502,400
Add: Annual benefit plan cost:		
Current service cost	753,800	695,800
Interest on accrued benefit obligation	176,600	185,100
Amortization of net actuarial loss (gain)	<u>14,400</u>	<u>(1,000)</u>
Total annual benefit plan cost	944,800	879,900
Less: Benefits paid by College	<u>(660,000)</u>	<u>(500,000)</u>
Actuarially determined other employee future benefits, end of year	5,167,100	4,882,300
Less: Current portion included in vacation leave and employee future benefits	<u>(670,000)</u>	<u>(500,000)</u>
Long-term portion other employee future benefits, end of year	<u>\$ 4,497,100</u>	<u>\$ 4,382,300</u>

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

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>2016</u>	<u>2015</u>
Weighted average assumptions for benefit costs:		
Discount rate	3.25%	3.75%
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%	3.25%
Rate of compensation increase		
for 10 years	4.25%	4.25%
thereafter	4.75%	4.75%

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

7. Capital assets

	Beginning of Year	Additions	Disposals	Transfer to Capital Assets	End of Year
June 30, 2016					
Cost:					
Leasehold Improvements	\$ 3,927,955	\$ 277,371	\$ (55,279)	\$ 71,943	\$ 4,221,990
Equipment General	2,134,859	634,492	(57,698)	-	2,711,653
Equipment EDP	148,388	306,897	(41,315)	-	413,970
Mobile Trailers	2,247,200	-	-	-	2,247,200
Furniture and Fixtures	258,234	16,278	(7,976)	-	266,536
Works of Art	52,349	-	-	-	52,349
Vehicles	452,150	9,296	(14,736)	-	446,710
Work in Progress	71,943	474,592	-	(71,943)	474,592
Total	<u>\$ 9,293,078</u>	<u>\$ 1,718,926</u>	<u>\$ (177,004)</u>	<u>\$ -</u>	<u>\$ 10,835,000</u>
Accumulated Amortization:					
Leasehold Improvements	\$ 1,132,416	\$ 217,563	\$ (55,279)	\$ -	\$ 1,294,700
Equipment General	596,867	256,523	(57,698)	-	795,692
Equipment EDP	66,029	75,476	(41,315)	-	100,190
Mobile Trailers	206,448	112,360	-	-	318,808
Furniture and Fixtures	73,387	25,986	(7,976)	-	91,397
Works of Art	-	-	-	-	-
Vehicles	139,524	83,720	(14,736)	-	208,508
Work in Progress	-	-	-	-	-
Total	<u>\$ 2,214,671</u>	<u>\$ 771,628</u>	<u>\$ (177,004)</u>	<u>\$ -</u>	<u>\$ 2,809,295</u>
Carrying Amounts:	<u>\$ 7,078,407</u>	<u>\$ 947,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,025,705</u>

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

7. Capital assets (continued)

	Beginning of Year	Additions	Disposals	Transfer to Capital Assets	End of Year
June 30, 2015					
Cost:					
Leasehold Improvements	\$ 2,667,616	\$ 1,134,144	\$ (67,937)	\$ 194,132	\$ 3,927,955
Equipment General	1,927,515	227,911	(20,567)	-	2,134,859
Equipment EDP	122,669	67,995	(42,276)	-	148,388
Mobile Trailers	2,247,200	-	-	-	2,247,200
Furniture and Fixtures	182,034	76,200	-	-	258,234
Works of Art	52,349	-	-	-	52,349
Vehicles	419,238	32,912	-	-	452,150
Work in Progress	194,132	71,943	-	(194,132)	71,943
Total	<u>\$ 7,812,753</u>	<u>\$ 1,611,105</u>	<u>\$ (130,780)</u>	<u>\$ -</u>	<u>\$ 9,293,078</u>
Accumulated Amortization:					
Leasehold Improvements	\$ 1,046,920	\$ 153,433	\$ (67,937)	\$ -	\$ 1,132,416
Equipment General	411,670	205,764	(20,567)	-	596,867
Equipment EDP	42,438	65,867	(42,276)	-	66,029
Mobile Trailers	94,088	112,360	-	-	206,448
Furniture and Fixtures	49,779	23,608	-	-	73,387
Works of Art	-	-	-	-	-
Vehicles	55,055	84,469	-	-	139,524
Work in Progress	-	-	-	-	-
Total	<u>\$ 1,699,950</u>	<u>\$ 645,501</u>	<u>\$ (130,780)</u>	<u>\$ -</u>	<u>\$ 2,214,671</u>
Carrying Amounts:	<u>\$ 6,112,803</u>	<u>\$ 965,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,078,407</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 (note 12).

