

**NORTH ISLAND COLLEGE  
FINANCIAL STATEMENTS  
March 31, 2011**

# NORTH ISLAND COLLEGE

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## Independent Auditors' Report

*To the Board of Governors of North Island College*

We have audited the accompanying financial statements of North Island College, which comprise the statement of financial position as at March 31, 2011, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Island College as at March 31, 2011, and its results of operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles



*Other Matter*

The financial statements of North Island College as at and for the year ended March 31, 2010 were audited by another auditor who expressed an unmodified opinion on those statements on May 6, 2010

*KPMG LLP*

May 25, 2011  
Victoria, Canada


# NORTH ISLAND COLLEGE


## Statement of Financial Position

March 31, 2011 with comparative figures for 2010

	Operating Fund	Ancillary Services Fund	Capital Fund	March 2011 Total	March 2010 Total
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 4,702,415	\$ -	\$ -	\$ 4,702,415	\$ 3,260,732
Short-term investments	302,636	-	-	302,636	3,683,602
Accounts receivable	1,973,701	-	-	1,973,701	777,110
Prepaid expenses	96,509	-	-	96,509	124,252
Inventories	11,521	205,033	-	216,554	210,961
Interfund balances	<u>(177,912)</u>	<u>367,420</u>	<u>(189,508)</u>	<u>-</u>	<u>-</u>
	6,908,870	572,453	(189,508)	7,291,815	8,056,657
<b>Long-term investments - Note 4</b>	9,319,654	-	-	9,319,654	8,638,546
<b>Capital assets - Note 5</b>	<u>-</u>	<u>-</u>	<u>28,861,968</u>	<u>28,861,968</u>	<u>23,996,149</u>
	<u>\$ 16,228,524</u>	<u>\$ 572,453</u>	<u>\$ 28,672,460</u>	<u>\$ 45,473,437</u>	<u>\$ 40,691,352</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities - Note 6	\$ 6,100,965	\$ -	\$ -	\$ 6,100,965	\$ 6,047,409
Deferred revenue - Note 7	<u>7,948,682</u>	<u>-</u>	<u>-</u>	<u>7,948,682</u>	<u>7,259,855</u>
	14,049,647	-	-	14,049,647	13,307,264
<b>Deferred capital contributions - Note 8</b>	-	-	23,803,643	23,803,643	20,125,601
<b>Net Assets</b>					
Invested in capital assets	-	-	4,868,817	4,868,817	4,829,460
Unrestricted	<u>2,178,877</u>	<u>572,453</u>	<u>-</u>	<u>2,751,330</u>	<u>2,429,027</u>
	2,178,877	572,453	4,868,817	7,620,147	7,258,487
Commitments - Note 12	<u>\$ 16,228,524</u>	<u>\$ 572,453</u>	<u>\$ 28,672,460</u>	<u>\$ 45,473,437</u>	<u>\$ 40,691,352</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 Changes in Net Assets**  
Year ended March 31, 2011 with comparative figures for 2010

