

**NORTH ISLAND COLLEGE
FINANCIAL STATEMENTS
March 31, 2010**

NORTH ISLAND COLLEGE

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For the year ended March 31, 2010**

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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, 2010 and the statements of operations and net assets, including supporting schedule, 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, 2010 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 6, 2010



NORTH ISLAND COLLEGE

Statement of Financial Position As at March 31, 2010

	Operating Fund	Ancillary Services Fund	Capital Fund	March 2010 Total	March 2009 Total
Assets					
Current assets					
Cash	\$ 3,260,732	-	-	\$ 3,260,732	\$ 2,710,115
Short term investments	3,258,464	-	-	3,258,464	1,531,199
Accounts receivable	777,110	-	-	777,110	997,530
Prepaid expenses	124,252	-	-	124,252	79,439
Inventories	6,236	204,725	-	210,961	255,771
Interfund balances	<u>(1,319,892)</u>	<u>360,980</u>	<u>958,912</u>	<u>-</u>	<u>-</u>
	6,106,902	565,705	958,912	7,631,519	5,574,054
Long term investments - Note 5	9,063,684	-	-	9,063,684	7,863,594
Capital assets, net - Note 6	<u>-</u>	<u>-</u>	<u>23,996,149</u>	<u>23,996,149</u>	<u>24,128,367</u>
	<u>\$ 15,170,586</u>	<u>\$ 565,705</u>	<u>\$ 24,955,061</u>	<u>\$ 40,691,352</u>	<u>\$ 37,566,015</u>
Liabilities					
Current liabilities					
Accounts payable - Note 7	\$ 5,989,909	-	-	\$ 5,989,909	\$ 4,944,469
Deferred contributions - Note 8	<u>7,317,355</u>	<u>-</u>	<u>-</u>	<u>7,317,355</u>	<u>6,648,080</u>
	13,307,264	-	-	13,307,264	11,592,549
Deferred capital revenue - Note 9	-	-	20,125,601	20,125,601	19,274,457
Net Assets					
Invested in capital assets	-	-	4,829,460	4,829,460	4,707,392
Other net assets	<u>1,863,322</u>	<u>565,705</u>	<u>-</u>	<u>2,429,027</u>	<u>1,991,617</u>
	1,863,322	565,705	4,829,460	7,258,487	6,699,009
	<u>\$ 15,170,586</u>	<u>\$ 565,705</u>	<u>\$ 24,955,061</u>	<u>\$ 40,691,352</u>	<u>\$ 37,566,015</u>

Approved on behalf of the Board of Governors:



Judith Round, Chair of the Board of Governors



Carol Baert, 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, 2010

	Operating Fund	Ancillary Services Fund	Capital Fund	March 2010 Total	March 2009 Total
Revenue					
Province of British Columbia transfers	\$ 24,522,807	\$ -	\$ 1,007,124	\$ 25,529,931	\$ 25,749,485
Government of Canada transfers	170,000	-	-	170,000	-
Student fees	5,473,569	-	-	5,473,569	4,658,002
Contract services	1,691,223	-	58,248	1,749,471	1,992,131
Goods and services	-	1,661,850	-	1,661,850	1,496,174
Interest and other income - Note 11	1,623,045	-	26,107	1,649,152	(336,378)
Grant transfers - Note 12	343,750	-	-	343,750	424,450
Amortization of deferred capital revenue	-	-	1,876,419	1,876,419	1,969,889
Total	<u>33,824,394</u>	<u>1,661,850</u>	<u>2,967,898</u>	<u>38,454,142</u>	<u>35,953,753</u>
Expense					
Salaries and benefits	26,539,925	305,761	-	26,845,686	25,645,842
Other expenses	6,556,663	1,302,735	-	7,859,398	7,593,027
Grant transfers - Note 12	343,750	-	-	343,750	424,450
Depreciation expense	-	-	2,845,830	2,845,830	3,024,844
Total - Schedule 1	<u>33,440,338</u>	<u>1,608,496</u>	<u>2,845,830</u>	<u>37,894,664</u>	<u>36,688,163</u>
Excess (deficiency) of revenue over expense	<u>384,056</u>	<u>53,354</u>	<u>122,068</u>	<u>559,478</u>	<u>(734,410)</u>
Net Assets					
Beginning of year	<u>1,479,266</u>	<u>512,351</u>	<u>4,707,392</u>	<u>6,699,009</u>	<u>7,433,419</u>
End of year	<u>\$ 1,863,322</u>	<u>\$ 565,705</u>	<u>\$ 4,829,460</u>	<u>\$ 7,258,487</u>	<u>\$ 6,699,009</u>

