

Vancouver Community College

Financial Statements

For the year ended March 31, 2007



KPMG LLP
Chartered Accountants
Metrotower II
Suite 2400 - 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca

AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the statement of financial position of Vancouver Community College as at March 31, 2007 and the statements of operations, changes in net assets 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 Vancouver Community College as at March 31, 2007 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' in a cursive, stylized font.

Chartered Accountants

Burnaby, Canada

April 27, 2007

VANCOUVER COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,334,245	\$ 6,369,128
Short term investments (note 2)	14,449,272	17,658,830
Accounts receivable	5,905,926	3,800,598
Inventories	1,199,708	1,247,553
	<u>37,889,151</u>	<u>29,076,109</u>
Capital assets (note 3)	<u>65,699,992</u>	<u>53,988,556</u>
TOTAL ASSETS	\$ 103,589,143	\$ 83,064,665
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,997,507	\$ 7,644,881
Obligation under capital lease (note 4)	73,596	203,175
Accrued vacation payable	2,077,176	2,175,843
Deferred tuition fees	3,917,510	4,027,401
Deferred revenue	2,707,010	1,309,726
	<u>19,772,799</u>	<u>15,361,026</u>
Obligation under capital lease (note 4)	-	70,681
Deferred capital contributions (note 5)	<u>58,320,413</u>	<u>45,871,054</u>
	<u>78,093,212</u>	<u>61,302,761</u>
NET ASSETS		
Invested in capital assets (note 6)	12,970,701	11,895,989
Internally restricted	10,254,145	7,449,034
Unrestricted	2,271,085	2,416,881
	<u>25,495,931</u>	<u>21,761,904</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 103,589,143	\$ 83,064,665

Commitments and contingencies (note 8)

Approved:



 Chair of Board



 Vice President Finance & Administration

VANCOUVER COMMUNITY COLLEGE
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2007

	<u>2007</u>	<u>2006</u>
REVENUE		
Grants from Province of British Columbia	\$ 64,493,712	\$ 61,404,700
Tuition fees and cost recoveries	20,339,250	20,049,002
Goods and services	5,833,877	5,522,370
Other grants, fees and contract services	3,482,518	3,554,058
Miscellaneous income and contributions	2,222,159	1,846,822
Amortization of deferred capital contributions	2,565,316	2,237,690
TOTAL REVENUE	<u>98,936,832</u>	<u>94,614,642</u>
EXPENSES		
Salaries and benefits	69,241,947	66,429,115
Other expenses	21,706,296	21,336,574
Amortization of capital assets	4,297,630	4,006,051
TOTAL EXPENSES	<u>95,245,873</u>	<u>91,771,740</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 3,690,959</u>	<u>\$ 2,842,902</u>

See accompanying Notes to Financial Statements

**VANCOUVER COMMUNITY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2007**

	Invested in capital assets (note 6)	Internally restricted	Unrestricted	TOTAL 2007	TOTAL 2006
Balance, beginning of year	\$ 11,895,989	\$ 7,449,034	\$ 2,416,881	\$ 21,761,904	\$ 18,402,004
Excess (deficiency) of revenue over expenses	(1,732,314)	(1,266)	5,424,539	3,690,959	2,842,902
Net change in invested in capital assets	2,763,958	(2,763,958)	-	-	-
Investment in non-amortizing capital assets	43,068	-	-	43,068	516,998
Interfund transfers	-	5,570,335	(5,570,335)	-	-
Balance, end of year	<u>\$ 12,970,701</u>	<u>\$ 10,254,145</u>	<u>\$ 2,271,085</u>	<u>\$ 25,495,931</u>	<u>\$ 21,761,904</u>

VANCOUVER COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2007

	2007	2006
OPERATING ACTIVITIES:		
Excess of revenue over expenses	\$ 3,690,959	\$ 2,842,902
Non-cash items:		
Amortization of capital assets	4,297,630	4,006,051
Amortization of deferred capital contributions	<u>(2,565,316)</u>	<u>(2,237,690)</u>
	5,423,273	4,611,263
Changes in non-cash working capital	<u>2,483,868</u>	<u>182,198</u>
	7,907,141	4,793,461
 INVESTING ACTIVITIES:		
Acquisition of capital assets	(16,009,066)	(4,386,294)
Disposal (Acquisition) of short term investments	<u>3,209,558</u>	<u>(4,910,159)</u>
	(12,799,508)	(9,296,453)
 FINANCING ACTIVITIES:		
Repayments on obligation under capital lease	(200,260)	(293,039)
Deferred capital contributions	15,014,675	2,854,941
Contributions related to capital assets not to be amortized	<u>43,069</u>	<u>516,998</u>
	14,857,484	3,078,900
 Increase (Decrease) in cash and cash equivalents	9,965,117	(1,424,092)
 Cash and cash equivalents at the beginning of year	6,369,128	7,793,220
 CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u><u>\$ 16,334,245</u></u>	<u><u>\$ 6,369,128</u></u>