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

8. Endowments

	<u>2016</u>	<u>2015</u>
Endowment balance, beginning of year	\$ 1,986,286	\$ 1,975,313
Interest earned and added to principal as direct increase in net assets	6,963	10,973
Transfer to Yukon College Foundation	<u>(1,993,249)</u>	<u>-</u>
Endowment balance, end of year	<u>\$ -</u>	<u>\$ 1,986,286</u>
Interest earned and added to principal as direct increase in net assets	\$ 6,963	\$ 10,973
Interest earned and recognized as revenue	<u>7,666</u>	<u>12,109</u>
Total interest income on endowments	<u>\$ 14,629</u>	<u>\$ 23,082</u>

The transfer to the Yukon College Foundation is described in more detail in note 1.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

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 College has retained its trust accounts used for employee benefits, emergency disbursements to students and the student training allowance in the amount of \$382,918 at June 30, 2016 as these amounts were not transferred to the Yukon College Foundation. Deferred contributions are comprised of funds restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Contracts	\$ 1,595,744	\$ 1,080,266
Tuition and registration fees	248,880	293,675
Trust accounts	382,918	487,116
Total deferred contributions	<u>\$ 2,227,542</u>	<u>\$ 1,861,057</u>

Change in Deferred Contributions:

			<u>2016</u>		<u>2015</u>	
	Contracts	Tuition and Registration Fees	Endowments	Yukon Government Operating Contributions	Total	Total
Balance, beginning of year	\$ 1,080,266	\$ 293,675	\$ 487,116	\$ -	\$ 1,861,057	\$ 2,380,418
Investment income on endowments	-	-	9,035	-	9,035	13,806
Contributions	19,395,160	1,093,985	691,791	19,526,169	40,707,105	38,084,286
Revenue recognized	(18,879,682)	(1,138,780)	(694,158)	(19,526,169)	(40,238,789)	(38,617,453)
Transfer to Yukon College Foundation	-	-	(110,866)	-	(110,866)	-
Balance, end of year	<u>\$ 1,595,744</u>	<u>\$ 248,880</u>	<u>\$ 382,918</u>	<u>\$ -</u>	<u>\$ 2,227,542</u>	<u>\$ 1,861,057</u>

10. 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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 3,452,342	\$ 2,456,352
Restricted government contributions	1,056,079	1,263,229
Amount amortized to revenue	(291,878)	(267,239)
Balance, end of year	<u>\$ 4,216,543</u>	<u>\$ 3,452,342</u>

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

11. Expenditures by object

	<u>2016</u>	<u>2015</u>
Salaries, wages and benefits	\$ 26,959,896	\$ 26,791,156
Contract services	10,650,048	9,161,599
Cost of sales and ancillary services	1,809,663	1,936,996
Utilities and communications	1,632,931	1,849,721
Material and supplies	1,587,856	1,729,655
Rental of facilities and equipment	959,071	916,917
Travel	843,131	975,711
Amortization of capital assets	771,628	645,501
Student assistance/scholarships	694,158	799,553
Promotion, events and advertising	516,964	622,899
Employee leave and termination benefits	424,944	487,115
Licenses, permits, and memberships	320,460	415,723
Bank fees and credit card commissions	172,154	146,574
Books and subscriptions	124,062	154,145
Other	111,685	239,329
Postage and freight	53,778	60,395
	<u>\$ 47,632,429</u>	<u>\$ 46,932,989</u>

12. Government of Yukon contributions

	<u>2016</u>	<u>2015</u>
Operating contributions	\$ 19,526,169	\$ 19,034,294
Services received without charge	3,677,187	3,731,685
	<u>\$ 23,203,356</u>	<u>\$ 22,765,979</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 2016 Government of Yukon core funding contributions and services received without charge made up 49% of total revenues (2015 - 50%). No funds were received for pension employer service cost or solvency deficiency in 2016 and 2015.

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. The estimated value of these services is based on the Government's amortization expense (for the main campus), and on an estimated value for other spaces, plus any related operating expenses.

