

**NORTHWEST COMMUNITY COLLEGE**  
**Financial Statements**  
**As at March 31, 2011**

McAlpine  
& Co. <sup>CA</sup>  

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CHARTERED ACCOUNTANTS

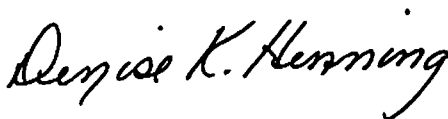
## STATEMENT OF MANAGEMENT RESPONSIBILITY

The College is responsible for the preparation of the financial statements and has prepared them in accordance with generally accepted accounting principles prescribed for not-for-profit organizations by the Canadian Institute of Chartered Accountants. These financial statements present fairly the financial position of the College as at March 31, 2011, and the results of its operations and changes in net assets for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the College has developed and maintains a system of internal controls designed to provide reasonable assurance that College assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

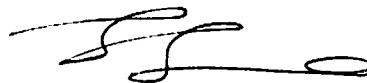
The Board of Governors carries out its responsibility for review of the financial statements. The Board of Governors may meet with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Board of Governors with and without the presence of Management.

The financial statements for the year ended March 31, 2011 have been reported on by the independent firm of McAlpine & Co. Chartered Accountants. The auditor's report outlines the scope of their examination and provides their opinion on the fairness of presentation of the information in the financial statements.



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Denise K. Henning  
President



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Cathay Sousa  
Vice President, Finance & Administration

June 9, 2011

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Governors of Northwest Community College

We have audited the accompanying financial statements of Northwest Community College, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in fund balances and cash flow for the year then ended, and 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.

### Auditor's 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 the auditor's 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, the auditor considers 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 Northwest Community College as at March 31, 2011, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

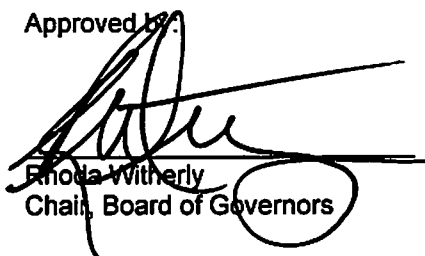
*McAlpine & Co.*

**NORTHWEST COMMUNITY COLLEGE**

**Statement of Financial Position  
As at March 31, 2011**

	Operating Fund	Capital Fund	Trust Fund	2011 Total	2010 Total <i>(restated)</i>
<b>Assets</b>					
<b>Current assets</b>					
Cash and term deposits	\$ 7,425,876	\$ 100,000	\$ 261,092	\$ 7,786,968	\$ 9,496,041
Accounts receivable - <i>(Note 3)</i>	2,539,585			2,539,585	1,660,712
Inventories	285,265			285,265	284,049
	10,250,726	100,000	261,092	10,611,818	11,440,802
Property, plant and equipment - <i>(Note 4)</i>		36,135,629		36,135,629	24,809,748
Inter-fund balances	(877,695)	961,344	(83,649)		
	\$ 9,373,031	\$ 37,196,973	\$ 177,443	\$ 46,747,447	\$ 36,250,550
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	\$ 3,790,084	\$	\$	\$ 3,790,084	\$ 2,104,121
Accrued termination benefits	433,536			433,536	793,257
Accrued vacation and other payroll benefits	1,092,235			1,092,235	1,139,929
Deferred revenue - <i>(Note 5)</i>	1,530,991			1,530,991	1,954,704
	6,846,846			6,846,846	5,992,011
Deferred contributions - <i>(Note 6)</i>		957,130	177,443	1,134,573	1,787,052
Deferred capital contributions - <i>(Note 7)</i>		30,694,877		30,694,877	19,243,804
	6,846,846	31,652,007	177,443	38,676,296	27,022,867
<b>Net assets</b>					
Unrestricted	26,185	104,214		130,399	356,739
Internally restricted - <i>(Note 8)</i>	2,500,000			2,500,000	3,305,000
Invested in property, plant and equipment - <i>(Note 9)</i>		5,440,752		5,440,752	5,565,944
	2,526,185	5,544,966		8,071,151	9,227,683
	\$ 9,373,031	\$ 37,196,973	\$ 177,443	\$ 46,747,447	\$ 36,250,550

Approved by:

  
Rhonda Witherly  
Chair, Board of Governors

  
Cathay Sousa  
Vice-President, Finance and Administration

# NORTHWEST COMMUNITY COLLEGE

## Statement of Operations For the Year Ended March 31, 2011

	Operating Fund	Capital Fund	Trust Fund	2011 Total	2010 Total <i>(restated)</i>
<b>Revenue</b>					
Contributions					
- Province of British Columbia	\$ 21,992,513	\$ 489,171		\$ 22,481,684	\$ 21,510,859
- Federal Government	65,189			65,189	688,096
Tuition and other fees	2,458,378	129,556		2,587,934	2,467,831
Contract services and other	2,639,782	41,042	83,650	2,764,474	6,494,526
Ancillary services	1,447,392			1,447,392	1,578,683
Amortization of deferred capital contributions		1,323,725		1,323,725	1,356,628
	28,603,254	1,983,494	83,650	30,670,398	34,096,623
<b>Expenditures</b>					
Personnel	22,495,201			22,495,201	23,441,579
Instructional and service contracts	1,583,586			1,583,586	1,890,462
Supplies	937,732			937,732	1,062,203
Cost of goods sold	913,127			913,127	1,105,908
Advertising and promotion	191,944			191,944	271,087
Building and equipment costs	380,133	524,284		904,417	2,290,445
Building leases	94,007			94,007	82,095
Janitorial	391,025			391,025	354,651
Other	829,061		83,650	912,711	695,468
Telecommunications	323,435			323,435	357,416
Travel	550,712			550,712	723,714
Utilities	577,453			577,453	565,003
Amortization of property, plant and equipment		1,951,580		1,951,580	1,975,860
	29,267,416	2,475,864	83,650	31,826,930	34,815,891
<b>Excess of revenue over expenditures for the year</b>	\$ (664,162)	\$ (492,370)		\$ (1,156,532)	\$ (719,268)

**NORTHWEST COMMUNITY COLLEGE**

**Statement of Changes in Fund Balances  
For the Year Ended March 31, 2011**

	Operating Fund	Capital Fund	Trust Fund	Total 2011
<b>Fund balances - beginning of year (restated)</b>	\$ 3,190,347	\$ 6,037,336	\$	\$ 9,227,683
Excess of revenue over expenditures for the year	(664,162)	(492,370)		(1,156,532)
<b>Fund balances - end of year</b>	\$ 2,526,185	\$ 5,544,966	\$	\$ 8,071,151

**NORTHWEST COMMUNITY COLLEGE**

**Statement of Cash Flows  
For the Year ended March 31, 2011**

	2011	2010 <i>(restated)</i>
<b>Operating activities:</b>		
Excess of revenue over expenditures for the year	\$ (1,156,532)	\$ (719,268)
Items not involving cash		
- amortization of property, plant and equipment	1,951,580	1,975,860
- amortization of deferred capital contributions	(1,323,725)	(1,356,628)
Net change in non-cash working capital	398,459	954,390
Net increase (decrease) in deferred revenue related to expenses of future periods	(1,076,192)	102,135
<b>Cash provided by operations</b>	<b>(1,206,410)</b>	<b>956,489</b>
<b>Financing and investing activities:</b>		
Deferred capital contributions	12,774,798	4,081,225
Purchase of property, plant and equipment	(13,277,461)	(6,051,459)
<b>Cash provided (utilized) by financing and investing activities</b>	<b>(502,663)</b>	<b>(1,970,234)</b>
<b>Net Increase (decrease) in cash during the year</b>	<b>(1,709,073)</b>	<b>(1,013,745)</b>
<b>Cash - beginning of year</b>	<b>9,496,041</b>	<b>10,509,786</b>
<b>Cash - end of year</b>	<b>\$ 7,786,968</b>	<b>\$ 9,496,041</b>

# NORTHWEST COMMUNITY COLLEGE

## Notes to Financial Statements For the Year Ended March 31, 2011

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### 1. Purpose of the organization

Northwest Community College is a post-secondary educational institution incorporated under the provisions of the College and Institute Act of British Columbia. The College is funded principally by the provincial government of British Columbia through the Ministry of Advanced Education, Training and Technology. The College is exempt from income tax under the Income Tax Act.

### 2. Significant accounting policies

#### Basis of presentation

The financial statements of the College have been prepared by management in accordance with Canadian generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as well as disclosure of contingent assets and liabilities in the financial statements. Specific areas of estimate include the rate of amortization of property, plant and equipment, the allowance for doubtful accounts receivable, retirement allowance benefits accrual and the timing of recording of contract services revenue. Actual results may differ from these estimates.

