

Financial Statements of

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Years ended March 31, 2005 and 2004



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AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the statement of financial position of Justice Institute of British Columbia as at March 31, 2005 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are written in a cursive, slightly slanted style.

Chartered Accountants

Vancouver, Canada

May 12, 2005

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Financial Position

March 31, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|----------------------------------|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,049,332 | \$ 6,161,507 |
| Accounts receivable and prepaids | 6,327,671 | 4,081,460 |
| | <u>9,377,003</u> | <u>10,242,967</u> |
| Capital assets (note 3) | 35,773,740 | 36,194,634 |
| | <u>\$ 45,150,743</u> | <u>\$ 46,437,601</u> |

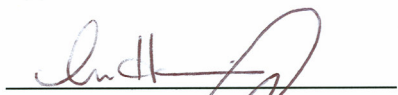
Liabilities and Fund Balances

| | | |
|---|----------------------|----------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 2,689,914 | \$ 3,195,631 |
| Employee benefits payable (note 4) | 627,639 | 576,221 |
| Deferred revenue | 4,353,385 | 4,618,187 |
| | <u>7,670,938</u> | <u>8,390,039</u> |
| Deferred lease costs - long-term (note 5) | 92,122 | 110,567 |
| Deferred capital contributions (note 6) | 26,387,989 | 26,964,562 |
| | <u>34,151,049</u> | <u>35,465,168</u> |
| Net assets: | | |
| Unrestricted | 991,551 | 836,816 |
| Invested in capital assets (note 3) | 10,008,143 | 10,135,617 |
| | <u>10,999,694</u> | <u>10,972,433</u> |
| | <u>\$ 45,150,743</u> | <u>\$ 46,437,601</u> |


Commitments (note 7)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Governor



Governor

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Operations and Net Assets

Years ended March 31, 2005 and 2004

| | Operating Fund | Capital Fund | 2005 | 2004 |
|--|-------------------|----------------------|----------------------|----------------------|
| Revenue: | | | | |
| Province of British Columbia: | | | | |
| Grants | \$ 6,554,380 | \$ - | \$ 6,554,380 | \$ 6,670,155 |
| Contracts | 9,840,860 | - | 9,840,860 | 10,142,500 |
| Tuition and contract services (note 9) | 8,090,895 | - | 8,090,895 | 7,639,649 |
| Contract services (note 9) | 8,042,692 | - | 8,042,692 | 8,387,828 |
| Interest | 105,391 | - | 105,391 | 93,786 |
| Other | 1,279,753 | - | 1,279,753 | 985,448 |
| Amortization of deferred capital contributions (note 6) | - | 1,193,445 | 1,193,445 | 1,064,469 |
| | <u>33,913,971</u> | <u>1,193,445</u> | <u>35,107,416</u> | <u>34,983,835</u> |
| Expenses: | | | | |
| Advertising and promotion | 558,080 | - | 558,080 | 453,803 |
| Contract instruction and program development | 4,823,815 | - | 4,823,815 | 4,773,494 |
| Facilities and equipment | 3,659,341 | - | 3,659,341 | 3,728,612 |
| Professional services | 1,204,926 | - | 1,204,926 | 1,866,827 |
| Salaries and employee benefits | 18,648,443 | - | 18,648,443 | 18,094,018 |
| Staff travel | 805,136 | - | 805,136 | 820,429 |
| Student travel and activities | 990,748 | - | 990,748 | 1,015,105 |
| Supplies - instructional | 1,561,617 | - | 1,561,617 | 1,871,738 |
| Supplies - office | 528,165 | - | 528,165 | 555,389 |
| Other | 550,440 | - | 550,440 | 190,390 |
| | <u>33,330,711</u> | <u>-</u> | <u>33,330,711</u> | <u>33,369,805</u> |
| Excess of revenue over expenses before amortization | 583,260 | 1,193,445 | 1,776,705 | 1,614,030 |
| Amortization of capital assets | - | 1,749,444 | 1,749,444 | 1,609,127 |
| Excess (deficiency) of revenue over expenses | 583,260 | (555,999) | 27,261 | 4,903 |
| Net assets, beginning of year | 836,816 | 10,135,617 | 10,972,433 | 10,967,530 |
| Transfer to Capital Fund | (428,525) | 428,525 | - | - |
| Net assets, end of year | <u>\$ 991,551</u> | <u>\$ 10,008,143</u> | <u>\$ 10,999,694</u> | <u>\$ 10,972,433</u> |

