

**NORTH ISLAND COLLEGE
FINANCIAL STATEMENTS**

March 31, 2006

NORTH ISLAND COLLEGE

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MEYERS NORRIS PENNY LLP

Auditors' Report

To the Board of North Island College:

We have audited the statement of financial position of North Island College as at March 31, 2006 and the statements of operations and net assets, expenses and cash flows for the year then ended. These financial statements are the responsibility of the College'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 College as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP
Chartered Accountants

Courtenay, British Columbia
May 5, 2006

NORTH ISLAND COLLEGE

Statement of Financial Position
As at March 31, 2006

	Operating Fund	Ancillary Services Fund	Capital Fund	2006 Total	2005 Total
Assets					
Current assets					
Cash and short-term investments	\$ 3,552,672	\$ -	\$ -	\$ 3,552,672	\$ 8,837,909
Accounts receivable	913,334	-	-	913,334	815,082
Prepaid expenses	83,887	-	-	83,887	27,525
Inventories	-	536,250	-	536,250	695,121
Interfund balances	(2,533,751)	21,555	2,512,196	-	-
	<u>2,016,142</u>	<u>557,805</u>	<u>2,512,196</u>	<u>5,086,143</u>	<u>10,375,637</u>
Long-term investments - Note 5	6,068,904	-	-	6,068,904	-
Capital assets, net - Note 4	-	-	29,242,768	29,242,768	30,586,190
	<u>\$ 8,085,046</u>	<u>\$ 557,805</u>	<u>\$ 31,754,964</u>	<u>\$ 40,397,815</u>	<u>\$ 40,961,827</u>
Liabilities					
Current liabilities					
Accounts payable - Note 3	\$ 4,114,687	\$ -	\$ 25,040	\$ 4,139,727	\$ 4,033,769
Deferred contributions - Note 6	2,755,979	-	-	2,755,979	2,828,688
	<u>6,870,666</u>	<u>-</u>	<u>25,040</u>	<u>6,895,706</u>	<u>6,862,457</u>
Deferred capital revenue - Note 7	-	-	26,440,258	26,440,258	27,297,375
Net Assets					
Invested in land	-	-	526,889	526,889	526,889
Invested in capital assets	-	-	4,762,777	4,762,777	4,621,727
Other net assets	1,214,380	557,805	-	1,772,185	1,653,379
	<u>\$ 8,085,046</u>	<u>\$ 557,805</u>	<u>\$ 31,754,964</u>	<u>\$ 40,397,815</u>	<u>\$ 40,961,827</u>

Approved on Behalf of the Board of Governors:

Ann Scott

Ann Scott, Chair of the Board of Governors

Rod MacDonald

Rod MacDonald, VP Finance and Facilities

See accompanying notes to the financial statements

NORTH ISLAND COLLEGE

Statement of Operations and Net Assets For the year ended March 31, 2006

	Operating Fund	Ancillary Services Fund	Capital Fund	<u>2006</u> Total	<u>2005</u> Total
Revenues					
Province of British Columbia transfers	\$ 21,180,694	\$ -	\$ 848,194	\$ 22,028,888	\$ 21,715,005
Student fees	4,565,402	-	-	4,565,402	4,287,243
Contract services	1,278,302	-	98,455	1,376,757	1,462,256
Goods and services	-	1,367,986	-	1,367,986	1,302,753
Interest and other income - Note 12	489,045	-	29,051	518,096	423,263
Amortization of deferred capital revenue	-	-	<u>2,111,279</u>	<u>2,111,279</u>	<u>2,298,758</u>
Total	<u>27,513,443</u>	<u>1,367,986</u>	<u>3,086,979</u>	<u>31,968,408</u>	<u>31,489,278</u>
Expenses					
Salaries and benefits	22,160,999	272,352	-	22,433,351	21,492,380
Other expenses	5,311,981	1,017,291	-	6,329,272	6,140,389
Depreciation of capital assets	-	-	<u>2,945,929</u>	<u>2,945,929</u>	<u>2,857,711</u>
Total	<u>27,472,980</u>	<u>1,289,643</u>	<u>2,945,929</u>	<u>31,708,552</u>	<u>30,490,480</u>
Excess of revenue over expenses	40,463	78,343	141,050	259,856	998,798
Debt forgiveness	-	-	-	-	<u>354,322</u>
Increase in net assets	<u>40,463</u>	<u>78,343</u>	<u>141,050</u>	<u>259,856</u>	<u>1,353,120</u>
Net Assets					
Beginning of year	<u>1,173,917</u>	<u>479,462</u>	<u>5,148,616</u>	<u>6,801,995</u>	<u>5,448,875</u>
End of year	<u>\$ 1,214,380</u>	<u>\$ 557,805</u>	<u>\$ 5,289,666</u>	<u>\$ 7,061,851</u>	<u>\$ 6,801,995</u>