See accompanying notes to the financial statements

NORTH ISLAND COLLEGE

Statement of Cash Flows
For the year ended March 31, 2010

	<u>March</u> <u>2010</u>	<u>March</u> <u>2009</u>
Cash provided by operating activities		
Excess (deficiency) of revenue over expenses	\$ 559,478	\$ (734,410)
Items not requiring an outlay of cash:		
Depreciation	2,845,830	3,024,844
Amortization of deferred capital revenue	(1,876,419)	(1,969,889)
Loss (Gain) on disposal of assets	(8,154)	(19,301)
Change in fair value of long term investments	<u>(902,698)</u>	<u>970,724</u>
	618,037	1,271,968
Change in non-cash operating accounts:		
Accounts receivable and prepaid expenses	175,608	119,236
Inventories	44,810	32,565
Accounts payable	1,045,438	155,987
Deferred contributions	<u>210,107</u>	<u>(644,123)</u>
	<u>2,094,000</u>	<u>935,633</u>
Cash used in investing activities		
Increase in short term investments	(1,727,265)	(1,531,199)
Increase in long term investments	(297,392)	(1,143,575)
Purchase of capital assets	(2,714,288)	(814,467)
Proceeds on disposal of assets	<u>8,831</u>	<u>22,450</u>
	<u>(4,730,114)</u>	<u>(3,466,791)</u>
Cash provided by financing activities		
Proceeds from deferred capital revenue	<u>3,186,731</u>	<u>88,117</u>
Increase (decrease) in cash	550,617	(2,443,041)
Cash - beginning of year	<u>2,710,115</u>	<u>5,153,156</u>
Cash - end of year	<u>\$ 3,260,732</u>	<u>\$ 2,710,115</u>

NORTH ISLAND COLLEGE

Notes to the Financial Statements For the year ended March 31, 2010

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 section 149 of the Income Tax Act.

Note 1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit organizations.

(a) Fund accounting

The operations of the College have been classified into various funds for accounting and reporting purposes:

The operating fund records the instructional and support activities of the College.

The ancillary services fund records the operations of the cafeteria and the bookstores.

The capital fund records the activities involved in acquiring and disposing of capital assets

(b) Revenue recognition

The College follows the deferral method of accounting. Provincial transfers and other contributions are recognized as revenue in the year in which the related expenses are incurred and in the year for which the transfer is awarded. Restricted capital contributions received for capital assets are recorded as deferred capital revenue when received and are recognized as revenue as the related capital assets are depreciated. Contract training revenue is recognized in the year in which the related expenses are incurred and the contract is substantially completed. Tuition and fees are recognized as revenue in the year in which the related courses are delivered. Ancillary services revenue is recognized when the product is received by the customer. Externally restricted funding is recognized when expenses are incurred and funding with no external restrictions is recognized when the transfer is awarded.

(c) Capital assets

Capital assets are recorded at cost and depreciated on a straight-line basis over the estimated useful life of the asset. Depreciation begins in the month of acquisition and is recorded in the capital fund. The annual rates used are as follows:

Buildings and site improvements	
Concrete and steel buildings	2.5%
Wood framed buildings	5.0%
Site improvements	10.0%
Furniture and equipment	
Library books	10.0%
Furniture, equipment, and vehicles	20.0%
Computer servers	20.0%
Computer equipment	33.3%
Leasehold improvements	Various

NORTH ISLAND COLLEGE

Notes to the Financial Statements For the year ended March 31, 2010

(d) Short term investments

The short term investments held by the College are comprised of GICs held with a financial institution. These investments are valued at fair market value.

(e) Financial instruments

Held for trading:

The College has designated cash and short term investments, and long term investments as held for trading. These instruments are initially recognized at cost and subsequently measured at fair value, determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in excess of revenues over expenses. Net gains and losses arising from changes in fair value are recognized immediately in excess of revenues over expenses.