See accompanying notes to financial statements.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Cash Flows

Years ended March 31, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|---------------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess of revenue over expenses | \$ 27,261 | \$ 4,903 |
| Items not involving cash: | | |
| Amortization of capital assets | 1,749,444 | 1,609,127 |
| Amortization of deferred capital contributions | (1,193,445) | (1,064,469) |
| Amortization of deferred lease costs | (18,445) | (9,273) |
| | <u>564,815</u> | <u>540,288</u> |
| Change in non-cash operating accounts: | | |
| Accounts receivable and prepaids | (2,246,211) | 606,925 |
| Accounts payable and accrued liabilities | (505,717) | 842,020 |
| Employee benefits payable | 51,418 | 140,787 |
| Deferred revenue | (264,802) | 375,604 |
| | <u>(2,400,497)</u> | <u>2,505,624</u> |
| Investments: | | |
| Purchase of capital assets | (1,328,550) | (3,163,154) |
| Financing: | | |
| Deferred lease costs | - | 119,840 |
| Deferred capital contributions received | 616,872 | 3,163,494 |
| | <u>616,872</u> | <u>3,283,334</u> |
| Increase (decrease) in cash and cash equivalents | (3,112,175) | 2,625,804 |
| Cash and cash equivalents, beginning of year | <u>6,161,507</u> | <u>3,535,703</u> |
| Cash and cash equivalents, end of year | <u>\$ 3,049,332</u> | <u>\$ 6,161,507</u> |

Cash and cash equivalents consists of cash and short-term investments with a maturity date of less than ninety days from acquisition.

See accompanying notes to financial statements.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2005 and 2004

1. Purpose of the Institute:

The Justice Institute of British Columbia (the "Institute") is a post-secondary educational institution established in 1978 by the Province of British Columbia (the "Province") under the provisions of the College and Institute Act. The Institute is exempt from income tax under the Income Tax Act. The mission of the Institute is to provide learning opportunities for practitioners and the public that lead to improved justice and public safety services, and safer communities.

2. Significant accounting policies:

(a) Fund accounting:

To ensure observance of limitations and restrictions placed on the use of resources available to the Institute, such resources are classified for accounting and reporting purposes into funds according to the activities or objectives specified.

Revenue and expenses relating to ongoing delivery and administration activities are reported in the Operating Fund.

Revenue and expenses relating to capital assets are reported in the Capital Fund.

(b) Revenue recognition:

The Institute follows the deferral method of accounting for contributions.

Contributions from the Province are recognized as follows:

- "Base" funding contributions are recognized as revenue in the year in which the contributions are received or receivable.
- "Other" funding contributions are recognized as revenue in the year in which the related expenses are incurred.

Tuition fees are recognized as revenue when the course commences. Fees received prior to the course are recorded as deferred revenue.

Contract services revenue is recognized to the extent of costs incurred, until such time as the contract is complete. When a contract is complete and all expenses incurred, the excess of fees over expenses is recognized as revenue in the sponsoring academy/division.