#### Fund accounting

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

#### (i) Operating fund

The purpose of the Operating Fund is to reflect the operating and administration activities of the College. The operating fund also reflects various ancillary activities of the College including the Bookstore, Cafeteria and Dormitory operations.

#### (ii) Capital fund

The purpose of the Capital Fund is to reflect the College's investment in property, plant and equipment, capital maintenance and relating financing.

#### (iii) Trust fund

The purpose of the Trust Fund is to reflect the activity of funds held for those specific externally restricted purposes. The majority of the fund is restricted for student scholarships and bursaries.

#### Financial instruments

The College has designated all non-derivative financial assets and liabilities as held for trading with the exception of certain obligations designated as other liabilities and receivables which are designated as held to maturity.

- The College initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as held for trading are measured at fair value and changes in fair value are recognized in the statement of operations.
- Receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities are recorded at amortized cost.
- All transaction costs incurred on receivables and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method

Assets and liabilities classified as available for sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets until the financial instruments are re-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The College has not classified any assets or liabilities as available for sale.



# **NORTHWEST COMMUNITY COLLEGE**

## **Notes to Financial Statements Year Ended March 31, 2011**

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### **2. Significant accounting policies (continued)**

#### **Revenue recognition**

##### **(i) Contributions**

The College follows the deferral method of accounting for contributions which include mainly government grants. The government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of the funding arrangements.

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.

Externally restricted non-capital contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

Externally restricted contributions for the purchase of property, plant and equipment are deferred and amortized into revenue of the capital fund at a rate corresponding with the amortization rate for the related assets. Contributions restricted for property, plant and equipment that will not be amortized such as land, are recorded as direct increases to net assets of the capital fund in the year the asset is acquired. Donated property, plant and equipment that would otherwise be purchased are accounted for as externally restricted capital contributions, at fair value when fair value can be reasonably estimated. Unamortized deferred capital contributions relating to property, plant and equipment disposed of are recognized as revenue in the year of disposal, provided that all restrictions are complied with.

##### **(ii) Contract services**

Contract services revenues and expenditures are recognized in the operating fund 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 year in which they become evident.

##### **(iii) Tuition fees**

Tuition fees are deferred for the portion of courses held in the next fiscal year.

#### **Inventories**

Inventories for resale are valued at the lower of cost or net realizable value.

#### **Art collections**

Art collections are recorded at cost. Donated art collections are recorded at fair market value when fair value can be reasonably estimated.

**NORTHWEST COMMUNITY COLLEGE**

**Notes to Financial Statements  
Year Ended March 31, 2011**

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**2. Significant accounting policies (continued)**

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized on a straight-line basis over the assets estimated useful lives at the following rates:

Site improvements	10%
Buildings	
- wood frame	5%
- concrete/steel	2.5%
Furniture and equipment	20%
Computer equipment	25%
Library acquisitions	10%
Landscaping	6.7%

No amortization is taken in the year of acquisition and a full year's amortization is taken in the year of disposal.

Construction in progress, representing property, plant and equipment under construction, is recorded at cost. Upon completion of the construction, construction in progress is transferred to property, plant and equipment.

Fund transfers and inter-fund balances

Fund transfers are approved by the College Board. Inter-fund balances owing to the Capital Fund are non-interest bearing with no specific terms of repayment.

**3. Accounts receivable**

Accounts receivable are recorded net of allowance for doubtful receivables of \$ 226,021 (2010 - \$ 206,021).

**4. Property, plant and equipment**

	Cost	Accumulated depreciation	Net Book Value 2011	Net Book Value 2010
Land	\$ 1,623,140	\$	\$ 1,623,140	\$ 1,623,140
Buildings and site improvements	35,689,708	19,682,044	16,007,664	14,994,161
Furniture and equipment	11,799,871	10,079,726	1,720,145	1,884,451
Computer equipment	1,562,189	1,182,890	379,299	420,086
Library acquisitions	1,455,370	1,161,200	294,170	300,935
	52,130,278	32,105,860	20,024,418	19,222,773
Construction in progress - (Note 2)	16,073,933		16,073,933	5,550,382
Art collections - (Note 2)	37,278		37,278	36,593
	<b>\$ 68,241,489</b>	<b>\$ 32,105,860</b>	<b>\$ 36,135,629</b>	<b>\$ 24,809,748</b>

# NORTHWEST COMMUNITY COLLEGE

## Notes to Financial Statements Year Ended March 31, 2011

### 5. Deferred revenue

Deferred revenue represents deferred contract services and deferred tuition revenue of the operating fund as described at Note 2.