	Operating Fund	Ancillary Services Fund	Capital Fund	March <u>2011</u> Total	March <u>2010</u> Total
<b>Revenue</b>					
Province of British Columbia transfers	\$ 24,938,107	\$ -	\$ 888,482	\$ 25,826,589	\$ 26,023,964
Government of Canada transfers	356,232	-	-	356,232	170,000
Student fees	6,923,031	-	-	6,923,031	5,473,569
Contract services	1,320,541	-	31,801	1,352,342	1,312,938
Goods and services	-	1,599,347	-	1,599,347	1,661,850
Interest and other income - Note 10	1,129,468	-	15,948	1,145,416	1,696,779
Grant transfers - Note 11	365,000	-	-	365,000	343,750
Amortization of deferred capital contributions - Note 8	<u>35,032,379</u>	<u>1,599,347</u>	<u>1,923,430</u>	<u>1,923,430</u>	<u>1,876,419</u>
			2,859,661	39,491,387	38,559,269
<b>Expenses - Schedule 1</b>					
Salaries and benefits	27,500,063	307,360	-	27,807,423	26,903,186
Other	6,851,761	1,285,239	-	8,137,000	7,907,025
Grant transfers - Note 11	365,000	-	-	365,000	343,750
Amortization of capital assets	<u>-</u>	<u>-</u>	<u>2,820,304</u>	<u>2,820,304</u>	<u>2,845,830</u>
	34,716,824	1,592,599	2,820,304	39,129,727	37,999,791
	<u>315,555</u>	<u>6,748</u>	<u>39,357</u>	<u>361,660</u>	<u>559,478</u>
<b>Excess of revenue over expenses</b>					
			4,829,460	7,258,487	6,699,009
<b>Net Assets</b>					
Beginning 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>
End of year	<u>\$ 2,178,877</u>	<u>\$ 572,453</u>	<u>\$ 4,868,817</u>	<u>\$ 7,620,147</u>	<u>\$ 7,258,487</u>

See accompanying notes to the financial statements

# NORTH ISLAND COLLEGE

## Statement of Cash Flows

Year ended March 31, 2011 with comparative figures for 2010

	<u>March 2011</u>	<u>March 2010</u>
<b>Cash provided by operating activities</b>		
Excess of revenue over expenses	\$ 361,660	\$ 559,478
Items not requiring an outlay of cash:		
Amortization of capital assets	2,820,304	2,845,830
Amortization of deferred capital contributions	(1,923,430)	(1,876,419)
Gain on disposal of capital assets	-	(8,154)
Increase in fair value of long-term investments	<u>(166,054)</u>	<u>(902,698)</u>
	1,092,480	618,037
Change in non-cash operating accounts:		
Accounts receivable and prepaid expenses	(1,168,848)	175,608
Inventories	(5,593)	44,810
Accounts payable and accrued liabilities	53,556	1,102,938
Deferred revenue	<u>688,827</u>	<u>611,775</u>
	<u>660,422</u>	<u>2,553,168</u>
<b>Cash used in investing activities</b>		
Decrease (increase) in short-term investments	3,380,966	(2,152,403)
Decrease (increase) in long-term investments	(515,054)	127,746
Purchase of capital assets	(7,686,123)	(2,714,288)
Proceeds on disposal of capital assets	<u>-</u>	<u>8,831</u>
	<u>(4,820,211)</u>	<u>(4,730,114)</u>
<b>Cash provided by financing activities</b>		
Proceeds from deferred capital contributions	<u>5,601,472</u>	<u>2,727,563</u>
<b>Increase in cash and cash equivalents</b>	1,441,683	550,617
<b>Cash and cash equivalents - beginning of year</b>	<u>3,260,732</u>	<u>2,710,115</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 4,702,415</u>	<u>\$ 3,260,732</u>

# NORTH ISLAND COLLEGE

## Notes to the Financial Statements Year ended March 31, 2011

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### 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 and include the following significant accounting policies.

#### (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 for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fee for services revenue and expenses 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 expense 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.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are categorized as unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land, are recorded as a direct increase in net assets in the period the asset is acquired. Donations of capital assets are recorded at fair value when a fair value can be reasonably estimated.

Unamortized deferred capital contributions are recognized as revenue on the same basis as the related capital assets are amortized.



# NORTH ISLAND COLLEGE

## Notes to the Financial Statements Year ended March 31, 2011

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(c) Financial Instruments

Held for trading:

The College has designated cash and cash equivalents, 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 revenue over expenses. Net gains and losses arising from changes in fair value are recognized immediately in excess of revenue 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. Gains and losses arising from changes in fair value are recognized in excess of revenue 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. Gains and losses arising from changes in fair value are recognized in excess of revenue 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 revenue over expenses.

The College has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

(d) Cash and cash equivalents

Cash and cash equivalents are comprised of cash and investments that are highly liquid in nature and have original maturity dates of three months or less.