Contributions, tuition fees and contract services are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for capital asset acquisitions are recorded as deferred capital contributions and recognized as revenue on the same basis as the related capital assets are depreciated. Contributions of or relating to the acquisition of non-depreciable assets are recognized as direct increases in net assets when received.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2005 and 2004

2. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost. Any unamortized balance is written off when the asset is disposed of or no longer used by the Institute. Amortization is provided on a straight-line basis over the useful lives of the assets as follows:

| <u>Asset</u> | <u>Rate</u> |
|--|------------------------|
| Site improvements | 10 years straight-line |
| Buildings | 40 years straight-line |
| Furniture, equipment and vehicles (including computer equipment) | 5 years straight-line |
| Personal computer equipment and peripherals | 3 years straight-line |

(d) Pensions:

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusted pension plans. The board of trustees for these plans represents plan members and employers and is responsible for the management of the pension plans including investment of the assets and administration of the benefits. The pension plans are multi-employer contributory benefit pension plans. Basic pension benefits provided are defined. The College Pension Plan has over 10,000 active contributors from college senior administration and instructional staff and approximately 2,600 retired members. The Municipal Pension Plan has about 130,000 contributors, with approximately 5,000 from colleges.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2003 indicated a funding shortfall of \$50 million for basic pension benefits. The next valuation will be as at August 31, 2006 with results available in 2007. The most recent valuation for the Municipal Pension Plan as at December 31, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not distribute portions of the surplus to individual employers.

The Institute records pension expense as cash contributions to the plans are made. During the year, the Institute contributed \$1,025,037 (2004 - \$679,471) to the above plans.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Areas of significant estimates include useful lives of capital assets for amortization and employee benefits payable. Actual results could differ from these estimates.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2005 and 2004

3. Capital assets and net assets invested in capital assets:

| | | | 2005 | 2004 |
|-----------------------------------|----------------------|--------------------------|----------------------|----------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 6,660,137 | \$ - | \$ 6,660,137 | \$ 6,660,137 |
| Furniture, equipment and vehicles | 3,551,503 | 2,135,231 | 1,416,272 | 1,655,004 |
| Personal computer equipment | 207,258 | - | 207,258 | - |
| Buildings | 32,044,636 | 6,463,989 | 25,580,647 | 25,856,318 |
| Leasehold Improvements | 217,593 | 31,085 | 186,508 | 217,593 |
| Site improvements | 3,199,219 | 1,476,301 | 1,722,918 | 1,805,582 |
| | <u>\$ 45,880,346</u> | <u>\$ 10,106,606</u> | <u>\$ 35,773,740</u> | <u>\$ 36,194,634</u> |

Included in deferred capital contributions at March 31, 2005 is \$622,392 (2004 - \$905,545) of unspent contributions designated for specific types of capital purchases.

Net assets invested in capital assets is calculated as follows:

| | 2005 | 2004 |
|--|----------------------|----------------------|
| Capital assets | \$ 35,773,740 | \$ 36,194,634 |
| Amounts funded by deferred capital contributions | <u>(25,765,597)</u> | <u>(26,059,017)</u> |
| Balance, end of year | <u>\$ 10,008,143</u> | <u>\$ 10,135,617</u> |

Changes in net assets invested in capital assets is calculated as follows:

| | 2005 | 2004 |
|--|---------------------|--------------------|
| Deficiency of revenue over expenses: | | |
| Amortization of deferred capital contributions | \$ 1,193,445 | \$ 1,064,469 |
| Amortization of capital assets | <u>(1,749,444)</u> | <u>(1,609,127)</u> |
| | (555,999) | (544,658) |
| Net change in investment in capital assets: | | |
| Purchase of capital assets | 1,328,550 | 3,163,154 |
| Capital contributions spent | <u>(900,025)</u> | <u>(2,713,999)</u> |
| | 428,525 | 449,155 |
| | <u>\$ (127,474)</u> | <u>\$ (95,503)</u> |

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2005 and 2004

4. Employee benefits payable:

The Institute accrues vacation and retirement entitlements for employees as earned. However, funding for these is not accrued, as the Province does not provide special funding for vacations and retiring allowances. As the majority of employees are paid salaries, management anticipates that vacation accruals will be reversed when these employees take their standard vacations and that no additional funding will be required above authorized salaries.

