

Financial Statements of

**JUSTICE INSTITUTE OF BRITISH COLUMBIA**

Years ended March 31, 2013 and March 31, 2012



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Governors of Justice Institute of British Columbia, and  
To the Minister of the Ministry of Advanced Education, Innovation, and Technology, Province of British Columbia

We have audited the accompanying financial statements of the Justice Institute of British Columbia, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations and accumulated surplus, changes in net debt and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 of these financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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 audits. We conducted our audits 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 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements of the Justice Institute of British Columbia as at March 31, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012 are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

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 long, horizontal, slightly curved line that underlines the text.

Chartered Accountants

May 23, 2013

Burnaby, Canada

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

## Statements of Financial Position

March 31 2013, March 31, 2012, April 1, 2011

|  | March 31,<br>2013 | March 31,<br>2012 | April 1,<br>2011 |
|--|-------------------|-------------------|------------------|
| <b>Financial assets</b>                  |                   |                   |                  |
| Cash and cash equivalents                | \$ 7,988,512      | \$ 6,132,082      | \$ 5,074,648     |
| Accounts receivable (Note 9)             | 3,007,079         | 4,100,476         | 3,241,817        |
| Inventories for resale                   | 101,804           | 126,896           | 110,159          |
|  | 11,097,395        | 10,359,454        | 8,426,624        |
| <b>Liabilities</b>                       |                   |                   |                  |
| Accounts payable and accrued liabilities | 4,458,776         | 3,760,127         | 3,395,504        |
| Employee future benefits (Note 4)        | 1,188,276         | 1,116,357         | 1,044,883        |
| Deferred revenue and contributions       | 4,882,344         | 5,547,918         | 4,647,314        |
| Deferred capital contributions (Note 5)  | 24,862,411        | 25,416,725        | 26,028,723       |
| Deferred lease inducement (Note 6)       | 327,751           | 396,751           | 465,751          |
| Obligation under capital lease (Note 7)  | 1,351,249         | -                 | -                |
|  | 37,070,807        | 36,237,878        | 35,582,175       |
| Net debt                                 | (25,973,412)      | (25,878,424)      | (27,155,551)     |
| <b>Non-financial assets</b>              |                   |                   |                  |
| Tangible capital assets (Note 8)         | 42,433,648        | 41,834,805        | 42,025,919       |
| Inventories held for use                 | 105,327           | 94,594            | 166,938          |
| Prepaid expenses                         | 431,152           | 526,612           | 375,500          |
|  | 42,970,127        | 42,456,011        | 42,568,357       |
| Accumulated surplus                      | \$ 16,996,715     | \$ 16,577,587     | \$ 15,412,806    |

Contractual obligations (Note 10)

Contingent liabilities (Note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Douglas Eastwood  
Chair



Helen Dutch  
Finance and Audit Committee Chair

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

## Statements of Operations and Accumulated Surplus

Years ended March 31, 2013 and March 31, 2012

|   | Budget               | 2013                 | 2012                 |
|---|----------------------|----------------------|----------------------|
| Revenue:  |                      |                      |                      |
| Province of British Columbia grants                     |                      |                      |                      |
| Annual grant  | \$ 12,254,939        | \$ 11,748,935        | \$ 11,566,760        |
| Province of British Columbia Contract Services          | 7,464,140            | 6,628,811            | 7,082,978            |
| Tuition and student fees                                | 12,946,294           | 12,737,414           | 11,506,683           |
| Sales of goods and services                             | 885,098              | 1,350,079            | 1,293,777            |
| Donations, non-government grants and contracts          | 11,861,043           | 10,938,908           | 12,347,287           |
| Investment income                                       | 50,004               | 77,020               | 64,451               |
| Amortization of deferred capital contributions (Note 5) | 1,303,272            | 1,613,793            | 1,470,685            |
| Other   | 143,500              | 206,084              | 138,840              |
|   | <u>46,908,290</u>    | <u>45,301,044</u>    | <u>45,471,461</u>    |
| Expenses: (note 12)                                     |                      |                      |                      |
| Instructional/Educational                               | 44,087,504           | 42,176,899           | 41,775,443           |
| Ancillary operations                                    | 1,466,124            | 1,565,613            | 1,134,164            |
| Sponsored research                                      | 1,303,324            | 1,139,404            | 1,397,073            |
|   | <u>46,856,952</u>    | <u>44,881,916</u>    | <u>44,306,680</u>    |
| Annual surplus  | 51,338               | 419,128              | 1,164,781            |
| Accumulated surplus, beginning of year                  | 16,577,587           | 16,577,587           | 15,412,806           |
| Accumulated surplus, end of year                        | <u>\$ 16,628,925</u> | <u>\$ 16,996,715</u> | <u>\$ 16,577,587</u> |