(e) Short-term investments

Short-term investments consist of financial instruments with original maturity dates greater than three months and less than one year.

(f) Inventories

Inventories held for resale are recorded at the lower of cost and net realizable value. Materials and supplies not for resale are charged as an expense in the year acquired.

# NORTH ISLAND COLLEGE

## Notes to the Financial Statements Year ended March 31, 2011

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(g) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful life of the asset as follows:

Buildings and site improvements	
Concrete and steel buildings	40 years
Wood-framed buildings	20 years
Site improvements	10 years
Furniture and equipment	
Library books	10 years
Furniture, equipment, and vehicles	5 years
Computer servers	5 years
Computer equipment	3 years
Leasehold improvements	Remaining term of the lease

(h) Contributed materials and services are recorded at fair value at the time of the contribution.

(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 revenue 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 contributions 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 excess of revenue over expenses in the periods in which they become known.

Note 2. **Future Changes in Accounting Standards**

Effective April 1, 2012, the College will be transitioning to Public Sector Accounting Standards (PSAB) on a retrospective basis. The College is reviewing the impact of this change on the financial statements.

Note 3 **Financial Instruments**

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

Fair value of financial instruments:

Cash and cash equivalents, short-term investments, and long-term investments are recorded at their fair value. Accounts receivable and accounts payable are recorded at amortized cost, which approximates fair value due to their short term nature.

# NORTH ISLAND COLLEGE

## Notes to the Financial Statements Year ended March 31, 2011

Note 4. **Long-term Investments**

	2011	2010
Equities and equity funds	\$ 3,242,053	\$ 2,525,498
Bonds and income funds	6,077,601	6,113,048
	\$ 9,319,654	\$ 8,638,546

Note 5 **Capital Assets**

	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Land	\$ 526,889	\$ -	\$ 526,889	\$ 526,889
Buildings and site improvements	53,235,393	27,126,647	26,108,746	20,032,183
Furniture and equipment	7,574,971	5,648,466	1,926,505	1,835,031
Leasehold improvements	1,261,055	1,252,826	8,229	51,552
Work in progress	291,599	-	291,599	1,550,494
	\$ 62,889,907	\$ 34,027,939	\$ 28,861,968	\$ 23,996,149

The Province of British Columbia provides the insurance on College property, except vehicles, for which the College has direct insurance coverage. Claims for loss of College property are submitted to the Province of British Columbia for compensation

Note 6. **Accounts Payable and Accrued Liabilities**

	2011	2010
Trade payables	\$ 2,268,276	\$ 2,057,095
Financial aid and bursaries payable	212,562	188,504
Wages and benefits payable	1,226,736	1,283,820
Accrued leave payable	2,393,391	2,517,990
	\$ 6,100,965	\$ 6,047,409

## NORTH ISLAND COLLEGE

### Notes to the Financial Statements Year ended March 31, 2011

**Note 7. Deferred Revenue**

	<b>2011</b>	<b>2010</b>
Deferred tuition	\$ 1,361,339	\$ 1,044,419
Other revenue received in advance	1,208,837	1,275,406
Deferred contributions	5,378,506	4,940,030
	\$ 7,948,682	\$ 7,259,855

Deferred contributions represent externally restricted contributions that will be used in future years.

	<b>2011</b>	<b>2010</b>
Opening balance	\$ 4,940,030	\$ 4,593,328
Restricted contributions received	1,246,944	1,059,381
Contributions spent	(808,468)	(712,679)
Closing balance	\$ 5,378,506	\$ 4,940,030

**Note 8. Deferred Capital Contributions**

Deferred capital contributions represents external funding provided to purchase capital assets and will be amortized to revenue in future periods

	<b>Deferred</b>	<b>Unamortized</b>	<b>2011</b>	<b>2010</b>
Opening balance	\$ 1,104,754	\$ 19,020,847	\$ 20,125,601	\$ 19,274,457
Restricted contributions received	5,601,472	-	5,601,472	2,727,563
Contributions spent	(6,706,226)	6,706,226	-	-
Amounts amortized to revenue	-	(1,923,430)	(1,923,430)	(1,876,419)
Closing balance	\$ -	\$ 23,803,643	\$ 23,803,643	\$ 20,125,601

**Note 9. 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. The College is not subject to externally imposed capital requirements.