Employees who are members of the BC Government and Services Employees' Union are entitled to earned benefits related to retirement allowances. The liability and expense for these post-employment benefits is recognized in the financial statements in the period in which employees render services and on the basis that the benefits are expected to be provided when the employees are no longer providing active service.

In the current year, the Institute engaged the services of an actuarial firm to evaluate its employee future benefits plans. As a result of this updated estimate, employee future benefit expenses relating to retirement allowances of \$57,900 have been recorded in the year.

The Institute has accrued future obligations for all post-employment benefits using the projected benefits method prorated on service. The retirement allowance benefits are unfunded.

The Institute records actuarial gains and losses in the period they arise.

The liabilities reported in 2005 are based on an actuarial valuation as at March 31, 2004 using the following valuation assumptions:

| | 2005 |
|-------------------------------|------|
| Discount rate | 4.5% |
| Inflation rate | 2.5 |
| Rate of compensation increase | 3.75 |

Employee benefits payable as at March 31, 2005 are as follows:

| | 2005 |
|-----------------------|-------------------|
| Retirement allowances | \$ 57,900 |
| Vacation | 569,739 |
| | <u>\$ 627,639</u> |

5. Deferred lease costs:

Total payments under an operating lease for the premises at Suite 101, 910 Government Street, Victoria are recorded as an expense on a straight-line basis over the term of the lease. As part of this lease, an inducement of \$119,840 was received during fiscal 2004. The amount of the inducement is being credited to the statement of operations on a straight-line basis over the term of the lease, being 7 years.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2005 and 2004

6. Deferred capital contributions:

| | 2005 | 2004 |
|--|---------------|---------------|
| Balance, beginning of year | \$ 26,964,562 | \$ 24,865,537 |
| Capital contributions received during the year | 616,872 | 3,163,494 |
| | 27,581,434 | 28,029,031 |
| Amortization | 1,193,445 | 1,064,469 |
| Balance, end of year | \$ 26,387,989 | \$ 26,964,562 |

7. Commitments:

The Institute has operating lease commitments for computer and office equipment and vehicles as follows:

| | |
|------------|---------------------|
| 2006 | \$ 882,424 |
| 2007 | 687,033 |
| 2008 | 275,835 |
| 2009 | 235,943 |
| 2010 | 162,872 |
| Thereafter | 11,690 |
| | <u>\$ 2,255,797</u> |

8. Related Organizations:

(a) Pacific Traffic Education Centre ("PTEC"):

On October 18, 1988, the Institute entered into an agreement with the Insurance Corporation of British Columbia to administer a training centre for professional and emergency vehicle operators. The net assets and results of operations of PTEC have not been included in these financial statements.

During the year, the Institute paid \$210,657 (2004 - \$224,330) in tuition fees to PTEC and PTEC paid the Institute an amount of \$22,107 (2004 - \$37,048) for premises, infrastructure and management support provided by the Institute to PTEC.

(b) Justice Institute of BC Foundation (the "Foundation"):

The Foundation was formed to raise funds for furthering the interests of the Justice Institute of British Columbia. The net assets and results of operations of the Foundation have not been included in these financial statements.

The balance due from the Foundation at March 31, 2005 of \$51,073 (2004 - \$59,505) is non-interest bearing and will be settled on completion of the capital campaign in fiscal 2005/2006.

During 2005, the Foundation contributed \$58,206 (2004 - \$120,553) in awards and transferred \$4,982 (2004 - nil) in gifts in kind to the Institute. Administrative services, including salary costs, amounting to approximately \$145,712 (2004 - \$226,976) were provided to the Foundation by the Institute on a no charge basis.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2005 and 2004

9. Tuition and contract services:

Tuition and contract services revenue includes approximately \$2.3 million (2004 - \$1.9 million) in services performed for the Province.

10. Financial statements:

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and vacation payable (note 4) approximate their fair value due to their short-term nature. The carrying value of the retirement allowance payable (note 4) is based on an actuarial valuation.