13. 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>2016</u>	<u>2015</u>
Third party funded projects and programs	\$ 16,857,205	\$ 15,376,805
Training and non-credit course fees	2,022,477	2,188,813
	<u>\$ 18,879,682</u>	<u>\$ 17,565,618</u>

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

14. Miscellaneous income:

	<u>2016</u>	<u>2015</u>
Pension contract recovery	\$ 502,360	\$ 456,213
Salary, travel and other expense recovery	476,728	803,058
Computer lab usage fees	123,432	157,283
General student fees	83,554	91,453
Facilities and equipment rental	60,641	48,776
Other miscellaneous revenue	56,462	47,577
Course materials recovery	27,949	10,448
Book, publication and supply sales	21,579	37,617
Conference fees	7,552	3,000
	<u>\$ 1,360,257</u>	<u>\$ 1,655,425</u>

15. Centre for Northern Innovation in Mining

The Government of Yukon and the Canadian Northern Economic Development Agency (CANNOR) are providing funds to the College for the purpose of constructing and operating the Centre for Northern Innovation in Mining (CNIM). The Government of Yukon is providing \$4,146,975 and CANNOR is providing \$4,146,975 over three years for the construction of the building. The CNIM building, with an estimated completion date of October 31, 2016, will be 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 CNIM building and have been included in the Statement of Operations:

	<u>2016</u>	<u>2015</u>
<u>Revenues</u>		
Government of Yukon (note 16)	\$ 2,316,812	\$ 1,037,354
CANNOR	<u>2,316,812</u>	<u>1,037,354</u>
	4,633,624	2,074,708
<u>Expenses</u>		
Project management	72,656	64,608
Building construction and design	<u>4,560,968</u>	<u>2,010,100</u>
	<u>4,633,624</u>	<u>2,074,708</u>
Revenues less expenses	<u>\$ -</u>	<u>\$ -</u>

16. Related party transactions

The College is related in terms of common ownership to all Government of Yukon departments, corporations and agencies. In addition to those related party transactions disclosed in note 12, 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 \$9,555,116 (2015 - \$9,533,917) (note 15), are recorded as contract revenue on the Statement of Operations. The College also receives funds from the Government of Yukon for student training allowances, the value of which is \$503,707 (2015 - \$713,033) and this is recognized on the Statement of Operations as student assistance/scholarships. Included in the amortization of deferred capital contributions on the Statement of Operations is \$126,416 (2015 - \$101,778) 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.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2016

16. Related party transactions (continued)

At June 30, 2016 there was \$103,656 (2015 - \$131,870) of accounts payable and \$1,154,600 (2015 - \$1,374,975) of accounts receivable related to the Government of Yukon. At June 30, 2016 there was \$594,554 (2015 - \$500,317) of deferred contributions and \$2,809,618 (2015 - \$1,881,754) of deferred capital contributions related to the Government of Yukon.

The College controls the Yukon College Foundation (Foundation) and transferred amounts to the Foundation as described in note 1. The transfer to the Foundation was for \$1,993,249 in endowments and \$110,866 in deferred contributions. The Foundation transferred \$1,000 to the College in donations for student scholarships and awards during the year and the College disbursed those amounts to students. The College also reimbursed the Foundation for operating costs of \$259.

The College controls the Hill Top Bistro and Culinary Arts Society (Society) and when the Society was dissolved as described in note 1, the Society donated its remaining assets of \$17,120 in cash to the College.

17. Commitments

Leases

The College has operating leases and maintenance service agreements for classroom space and the computer system and is committed to basic payments as follows:

	<u>Maintenance Service Agreements</u>	<u>Facility Leases</u>
2016-17	199,256	67,466
2017-18	205,758	-
2018-19	212,519	-
2019-20	187,222	-
2020-21	162,640	-
2021-22	162,780	-
2022-23	169,291	-
2023-24	176,063	-
	<u>\$ 1,475,529</u>	<u>\$ 67,466</u>

18. Contingent liabilities

The College is involved from time to time in litigation which arises in the normal course of operations. Liabilities on any litigation are recognized in the financial statements when it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. In management's judgment, no material exposure exists at this time on the eventual settlement of any existing litigation. Therefore no amount has been included in the Statement of Financial Position for contingent liabilities.

As described in note 6(a), the College acquired a letter of credit for the pension plan. The amount outstanding at June 30, 2016 is \$12,325,863 (2015 - \$10,016,358).