

Financial Statements of

**JUSTICE INSTITUTE OF BRITISH COLUMBIA**

Year ended March 31, 2009



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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 (the "Institute") as at March 31, 2009 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, 2009 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 signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Accountants

Vancouver, Canada

May 12, 2009

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

## Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,203,272	\$ 10,995,643
Short-term investments	3,782,762	3,709,480
Accounts receivable and prepaids	4,637,814	4,048,681
	<u>12,623,848</u>	<u>18,753,804</u>
Capital assets (note 3)	40,527,462	36,314,009
	<u>\$ 53,151,310</u>	<u>\$ 55,067,813</u>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,242,259	\$ 3,289,890
Employee benefits payable (note 4)	939,150	847,586
Deferred capital contributions (note 6)	-	5,070,000
Deferred revenue	5,283,490	6,138,987
	<u>9,464,899</u>	<u>15,346,463</u>
Deferred lease costs - long-term (note 5)	39,367	71,828
Deferred capital contributions (note 6)	27,372,498	27,098,204
	<u>36,876,764</u>	<u>42,516,495</u>
Net assets:		
Unrestricted	2,258,241	2,007,733
Invested in capital assets (note 3)	14,016,305	10,543,585
	<u>16,274,546</u>	<u>12,551,318</u>
	<u>\$ 53,151,310</u>	<u>\$ 55,067,813</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

Year ended March 31, 2009, with comparative figures for 2008

	Operating Fund	Capital Fund	2009	2008
<b>Revenue:</b>				
Province of British Columbia:				
Grants	\$ 10,625,698	\$ -	\$ 10,625,698	\$ 9,618,193
Contracts	8,431,204	-	8,431,204	7,914,987
Tuition (note 9)	10,866,559	-	10,866,559	9,447,463
Contract services (note 9)	12,919,678	-	12,919,678	9,349,299
Interest	279,248	-	279,248	375,322
Other	1,352,712	-	1,352,712	1,463,945
Amortization of deferred capital contributions (note 6)	-	1,336,878	1,336,878	1,332,428
	<u>44,475,099</u>	<u>1,336,878</u>	<u>45,811,977</u>	<u>39,501,637</u>
<b>Expenses:</b>				
Advertising and promotion	709,830	-	709,830	521,196
Contract instruction and program development	6,345,357	-	6,345,357	4,758,931
Facilities and equipment	4,565,400	-	4,565,400	4,276,795
Professional services	1,557,907	-	1,557,907	1,433,395
Salaries and employee benefits	24,538,122	-	24,538,122	21,663,350
Staff travel	1,102,585	-	1,102,585	803,057
Student travel and activities	1,819,792	-	1,819,792	1,223,381
Supplies - instructional	1,527,397	-	1,527,397	1,537,968
Supplies - office	638,477	-	638,477	760,915
Other	793,207	-	793,207	658,425
Amortization of capital assets	-	2,247,014	2,247,014	2,026,618
	<u>43,598,074</u>	<u>2,247,014</u>	<u>45,845,088</u>	<u>39,664,031</u>
Excess (deficiency) of revenue over expenses	877,025	(910,136)	(33,111)	(162,394)
Net assets, beginning of year	2,007,733	10,543,585	12,551,318	12,713,712
Contribution for purchase of land (note 3)	-	3,756,339	3,756,339	-
Investment in capital assets (note 3)	(626,517)	626,517	-	-
Net assets, end of year	<u>\$ 2,258,241</u>	<u>\$ 14,016,305</u>	<u>\$ 16,274,546</u>	<u>\$ 12,551,318</u>

See accompanying notes to financial statements.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

## Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	<u>2009</u>	<u>2008</u>
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ (33,111)	\$ (162,394)
Items not involving cash:		
Amortization of capital assets	2,247,014	2,026,618
Amortization of deferred lease costs	(32,461)	(27,789)
Amortization of deferred capital contributions	(1,336,878)	(1,332,428)
	<u>844,564</u>	<u>504,007</u>
Change in non-cash operating accounts:		
Accounts receivable and prepaids	(589,133)	(477,630)
Accounts payable and accrued liabilities	(47,631)	(229,494)
Employee benefits payable	91,564	133,819
Deferred revenue	(855,497)	1,961,279
	<u>(556,133)</u>	<u>1,891,981</u>
Investments:		
Purchase of capital assets	(6,460,467)	(1,035,925)
Short-term investments	(73,282)	(239,363)
	<u>(6,533,749)</u>	<u>(1,275,288)</u>
Financing:		
Deferred lease costs	-	44,384
Deferred capital contributions received	297,511	5,810,650
	<u>297,511</u>	<u>5,855,034</u>
Increase (decrease) in cash and cash equivalents	(6,792,371)	6,471,727
Cash and cash equivalents, beginning of year	10,995,643	4,523,916
Cash and cash equivalents, end of year	<u>\$ 4,203,272</u>	<u>\$ 10,995,643</u>

Cash and cash equivalents consist 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

Year ended March 31, 2009

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## 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) Basis of presentation:

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

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) Capital assets:

Capital assets are recorded at cost less accumulated amortization. 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>Period</u>
Site improvements	10 years
Buildings	40 years
Furniture, equipment and vehicles (including computer equipment)	5 years
Personal computer equipment and peripherals	3 years
Leasehold improvements	lease term

### (c) 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 year end where the course is delivered subsequent to the year end are recorded as deferred revenue.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2009

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## 2. Significant accounting policies (continued):

### (c) Revenue recognition (continued):

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. Projected losses are recognized in the period the loss is determined and can be reasonably estimated.

Contributions received 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.

Contributions, tuition fees and contract services are recognized as revenue in accordance with the applicable recognition criteria above when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### (d) 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.

### (e) Financial instruments:

All financial instruments are measured at the balance sheet date at fair value except for loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost.

The Institute classifies its cash and cash equivalents, and short-term investments as held to maturity. These financial instruments are initially measured at fair value and subsequently accounted for at amortized cost. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and employee benefits payable are classified as other financial liabilities, which are measured at amortized cost.

The Institute has chosen to continue to apply CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, rather than adopting CICA Handbook Section 3862 *Financial Instruments - Disclosures* and CICA Handbook Section 3863 *Financial Instruments - Presentation* as permitted in these sections for not-for-profit organizations.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2009

## 2. Significant accounting policies (continued):

### (f) Adoption of new accounting standard:

Effective April 1, 2008, the Institute adopted the Canadian Institute of Chartered Accountants Handbook Section 1535, *Capital Disclosures*. Under this new standard, the Institute is required to disclose both qualitative and quantitative information that enables users of the financial statements to evaluate the Institute's objectives, policies, and processes for managing capital. It also includes disclosure regarding what the Institute regards as capital, whether the Institute has complied with any external requirements and in the event of non-compliance, the consequences of not complying with these capital requirements.

The Institute receives its principal source of capital through donations, grants and contributions from the Justice Institute Foundation. The Institute defines capital to be net assets which include amounts held in the operating and capital funds. In carrying out its purpose, the Institute maintains a strong capital base to support the programs, operations and activities of the Institute.

The Institute is not subject to any other external capital requirements or restrictions.

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

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 10,416,476	\$ -	\$ 10,416,476	\$ 6,660,137
Buildings	35,989,649	9,811,552	26,178,097	25,381,022
Furniture, equipment and vehicles	3,386,119	1,698,030	1,688,089	1,724,067
Personal computer equipment	679,162	387,788	291,374	279,199
Leasehold Improvements	695,462	461,193	234,269	466,180
Site improvements	3,444,458	1,725,301	1,719,157	1,803,404
	<u>\$ 54,611,326</u>	<u>\$ 14,083,864</u>	<u>\$ 40,527,462</u>	<u>\$ 36,314,009</u>

Net assets invested in capital assets is calculated as follows:

	2009	2008
Capital assets	\$ 40,527,462	\$ 36,314,009
Amounts funded by deferred capital contributions, net of unspent contributions (note 6)	<u>(26,511,157)</u>	<u>(25,770,424)</u>
Balance, end of year	<u>\$ 14,016,305</u>	<u>\$ 10,543,585</u>



# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2009

### 3. Capital assets and net assets invested in capital assets (continued):

The change in net assets invested in capital assets is calculated as follows:

	2009	2008
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 1,336,878	\$ 1,332,428
Amortization of capital assets	<u>(2,247,014)</u>	<u>(2,026,618)</u>
	<u>\$ (910,136)</u>	<u>\$ (694,190)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 6,460,467	\$ 1,035,925
Contribution for purchase of land	3,756,339	-
Capital contributions spent	<u>(5,833,950)</u>	<u>(129,946)</u>
	<u>\$ 4,382,856</u>	<u>\$ 905,979</u>

### 4. Employee future benefits:

#### (a) Pensions:

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusted pension plans. The boards of trustees for these plans represent plan members and employers and are 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 defined benefit pension plans. The College Pension Plan has about 11,000 active contributors from college senior administration and instructional staff and approximately 3,500 retired members. The Municipal Pension Plan has about 150,000 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, 2006 indicated a funding shortfall of \$54 million for basic pension benefits. The next valuation will be as at August 31, 2009 with results available in 2010. The most recent valuation for the Municipal Pension Plan as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the shortfall or surplus to individual employers.

The Institute records pension expense as cash contributions to the plans are made. During the year, the Institute contributed \$1,258,640 (2008 - \$1,083,679) to the above plans.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2009

## 4. Employee future benefits (continued):

### (b) Other employee benefits:

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 2005, the Institute engaged the services of an actuarial firm to evaluate its employee future benefits plans. As a result of this estimate, employee future benefit expenses relating to retirement allowances of \$23,000 have been recorded in the year (2008 - \$23,329).

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 2007 are based on an actuarial valuation as at March 31, 2005, updated to March 31, 2007, using the following valuation assumptions:

	2009	2008
Discount rate	4.5%	4.5%
Inflation rate	2.5	2.5
Rate of compensation increase	3.75	3.75

Employee benefits payable as at March 31, 2009 are as follows:

	2009	2008
Retirement allowances	\$ 223,000	\$ 200,000
Vacation	716,150	647,586
	<u>\$ 939,150</u>	<u>\$ 847,586</u>

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2009

## 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 seven years. In fiscal 2008, additional space was leased at 910 Government Street and an inducement of \$44,384 was received. The additional lease inducement is being credited to the statement of operations on a straight-line basis over the remaining term of the lease, being three years.

## 6. Deferred capital contributions:

	2009	2008
Balance, beginning of year	\$ 32,168,204	\$ 27,689,982
Capital contributions received during the year	297,511	5,810,650
	32,465,715	33,500,632
Acquisition of land	3,756,339	-
Amortization	1,336,878	1,332,428
Balance, end of year	\$ 27,372,498	\$ 32,168,204
Balance, end of year, current	\$ -	\$ 5,070,000
Balance, end of year, long-term	27,372,498	27,098,204
	\$ 27,372,498	\$ 32,168,204

Included in deferred capital contributions at March 31, 2009 is \$861,341 (2008 - \$6,397,780) of unspent contributions designated for specific types of capital purchases. During the year the Institute used \$5,070,000 deferred capital contributions from 2008 for a property acquisition. \$3,756,339 for the land component of the purchase has been transferred from deferred capital contributions to net assets invested in capital assets.

## 7. Commitments:

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

2010	\$ 2,439,732
2011	296,116
2012	150,498
2013	112,654
	2,999,000
Thereafter	4,182
	\$ 3,003,182

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2009

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## 8. Related organization:

The Institute has an economic interest in the Justice Institute of BC Foundation (the "Foundation"). The Foundation was formed to raise funds for furthering the interests of the Institute. The net assets and results of operations of the Foundation have not been included in these financial statements.

The balance due to the Foundation at March 31, 2009 is \$nil (2008 - \$53,984).

During 2009, the Foundation contributed \$706,974 (2008 - \$115,717) in student awards to the Institute. Administrative services, including salary costs, amounting to approximately \$265,140 (2008 - \$213,464) were provided to the Foundation by the Institute on a no charge basis.

The following is a summary of financial statements of the Foundation for the year ended December 31, 2008 and 2007:

	2008	2007
Total assets	\$ 2,066,754	\$1,463,740
Total liabilities	10,945	-
Net assets	\$ 2,077,699	\$1,463,740
Total revenues	\$ 1,237,846	\$ 700,242
Total expenses	645,777	63,004

## 9. Tuition and contract services:

Tuition and contract services revenue includes approximately \$2.11 million (2008 - \$2.48 million) in services performed for the Province.