Changes in deferred revenue of the operating fund are as follows:

	2011	2010 (restated)
Balance - beginning of year	\$ 1,954,704	\$ 2,597,682
Less amount recognized as revenue in the year	(1,843,871)	(1,679,205)
Add amount received related to the following year	1,420,158	1,036,227
<b>Balance - end of year</b>	<b>\$ 1,530,991</b>	<b>\$ 1,954,704</b>

### 6. Deferred contributions

Deferred contributions represent unspent contributions externally restricted for either capital or non-capital purposes.

	Operating Fund	Capital Fund	Trust Fund	Total 2011	Total 2010
Balance - beginning of year	\$ NIL	\$ 1,585,787	\$ 201,265	\$ 1,787,052	\$ 1,041,939
Less amount recognized as revenue in the year		(1,266,275)	(83,650)	(1,349,925)	(300,422)
Add amount received related to the following year		637,618	59,828	697,446	1,045,535
<b>Balance - end of year</b>	<b>\$ NIL</b>	<b>\$ 957,130</b>	<b>\$ 177,443</b>	<b>\$ 1,134,573</b>	<b>\$ 1,787,052</b>

### 7. Deferred capital contributions

Deferred capital contributions represent the unamortized external funding used to purchase property, plant and equipment. Deferred capital contributions are recognized as revenue in future years in the capital fund as the related property, plant and equipment are amortized.

	2011	2010
Balance - beginning of year	\$ 19,243,804	\$ 16,519,207
Contributions from government grants	12,774,798	4,081,225
	<b>32,018,602</b>	<b>20,600,432</b>
Less amounts amortized to revenue	(1,323,725)	(1,356,628)
<b>Balance - end of year</b>	<b>\$ 30,694,877</b>	<b>\$ 19,243,804</b>

# NORTHWEST COMMUNITY COLLEGE

## Notes to Financial Statements Year Ended March 31, 2011

### 8. Internally restricted net assets

Internally restricted net assets comprise net assets restricted by the College Board of Governors for the following purposes:

	2011	2010
Dormitory upgrades	\$ 500,000	\$ 500,000
Programs - additional	525,000	1,330,000
Continuing Education contingency	350,000	350,000
College contingency	375,000	375,000
Equipment replacement	500,000	250,000
Substitution pay		250,000
Matching funds	250,000	250,000
<b>Balance - end of year</b>	<b>\$ 2,500,000</b>	<b>\$ 3,305,000</b>

### 9. Net assets invested in property, plant and equipment

Net assets invested in property, plant and equipment is calculated as follows:

	2011	2010
Property, plant and equipment, net of accumulated depreciation	\$ 36,135,629	\$ 24,809,748
Amounts funded by:		
Deferred capital contributions	30,694,877	19,243,804
	<b>\$ 5,440,752</b>	<b>\$ 5,565,944</b>

Change in fund balance invested in property, plant and equipment is calculated as follows:

	2011	2010
Deficiency of revenues over expenses:		
Amortization of deferred capital contributions	\$ 1,323,725	\$ 1,356,628
Amortization of property, plant and equipment	(1,951,580)	(1,975,860)
	<b>(627,855)</b>	<b>(619,232)</b>
Net change in investment in property, plant and equipment:		
Purchase of property, plant and equipment	13,277,461	6,051,459
Amounts funded by:		
Deferred contributions	(12,774,798)	(4,081,225)
	<b>502,663</b>	<b>1,970,234</b>
	<b>\$ (125,192)</b>	<b>\$ 1,351,002</b>

# NORTHWEST COMMUNITY COLLEGE

## Notes to Financial Statements Year Ended March 31, 2011

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### 10. 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 approximately 12,000 active contributors 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 unfunded liability to individual employers. Northwest Community College paid \$ 1,423,000 for employer contributions to the two plans in fiscal 2011 (2010 - \$ 1,390,000).