See accompanying Notes to Financial Statements

VANCOUVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

OPERATIONS

Vancouver Community College (the "College") is a post-secondary educational institution funded in part by the Province of British Columbia and incorporated under the College and Institute Act on November 28, 1978. The College is exempt from income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting and presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

The resources and operations of the College have been segregated for accounting purposes into the following funds:

Operating Fund – The purpose of the Operating Fund is to reflect the operating and administrative activities of the College.

Capital Fund – The purpose of the Capital Fund is to reflect the College's investment in capital assets and related deferred capital contributions.

Other Funds – Additional funds have been established to separately reflect transactions for the Contract Services, Ancillary Services, and Special Purpose Funds held for specific purposes.

The details related to the funds are presented in Schedules 1 & 2.

(b) Cash and cash equivalents

Cash and cash equivalents are defined to include highly liquid securities with original terms to maturity of three months or less when purchased.

(c) Short Term Investments

Short term investments are carried at cost, less any provision for permanent declines in value.

(d) Inventories

Inventories for resale are valued at the lower of cost or net realizable value, with cost determined on a weighted average basis.

(e) Capital Assets

Capital assets are recorded at cost.

VANCOUVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

Capital assets are amortized on a straight-line basis over the following average useful lives:

Building and site improvements	40 years
Furniture and equipment	5 years
Computers	4 years
Leasehold Improvements	lesser of 10 years or term of lease

(f) Revenue Recognition

The College follows the deferral method of accounting for contributions which include mainly government grants.

Unrestricted contributions are recorded as revenue in the period they are received if the amounts can be estimated and the collection reasonably assured.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred.

Contributions for capital assets that will not be amortized, such as land, are recorded as direct increases in net assets in the period the asset is acquired. Donations of capital assets that would otherwise be purchased are accounted for at fair value when a fair value can be reasonably estimated.

Contributions for capital assets having a limited life are initially recognized as unamortized deferred capital contributions and are recognized as revenue in the periods in which the related capital assets are amortized. Unamortized deferred capital contributions relating to capital assets that have been disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

(g) Contract Services Revenue and Expenses

Revenue and expenses relating to contracted services are recognized as activities are performed, using the percentage of completion method. The zero profit margin method is used when a contract's financial outcome is not reasonably determinable. This method of accounting requires that equal amounts of revenue and cost be recognized until the financial outcome of a contract can be reasonably estimated. Provision for all anticipated losses is made in the period in which they become evident.

(h) Use of Estimates

The preparation of these 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 expenses during the reporting period. Significant areas requiring the use of management's estimates relate to the rate of amortization of capital assets, provision for employee future benefits and revenue recognition of contract services. Actual results could differ from those estimates.

VANCOUVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

(i) Financial Instruments

The College's financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, accrued vacation payable and obligation under capital lease, approximate their fair value due to their immediate or short term maturity.

2. SHORT TERM INVESTMENTS

Short term investments consist of term deposits, bearer deposit notes, bankers acceptances and commercial paper with maturity dates within the next fiscal year. Interest on the investments ranges from 4.10% to 4.35%. Fair value of the short term investments approximates book value due to their short term nature.

3. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2007 Net Book Value</u>	<u>2006 Net Book Value</u>
Land	\$ 7,670,201	\$ -	\$ 7,670,201	\$ 7,627,132
Buildings and site improvements	80,138,060	38,158,654	41,979,406	41,119,693
Construction in progress	11,129,113	-	11,129,113	924,833
Furniture and equipment	48,539,470	46,078,843	2,460,627	2,158,267
Computers	9,182,110	7,116,012	2,066,098	1,515,039
Computers under capital lease	3,115,377	3,115,377	-	133,569
Leasehold improvements	<u>1,154,758</u>	<u>760,211</u>	<u>394,547</u>	<u>510,023</u>
 Total	 <u>\$ 160,929,089</u>	 <u>\$ 95,229,097</u>	 <u>\$ 65,699,992</u>	 <u>\$ 53,988,556</u>

VANCOUVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

4. OBLIGATION UNDER CAPITAL LEASE

The College has entered into agreements to lease computers. The following is a schedule of future minimum lease payments under capital lease that are due for the year ending March 31st:

Total minimum lease payments 2008	\$74,275
Less: amount representing interest at an average rate of 7.14%	<u>679</u>
Balance of the obligation	<u>\$73,596</u>

5. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of externally restricted grants and other funding received for the purchase of capital assets. Amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	\$ 45,871,054	\$ 45,253,803
Contributions from government grants	13,650,006	3,069,763
Contributions from other sources	<u>1,407,738</u>	<u>302,176</u>
	15,057,744	3,371,939
Less: contributions related to capital assets not to be amortized	(43,069)	(516,998)
Less: amortization to revenue	<u>(2,565,316)</u>	<u>(2,237,690)</u>
	(2,608,385)	(2,754,688)
Balance at end of year	<u>\$ 58,320,413</u>	<u>\$ 45,871,054</u>

Deferred capital contributions are comprised of the following:

	<u>2007</u>	<u>2006</u>
Unamortized capital contributions	\$ 52,655,695	\$ 41,818,711
Unspent contributions	<u>5,664,718</u>	<u>4,052,343</u>
	<u>\$ 58,320,413</u>	<u>\$ 45,871,054</u>

VANCOUVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

6. NET ASSETS INVESTED IN CAPITAL ASSETS

(a) Net Assets invested in capital assets is calculated as follows:

	2007	2006
Capital assets	\$ 65,699,992	\$ 53,988,556
Amounts financed by:		
Unamortized capital contributions (note 5)	(52,655,695)	(41,818,711)
Capital lease obligation	(73,596)	(273,856)
	\$ 12,970,701	\$ 11,895,989

(b) Excess (deficiency) of revenue over expenses:

	2007	2006
Amortization of deferred capital contributions	\$ 2,565,316	\$ 2,237,690
Amortization of capital assets	(4,297,630)	(4,006,051)
	\$ (1,732,314)	\$ (1,768,361)

(c) Net change in Net Assets invested in capital assets

	2007	2006
Acquisition of capital assets	\$ 16,009,066	\$ 4,386,294
Amounts funded by deferred capital contributions	(13,445,367)	(2,047,017)
Principal repayments	200,259	293,039
	\$ 2,763,958	\$ 2,632,316

7. RELATED ORGANIZATION

The College has an economic interest in the Vancouver Community College Foundation (“the Foundation”). The Foundation is a separate society formed to raise funds to further the interests of the College and to provide scholarships and bursaries for students of the College.

During 2007, the Foundation contributed \$841,495 (2006 - \$754,372) in awards, \$148,676 (2006 - \$147,337) in equipment, and \$128,020 (2006 - \$44,403) of gifts in kind received by the Foundation and transferred to the College and its students. The Foundation collected \$181,288 (2006 - \$115,247) for the capital campaign which was transferred to the College. As of March 31, 2007, the College had accounts receivable from the Foundation of \$279,285 (2006 - \$273,646) for expenses that were paid for by the College on behalf of the Foundation. At March 31, 2007, the Foundation had net assets of \$8.2 million (2006 - \$7.9 million).

During 2007, the College contributed \$690,000 (2006 - \$875,000) in grants to the Foundation for operating expenses and bursaries.

VANCOUVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

8. COMMITMENTS AND CONTINGENCIES

(a) Operating Leases

The College has entered into agreements for leases of premises. The following future minimum operating lease payments including contractual operating costs are due for the years ending March 31st:

2008	\$1,178,000
2009	\$1,114,000
2010	\$1,114,000
2011	\$ 464,000

(b) Building Construction Contracts

The College is committed under building construction contracts for approximately \$39.9 million towards construction which is anticipated to be completed in Fiscal 08/09.

(c) Pension Plans

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 3,200 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 \$4,155,720 (2006 - \$3,962,300) for employer contributions to the plan in fiscal year ending March 31, 2007.

(d) Potential claims outstanding

There are several outstanding matters pending in which the College is involved. The potential claims against the College are not covered by insurance. Management considers that any outcome would not materially affect the financial statements of the College.