See accompanying notes to the financial statements

NORTH ISLAND COLLEGE

Statement of Expenses

For the year ended March 31, 2006

	Operating Fund	Ancillary Services Fund	Capital Fund	<u>2006</u> Total	<u>2005</u> Total
Expenses					
Salaries and wages	\$ 17,820,361	\$ 223,457	\$ -	\$ 18,043,818	\$ 17,207,907
Employee benefits	3,611,946	48,895	-	3,660,841	3,678,036
Other personnel costs	728,692	-	-	728,692	606,437
Supplies and general expenses	516,043	15,317	-	531,360	514,147
Books and periodicals	180,670	-	-	180,670	202,032
Advertising	331,050	4,124	-	335,174	289,998
Travel	478,214	760	-	478,974	441,240
Minor equipment	481,295	249	-	481,544	393,771
Equipment maintenance	106,203	2,537	-	108,740	121,121
Equipment rentals	34,554	1,719	-	36,273	28,426
Vehicles	44,299	-	-	44,299	69,163
Utilities	546,303	-	-	546,303	539,135
Telephone	105,900	657	-	106,557	110,155
Postage and freight	85,537	47,590	-	133,127	135,612
Facility leases	173,257	-	-	173,257	265,211
Facility maintenance	705,170	-	-	705,170	677,000
Janitorial	430,915	-	-	430,915	415,414
Security	116,695	-	-	116,695	119,676
General fees and services	549,465	2,461	-	551,926	487,729
Student awards	326,868	-	-	326,868	371,198
Cost of goods sold	-	930,335	-	930,335	867,356
Donations to NICF	60,000	-	-	60,000	60,100
Interest and bank charges	39,543	11,542	-	51,085	31,905
Depreciation	-	-	2,945,929	2,945,929	2,857,711
Total Expenses	\$ 27,472,980	\$ 1,289,643	\$ 2,945,929	\$ 31,708,552	\$ 30,490,480

See accompanying notes to the financial statements

NORTH ISLAND COLLEGE

Statement of Cash Flows

For the year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 259,856	\$ 1,353,120
Items not requiring an outlay of cash:		
Depreciation	2,945,929	2,857,711
Amortization of deferred capital contributions	(2,111,279)	(2,298,758)
Loss (Gain) on disposal of assets	<u>(5,415)</u>	<u>63,471</u>
	1,089,091	1,975,544
Change in non-cash operating accounts		
Accounts receivable and prepaid expenses	(154,614)	(362,488)
Inventories	158,871	(226,934)
Accounts payable	105,957	(126,733)
Deferred contributions	<u>(72,710)</u>	<u>607,623</u>
Net cash provided by operating activities	<u>1,126,595</u>	<u>1,867,012</u>
Investing activities		
Change in Long-term investments	(6,068,904)	-
Purchase of capital assets	(1,622,212)	(1,372,016)
Proceeds on disposal of assets	<u>25,122</u>	<u>2,750</u>
Net cash used in investing activities	<u>(7,665,994)</u>	<u>(1,369,266)</u>
Financing activities		
Change in Deferred capital revenue	<u>1,254,162</u>	<u>529,484</u>
Net cash provided by financing activities	<u>1,254,162</u>	<u>529,484</u>
Net increase (decrease) in cash and short-term investments	(5,285,237)	1,027,230
Cash and short-term investments - beginning of year	<u>8,837,909</u>	<u>7,810,679</u>
Cash and short-term investments - end of year	<u>\$ 3,552,672</u>	<u>\$ 8,837,909</u>

NORTH ISLAND COLLEGE

Notes to the Financial Statements For the year ended March 31, 2006

General

North Island College is a post-secondary educational institution funded by the provincial government. The College is incorporated under the College and Institute Act of British Columbia. The College is exempt from income tax under the Income Tax Act.