Loans and receivables:

The College has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instruments' initial cost in a transaction between unrelated parties. Accounts receivable are subsequently measured at their amortized cost, using the effective interest method. Due to their short term nature, carrying value of accounts receivable approximates amortized cost. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Other financial liabilities:

The College has classified accounts payable as other financial liabilities. These assets are initially recognized at their fair value. Fair value is approximated by the instruments' initial cost in a transaction between unrelated parties. Accounts payable are subsequently measured at their amortized cost, using the effective interest method. Due to their short term nature, carrying value of accounts payable approximates amortized cost. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Financial asset impairment:

The College assesses impairment of all its financial assets, except those classified as held for trading. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is recognized in excess of revenues over expenses.

- (f) 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.
- (g) Inventories held for resale 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. Inventories held for resale recognized as an expense during the period were \$1,196,174 (2009 \$1,097,549)
- (h) Contributed materials and services are recorded at fair value at the time of the contribution.

NORTH ISLAND COLLEGE

Notes to the Financial Statements For the year ended March 31, 2010

(i) 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 collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Accounts payable includes various estimated accruals. 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.

Note 2 **Financial Instruments**

All significant financial assets and financial liabilities of the College are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk, and credit risk. The College has an investment policy which allows investments according to a defined investment program which is designed to protect assets, maximize the use of resources and provide real income while preserving and growing the value of invested capital.

It is management's estimate that the College is not exposed to significant interest rate, currency, or credit risk arising from the financial instruments.

Fair value of financial instruments:

Cash and short term investments are recorded at their fair value, which is approximated by their carrying value, due to their short term nature. Accounts receivable and accounts payable are recorded at amortized cost, which approximates fair value due to their short term nature.

Long term investments are recorded at their fair value, determined by reference to published bid price quotations in an active market.

Note 3. **Comparative Figures**

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

Note 4. **Economic Dependence**

The College is economically dependent on the provincial government's Ministry of Advanced Education and Labour Market Development for the provision of operating and capital funding.

NORTH ISLAND COLLEGE

Notes to the Financial Statements For the year ended March 31, 2010

Note 5. Long Term Investments

Long term investments consist of fixed income funds (72% - 2009 79%), equities (28% - 2009 20%) and other (0% - 2009 1%). They are considered held for trading and are recorded at market value

Note 6 Capital Assets

		<u>2010</u>	<u>2009</u>
	Cost	Accumulated Depreciation	Net Book Value
			Net Book Value
Land	\$ 526,889	\$ -	\$ 526,889
Buildings and site improvements	48,112,129	28,079,947	21,455,310
Furniture and equipment	19,902,011	18,066,980	1,946,814
Leasehold improvements	2,174,365	2,122,812	140,743
Work in progress	1,550,494	-	58,611
	<u>\$ 72,265,888</u>	<u>\$ 48,269,739</u>	<u>\$ 23,996,149</u>

The Province of British Columbia 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 7. Accounts Payable

	<u>2010</u>	<u>2009</u>
Trade payable	\$ 1,990,872	\$ 1,159,443
Financial aid and bursaries payable	188,504	234,410
Wages payable	1,283,820	1,079,230
Accrued leave payable	2,517,990	2,455,256
Capital leases payable	8,723	16,130
	<u>\$ 5,989,909</u>	<u>\$ 4,944,469</u>

Note 8 Deferred Contributions

Deferred contributions include externally restricted contributions received relating to a future period or that have not yet been spent.

Changes in deferred contributions are as follows:

	<u>2010</u>	<u>2009</u>
Deferred contributions, beginning of year	\$ 6,648,080	\$ 7,467,738
Amounts received	11,245,863	10,937,663
Transferred to revenue	<u>(10,576,588)</u>	<u>(11,757,321)</u>
Deferred contributions, end of year	<u>\$ 7,317,355</u>	<u>\$ 6,648,080</u>

NORTH ISLAND COLLEGE

Notes to the Financial Statements For the year ended March 31, 2010

Note 9. **Deferred Capital Revenue**

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

Changes in deferred capital revenue are as follows:

	<u>2010</u>	<u>2009</u>
Deferred capital revenue, beginning of year	\$ 19,274,457	\$ 20,980,694
Amounts received, net	2,727,563	263,652
Transferred to revenue	<u>(1,876,419)</u>	<u>(1,969,889)</u>
Deferred capital revenue, end of year	<u>\$ 20,125,601</u>	<u>\$ 19,274,457</u>

Note 10. **Capital Management**

The College's objective when managing capital is to safeguard its ability to continue as a going concern, so it can continue to provide services to students. The College defines capital as net assets invested in land, net assets invested in capital assets, and other net assets. The College is not subject to externally imposed capital requirements.