Vancouver Community College

Supplementary Information

For the year ended March 31, 2007



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AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION TO THE BOARD OF GOVERNORS

We have audited and reported separately herein on the financial statements of Vancouver Community College as at and for the year ended March 31, 2007.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole in accordance with Canadian generally accepted accounting principles. The current year's supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Burnaby, Canada

April 27, 2007

VANCOUVER COMMUNITY COLLEGE
SCHEDULE OF FUND OPERATIONS AND NET ASSETS
YEAR ENDED MARCH 31, 2007

	OPERATING FUND	CONTRACT SERVICES FUND	ANCILLARY SERVICES FUND	SUB TOTAL OPERATING FUNDS	CAPITAL FUND	SPECIAL PURPOSE FUND	TOTAL FUNDS 2007
REVENUE							
Grants from Province of British Columbia	\$ 54,276,362	\$ 2,860,429	\$ -	\$ 57,136,791	\$ 5,875,071	\$ 1,481,850	\$ 64,493,712
Tuition fees and cost recoveries	15,694,072	4,229,749	-	19,923,821	415,429	-	20,339,250
Goods and services	2,327,503	-	3,506,374	5,833,877	-	-	5,833,877
Other grants, fees and contract services	1,025,584	1,735,333	-	2,760,917	-	721,601	3,482,518
Miscellaneous income and contributions	2,083,456	66,923	60,977	2,211,356	10,343	460	2,222,159
Amortization of deferred capital contributions	-	-	-	-	2,565,316	-	2,565,316
TOTAL REVENUE	75,406,977	8,892,434	3,567,351	87,866,762	8,866,159	2,203,911	98,936,832
EXPENSES							
Salaries and benefits	62,456,018	5,927,519	840,142	69,223,679	-	18,268	69,241,947
Other expenses	13,752,718	2,591,005	2,417,618	18,761,341	758,046	2,186,909	21,706,296
Amortization of capital assets	-	-	-	-	4,297,630	-	4,297,630
TOTAL EXPENSES	76,208,736	8,518,524	3,257,760	87,985,020	5,055,676	2,205,177	95,245,873
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(801,759)	373,910	309,591	(118,258)	-	(1,266)	(119,524)
EXCESS INTERNALLY RESTRICTED	-	-	-	-	3,810,483	-	3,810,483
TOTAL	(801,759)	373,910	309,591	(118,258)	3,810,483	(1,266)	3,690,959
NET ASSETS AT BEGINNING OF YEAR	1,410,586	798,088	715,835	2,924,509	18,836,129	1,266	21,761,904
Investment in non-amortizing capital assets	-	-	-	-	43,068	-	43,068
Net assets prior to interfund transfer	608,827	1,171,998	1,025,426	2,806,251	22,689,680	-	25,495,931
Interfund transfer	(27,538)	(113,079)	-	(140,617)	140,617	-	-
NET ASSETS AT END OF YEAR	\$ 581,289	\$ 1,058,919	\$ 1,025,426	\$ 2,665,634	\$ 22,830,297	\$ -	\$ 25,495,931

VANCOUVER COMMUNITY COLLEGE
SPECIAL PURPOSE FUNDS
SCHEDULE OF REVENUE AND EXPENSES AND DEFERRED REVENUE
YEAR ENDED MARCH 31, 2007

	EMPLOYEES' FRINGE BENEFIT SURPLUS FUND	ADULT BASIC EDUCATION ASSISTANCE FUND	OTHER BURSARY AND SPECIAL PURPOSE FUNDS	Total 2007	2006
REVENUE					
Grants from the Province of British Columbia	\$ -	\$ 1,454,304	\$ 27,965	\$ 1,482,269	\$ 1,489,220
Other grants	-	-	721,182	721,182	453,682
Investment & miscellaneous income	460	-	-	460	8,740
	<u>460</u>	<u>1,454,304</u>	<u>749,147</u>	<u>2,203,911</u>	<u>1,951,642</u>
EXPENSES					
Bursaries, scholarships and awards	-	1,404,758	732,145	2,136,903	2,101,980
Other	460	49,546	18,268	68,274	37,616
	<u>460</u>	<u>1,454,304</u>	<u>750,413</u>	<u>2,205,177</u>	<u>2,139,596</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	-	-	(1,266)	(1,266)	(187,954)
Deferred revenue (recognized) deferred during the year	9,735	410,352	45,195	465,282	181,773
Deferred revenue at beginning of year	<u>238,923</u>	<u>68,678</u>	<u>204,393</u>	<u>511,994</u>	<u>328,955</u>
Deferred revenue prior to interfund transfer	248,658	479,030	248,322	976,010	322,774
Interfund transfer	-	-	-	-	189,220
DEFERRED REVENUE AT END OF YEAR	<u>\$ 248,658</u>	<u>\$ 479,030</u>	<u>\$ 248,322</u>	<u>\$ 976,010</u>	<u>\$ 511,994</u>