Note 1. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(a) Fund accounting

The operations of the College have been classified into various funds for accounting and reporting purposes. The funds established for the fiscal year ended March 31, 2006 were:

1. Operating Fund - records the instructional and support activities of the College.
2. Ancillary Services Fund - records the operations of the cafeteria and the bookstores.
3. Capital Fund - records the activities involved in acquiring and disposing of capital assets.

(b) Revenue recognition

The College follows the deferral method of accounting for Provincial transfers and revenue contributions. Deferred contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. The College follows the deferral method of accounting for contract training activity. Deferred contributions are recognized as revenue in the year in which the related expenses are incurred and when the contract is substantially completed. Restricted capital contributions received for depreciable capital assets are recorded as deferred capital revenue, and are only recognized as revenue as the related capital assets are depreciated. Tuition and fees are recognized as revenue in the year in which the related courses are delivered. Ancillary services revenues are recognized when product is received by the customer.

(c) Capital assets

Capital assets are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset. No depreciation is taken in the year of acquisition. Depreciation is recorded in the Capital Fund. The annual depreciation rates used are as follows:

Site improvements	10.0%
Wood framed buildings	5.0%
Concrete and steel buildings	2.5%
Furniture, equipment, and vehicles	20.0%
Servers	20.0%
Computer equipment	33.3%
Library books	10.0%

NORTH ISLAND COLLEGE

Notes to the Financial Statements For the year ended March 31, 2006

- (d) Financial instruments consist of cash and short-term investments, accounts receivable, and accounts payable. The fair value of these financial instruments approximates their carrying value because of the short-term maturity of these instruments. Unless otherwise noted, it is management's opinion that North Island College is not exposed to significant interest rate, currency, or credit risks arising from these financial instruments.
- (e) Transaction amounts denominated in foreign currencies are translated into Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities reflect exchange rates at the balance sheet date and translation gains and losses are included in current earnings.
- (f) Inventories are recorded at the lower of cost or net realizable value. Materials and supplies not for resale are charged as an expense in the year acquired.
- (g) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization of capital assets and deferred capital revenue is based on estimated useful lives of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

- (h) Investments

Long term investments are recorded at cost. Gains or losses are recognized in the year of sale or when there is a permanent impairment in the value of the investment.

Note 2. **Related Parties**

North Island College Foundation is a not-for-profit organization and a registered charity under the Income Tax Act. The Foundation was created to enhance the delivery of North Island College's programs and services by raising funds to provide scholarships and bursaries, and to support various College projects. Although there is no common control of the organizations through Board appointment or other forms of control, the Foundation is related to the College by virtue of holding resources which are to be used to produce revenue or provide services for the College. At March 31, 2006, accounts receivable included \$127,960 due from the Foundation.

Foundation contributions to the College	<u>2006</u>	<u>2005</u>
Bursaries	\$ 127,439	\$ 127,200
Non-bursary projects	5,087	9,196
Gifts in kind	<u>32,019</u>	<u>12,935</u>
	<u>\$ 164,545</u>	<u>\$ 149,331</u>
College contributions to the Foundation	<u>\$ 60,000</u>	<u>\$ 60,100</u>

NORTH ISLAND COLLEGE

Notes to the Financial Statements For the year ended March 31, 2006

Note 3. Accounts Payable

	<u>2006</u>	<u>2005</u>
Operating fund		
Trade payable	\$ 1,097,912	\$ 1,257,372
Financial aid and bursaries payable	184,997	194,556
Wages payable	496,251	443,564
Accrued leave payable	2,335,527	2,067,582
Capital fund		
Capital leases payable	<u>25,040</u>	<u>70,695</u>
	<u>\$ 4,139,727</u>	<u>\$ 4,033,769</u>