The College's capital is represented as follows:

	<u>2010</u>	<u>2009</u>
Net Assets		
Invested in land	\$ 526,889	\$ 526,889
Invested in capital assets	<u>4,302,571</u>	<u>4,180,503</u>
	4,829,460	4,707,392
Other net assets	<u>2,429,027</u>	<u>1,991,617</u>
	<u>\$ 7,258,487</u>	<u>\$ 6,699,009</u>

Note 11. **Interest and Other Income**

	<u>2010</u>	<u>2009</u>
Net investment income	\$ 332,522	\$ 226,854
Change in fair value of long term investments	902,698	(970,724)
Gain on disposal of assets	8,154	19,301
Donations and other income	<u>405,778</u>	<u>388,191</u>
	<u>\$ 1,649,152</u>	<u>\$ (336,378)</u>

Note 12. **Grant Transfers**

Grant transfers are payments received from the Province of British Columbia which are transferred directly to external non-profit associations in accordance with the provincial granting arrangement.

NORTH ISLAND COLLEGE

Notes to the Financial Statements For the year ended March 31, 2010

Note 13. 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 provide support to students attending the College. Transactions with the Foundation were recorded at the exchange amount.

At March 31, 2010, accounts receivable of the College included \$155,813 (2009 \$182,400) due from the Foundation.

Foundation contributions to the College	<u>2010</u>	<u>2009</u>
Bursaries	\$ 168,590	\$ 176,258
Gifts in kind	<u>11,988</u>	<u>23,099</u>
	<u>\$ 180,578</u>	<u>\$ 199,357</u>
College contributions to the Foundation	<u>\$ 60,000</u>	<u>\$ 65,622</u>

Note 14. Commitments

The College is committed under the following operating fund lease agreements, all of which expire prior to April 1, 2011:

Port Hardy campus	\$ 89,304
Port Alberni Tebo Avenue campus	81,395
Other centres	<u>11,403</u>
	<u>\$ 182,102</u>

Note 15. 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 12,000 active members from college senior administration and instructional staff and approximately 3,900 retired members. The Municipal Pension Plan has about 158,000 active members, with approximately 5,400 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, 2006 indicated an unfunded liability 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 unfunded liability to individual employers. The College paid \$1,678,479 for employer contributions to the plans in fiscal 2010 (2009 \$1,588,367).

NORTH ISLAND COLLEGE

Schedule 1 - Schedule of Expenses
For the year ended March 31, 2010

Expenses	Operating Fund	Ancillary Services Fund	Capital Fund	March 2010 Total	March 2009 Total
Salaries and wages	\$ 21,199,997	\$ 253,835	\$ -	\$ 21,453,832	\$ 20,645,334
Employee benefits	4,569,321	51,926	-	4,621,247	4,366,111
Other personnel costs	770,607	-	-	770,607	634,397
Supplies and general expenses	589,069	12,637	-	601,706	650,554
Books and periodicals	205,920	-	-	205,920	211,653
Advertising	467,246	2,728	-	469,974	478,908
Travel	511,864	603	-	512,467	479,374
Minor equipment	728,087	6,218	-	734,305	706,486
Equipment maintenance	113,833	3,381	-	117,214	120,209
Equipment rentals	188,855	791	-	189,646	35,995
Vehicles	18,389	-	-	18,389	17,016
Utilities	683,000	-	-	683,000	730,662
Telephone	101,855	755	-	102,610	100,812
Postage and freight	98,712	60,235	-	158,947	140,233
Facility leases	184,975	-	-	184,975	170,610
Facility maintenance	943,164	-	-	943,164	647,199
Janitorial	532,261	-	-	532,261	491,478
Security	138,066	-	-	138,066	128,174
Grant transfers - Note 12	343,750	-	-	343,750	424,450
General fees and services	547,835	678	-	548,513	837,458
Student awards	346,134	-	-	346,134	387,942
Cost of goods sold	-	1,196,292	-	1,196,292	1,097,549
Donations to NICF	60,000	-	-	60,000	65,622
Interest and bank charges	97,398	18,417	-	115,815	95,093
Depreciation	-	-	2,845,830	2,845,830	3,024,844
Total Expenses	<u>\$ 33,440,338</u>	<u>\$ 1,608,496</u>	<u>\$ 2,845,830</u>	<u>\$ 37,894,664</u>	<u>\$ 36,688,163</u>