### 11. Commitments and contingencies

#### Lease Commitments

The College is committed under several lease agreements for the rental of premises, vehicles and office equipment. The future aggregate minimum annual rental under these leases is as follows:

	Premises	Equipment	Total
2012	\$ 91,551	\$ 1,934	\$ 93,485
2013	53,559		53,559
2014	23,351		23,351
	\$ 168,461	\$ 1,934	\$ 170,395

#### Third Party Claims

The College is involved in certain legal actions, the outcome of which is uncertain at this time. Accordingly, no provision has been made in the accounts for these actions.

# NORTHWEST COMMUNITY COLLEGE

## Notes to Financial Statements Year Ended March 31, 2011

### 12. Funds held by Vancouver Foundation

The College has endowment funds totaling \$965,940 (2010 - \$ 962,106) with the Vancouver Foundation. The funds are permanent funds with the Foundation which provide income for scholarships and bursaries at the College. The Funds are not under College ownership or control. The College has recorded its contributions to the Fund as donation expenditures (2011 College contribution of \$2,399). The College earned income of \$33,361, (2010 - \$ 34,474) from the Funds during the year. The endowment funds with the Vancouver Foundation are as follows:

	2011 Cost	2011 Market Value	2010 Cost
Northwest Community College Endowment Fund	\$ 577,246	\$ 614,455	\$ 577,066
Morice Community Skills Centre Legacy Fund	182,611	173,711	182,561
NWCC School of Exploration and Mining Endowment Fund	206,083	204,974	202,479
	<b>\$ 965,940</b>	<b>\$ 993,140</b>	<b>\$ 962,106</b>

### 13. Prior period adjustment

The College has restated its financial statements for a correction in the treatment of the recording of Industry Training Authority ("ITA") funding. In previous years the College had incorrectly treated ITA funding as unrestricted contribution revenue. During the current fiscal year, the College became aware that the ITA funding arrangement indicated that such funds were externally restricted contributions and therefore should not have been recorded as revenue until such time as the related expenses were incurred (as per Significant Accounting Policy Note 2). The College's financial statements were therefore restated as follows:

#### Adjustments to 2010 Unrestricted net assets

Unrestricted net assets, as previously reported	\$ 717,034
Less:	
Deferral of ITA contribution revenue	(360,295)
<b>Unrestricted net assets, as restated</b>	<b>\$ 356,739</b>

#### Adjustments to 2010 Excess of Revenue over Expenditures For the Year

Excess of revenue over expenditures for the year, as previously reported	\$ (568,887)
Less:	
Decrease in Province of British Columbia contribution revenue	(150,381)
<b>Excess of revenue over expenditures for the year, as restated</b>	<b>\$ (719,268)</b>

### 14. Financial Instruments

The College's financial instruments consist of cash and term deposits, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the College is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

**Schedule of Operating Fund Revenues and Expenditures  
For the Year Ended March 31, 2011**

	2011			2010	
	Base Programs	Non-base Programs	Lease Services	Total	Total (restated)
<b>Revenue</b>					
<b>Contributions</b>					
- Province of British Columbia	\$ 19,020,182	\$ 2,873,904	\$ 98,427	\$ 21,992,513	\$ 19,452,897
- Federal Government		65,189		65,189	688,096
Tuition and other fees	1,644,511	813,867		2,458,378	2,342,270
Contract services and other	790,353	1,849,429		2,639,782	6,302,683
Ancillary services	1,447,392			1,447,392	1,578,683
	22,902,438	5,602,389	98,427	28,603,254	30,364,629
<b>Expenditures</b>					
Personnel	20,010,958	2,484,243		22,495,201	23,441,579
Instructional and service contracts	671,789	911,797		1,583,586	1,890,462
Supplies	700,483	237,249		937,732	1,062,203
Cost of goods sold	849,144	63,983		913,127	1,105,908
Advertising and promotion	115,453	76,491		191,944	271,087
Building and equipment costs	204,710	175,423		380,133	617,838
Building leases			94,007	94,007	82,095
Janitorial	391,025			391,025	354,651
Other	412,796	416,265		829,061	624,116
Telecommunications	312,686	10,749		323,435	357,416
Travel	316,045	234,667		550,712	723,714
Utilities	564,882	12,571		577,453	565,003
	24,549,971	4,623,438	94,007	29,267,416	31,096,072
<b>Excess (shortfall) of revenue over expenditures for the year</b>	<b>\$ (1,647,533)</b>	<b>\$ 978,951</b>	<b>\$ 4,420</b>	<b>\$ (664,162)</b>	<b>\$ (731,443)</b>