Note 4. Capital Assets

			<u>2006</u>	<u>2005</u>
Capital fund			Net Book	Net Book
	<u>Cost</u>	<u>Accumulated</u>	<u>Value</u>	<u>Value</u>
		<u>Depreciation</u>		
Land	\$ 526,889	\$ -	\$ 526,889	\$ 526,889
Buildings and site improvements	47,208,981	21,227,290	25,981,691	27,340,200
Furniture and equipment	<u>18,197,001</u>	<u>15,462,813</u>	<u>2,734,188</u>	<u>2,719,101</u>
	<u>\$ 65,932,871</u>	<u>\$ 36,690,103</u>	<u>\$ 29,242,768</u>	<u>\$ 30,586,190</u>

The Province of BC provides the insurance on College property. North Island College has no direct insurance coverage against the loss of any of its capital assets except vehicles. All claims for loss of College property have to be submitted to the Province of British Columbia for consideration for compensation.

Note 5. Long-term Investments

Investments consist primarily of fixed income and Canadian equities. The market value of the investments as at March 31, 2006 is \$6,166,461.

Note 6. Deferred Contributions

Deferred contributions include unspent contributions that are externally restricted. The main components are tuition, grant, and contract services receipts.

Changes in deferred contributions are as follows:	<u>2006</u>	<u>2005</u>
Deferred contributions, beginning of year	\$ 2,828,688	\$ 2,024,681
Amounts received	6,154,807	6,717,500
Transferred to revenue	<u>(6,227,516)</u>	<u>(5,913,493)</u>
Deferred contributions, end of year	<u>\$ 2,755,979</u>	<u>\$ 2,828,688</u>

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Notes to the Financial Statements For the year ended March 31, 2006

Note 7. **Deferred Capital Revenue**

Deferred capital revenue represents the unamortized external funding, used to purchase capital assets and for major capital repairs and maintenance, which will be recognized as revenue in future periods.

Changes in deferred capital revenue are as follows:	<u>2006</u>	<u>2005</u>
Deferred capital revenue, beginning of year	\$ 27,297,375	\$ 28,905,459
Amounts received	1,400,041	853,994
Transferred to revenue	<u>(2,257,158)</u>	<u>(2,462,078)</u>
Deferred capital revenue, end of year	<u>\$ 26,440,258</u>	<u>\$ 27,297,375</u>

Note 8. **Commitments**

The College is committed under the following operating fund lease agreements:

Port Hardy campus - expiring February 28, 2011	\$ 447,675
Port Alberni campus - expiring June 30, 2010	4
Other centres - expiring on various dates	<u>37,023</u>
	<u>\$ 484,702</u>

Lease payments to the end of the leases are as follows:

2007	\$ 114,269
2008	92,564
2009	94,325
2010	93,725
2011	<u>89,819</u>
	<u>\$ 484,702</u>

Note 9. **Economic Dependence**

North Island College is economically dependent on the Provincial Government's Ministry of Advanced Education for the provision of operating and capital funding.

Note 10. **Comparative Figures**

Certain comparative figures have been restated, where necessary, to conform to the current year's presentation.

NORTH ISLAND COLLEGE

Notes to the Financial Statements For the year ended March 31, 2006

Note 11. Pension Information

The college and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has about 11,000 active members from college senior administration and instructional staff and approximately 2,900 retired members. The Municipal Pension Plan has about 130,000 active members, with approximately 4,900 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2003 indicated an unfunded liability 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 attribute portions of the unfunded liability to individual employers. The college paid \$1,353,842 for employer contributions to the plans in fiscal year ended March 31, 2006 (2005 - \$1,029,350).

Note 12. Interest and Other Income

Included in interest and other income is a gain (loss) on disposal of assets. A gain of \$5,415 is included in the March 31, 2006 balance and a loss of (\$63,471) is included in the March 31, 2005 balance.