**Note 10. Interest and Other Income**

	<b>2011</b>	<b>2010</b>
Investment income	\$ 496,127	\$ 380,149
Change in fair value of long-term investments	166,054	902,698
Gain on disposal of capital assets	-	8,154
Donations and other income	483,235	405,778
	\$ 1,145,416	\$ 1,696,779

# NORTH ISLAND COLLEGE

## Notes to the Financial Statements Year ended March 31, 2011

**Note 11 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

**Note 12 Commitments**

The College is committed under the following facility lease agreements:

Port Hardy campus	\$	305,695
Other		17,051
	\$	322,746

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

	2011-2012	\$	120,385
	2012-2013		103,692
	2013-2014		98,669
		\$	322,746

**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, 2011, accounts receivable of the College included \$106,626 (2010 \$155,813) due from the Foundation

		2011		2010
Bursaries	\$	176,662	\$	168,590
Gifts in-kind		5,134		11,988
Foundation contributions to the College	\$	181,796	\$	180,578
College contributions to the Foundation	\$	60,000	\$	60,000

# NORTH ISLAND COLLEGE

## Notes to the Financial Statements Year ended March 31, 2011

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### Note 14. 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 4,500 retired members. The Municipal Pension Plan has about 163,000 active members, with approximately 5,600 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, 2009 indicated an unfunded liability of \$28 million for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent valuation for the Municipal Pension Plan as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The College paid \$1,777,388 for employer contributions to the plans in fiscal 2011 (2010 \$1,678,479).

### Note 15 Comparative Figures

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

**NORTH ISLAND COLLEGE**

**Schedule 1 - Schedule of Expenses**  
**Year ended March 31, 2011 with comparative figures for 2010**

	Operating Fund	Ancillary Services Fund	Capital Fund	March 2011 Total	March 2010 Total
<b>Expenses</b>					
Salaries and wages	\$ 21,619,868	\$ 248,827	\$ -	\$ 21,868,695	\$ 21,453,832
Employee benefits	4,665,609	58,533	-	4,724,142	4,621,247
Other personnel costs	1,214,586	-	-	1,214,586	828,107
Advertising and promotion	444,750	75	-	444,825	469,753
Books and periodicals	258,808	-	-	258,808	205,920
Cost of goods sold	-	1,180,985	-	1,180,985	1,196,292
Equipment maintenance and operations	142,220	1,738	-	143,958	135,603
Equipment rentals	88,682	1,216	-	89,898	189,646
Facility leases	274,959	-	-	274,959	184,975
Facility maintenance	727,114	-	-	727,114	939,874
Facility operations	1,454,683	-	-	1,454,683	1,356,617
Financial service charges	157,978	18,250	-	176,228	163,442
General fees and services	593,745	-	-	593,745	548,513
Minor equipment	931,552	3,338	-	934,890	734,305
Postage and freight	108,908	67,709	-	176,617	159,168
Student awards	347,675	-	-	347,675	346,134
Supplies and general expenses	662,543	10,576	-	673,119	601,706
Telephone	102,790	727	-	103,517	102,610
Travel	495,354	625	-	495,979	512,467
Grant transfers	365,000	-	-	365,000	343,750
Donations to NIC Foundation	60,000	-	-	60,000	60,000
Amortization of capital assets	-	-	2,820,304	2,820,304	2,845,830
	<u>\$ 34,716,824</u>	<u>\$ 1,592,599</u>	<u>\$ 2,820,304</u>	<u>\$ 39,129,727</u>	<u>\$ 37,999,791</u>