See accompanying notes to financial statements.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

## Statements of Changes in Net Debt

Years ended March 31, 2013 and March 31, 2012

|   | Budget          | 2013<br>Total   | 2012<br>Total   |
|---|-----------------|-----------------|-----------------|
| Annual surplus  | \$ 51,338       | \$ 419,128      | \$ 1,164,781    |
| Acquisition of tangible capital assets                | -               | (1,600,363)     | (2,235,003)     |
| Leased tangible capital assets                        | -               | (1,604,027)     | -               |
| Amortization of tangible capital assets               | 2,460,149       | 2,605,547       | 2,426,117       |
| Consumption (acquisition) of inventories held for use | -               | (10,733)        | 72,344          |
| Use (acquisition) of prepaid expenses                 | -               | 95,460          | (151,112)       |
| (Increase) decrease in net debt                       | 2,511,487       | (94,988)        | 1,277,127       |
| Net debt, beginning of year                           | (25,878,424)    | (25,878,424)    | (27,155,551)    |
| Net debt, end of year                                 | \$ (23,366,937) | \$ (25,973,412) | \$ (25,878,424) |

See accompanying notes to financial statements.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

## Statements of Cash Flows

Years ended March 31, 2013 and March 31, 2012

|  | 2013         | 2012         |
|--|--------------|--------------|
| Cash provided by (used in):  |              |              |
| Operating activities   |              |              |
| Annual surplus   | \$ 419,128   | \$ 1,164,781 |
| Items not involving cash:  |              |              |
| Amortization of tangible capital assets                              | 2,605,547    | 2,426,117    |
| Amortization of deferred capital contributions                       | (1,613,793)  | (1,470,685)  |
| Revenue recognized from deferred capital contributions               | (89,743)     | (519,631)    |
| Amortization of deferred lease inducement                            | (69,000)     | (69,000)     |
| Change in employee future benefits                                   | 71,919       | 71,474       |
| Change in non-cash operating working capital:                        |              |              |
| Decrease (increase) in accounts receivable                           | 1,093,397    | (858,659)    |
| Decrease (increase) in inventories held for resale                   | 25,092       | (16,737)     |
| Increase in accounts payable and accrued liabilities                 | 698,649      | 364,623      |
| Increase (decrease) in deferred revenue and contributions            | (665,574)    | 900,604      |
| Decrease (increase) in inventories held for use                      | (10,733)     | 72,344       |
| Decrease (increase) in prepaid expenses                              | 95,460       | (151,112)    |
| Net change in cash from operating activities                         | 2,560,349    | 1,914,119    |
| Capital activities:  |              |              |
| Cash used to acquire tangible capital assets                         | (1,600,363)  | (2,235,003)  |
| Net change in cash from capital activities                           | (1,600,363)  | (2,235,003)  |
| Financing activities:  |              |              |
| Repayment of obligation under capital lease                          | (252,778)    | -            |
| Deferred capital contributions received                              | 1,149,222    | 1,378,318    |
| Net change in cash from financing activities                         | 896,444      | 1,378,318    |
| Net change in cash and cash equivalents                              | 1,856,430    | 1,057,434    |
| Cash and cash equivalents, beginning of year                         | 6,132,082    | 5,074,648    |
| Cash and cash equivalents, end of year                               | \$ 7,988,512 | \$ 6,132,082 |
| Supplementary cash flow information relating to non-cash activities: |              |              |
| Leased tangible capital assets                                       | \$ 1,604,027 | \$ -         |

See accompanying notes to financial statements.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

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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 Section 149 of 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. Summary of significant accounting policies:

#### (a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province supplemented by Regulations 257/2010 and 198/2011 issued by the Province Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections effective their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.



# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

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## 2. Summary of significant accounting policies (continued):

### (a) Basis of accounting (continued):

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that

- government transfers that do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

### (b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with original maturities of three months or less at the date of acquisition.

### (c) Financial instruments:

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Loans and receivable are recorded at cost less any amount for valuation allowance. Valuation allowance are made when collection is in doubt.

### (d) Inventories for resale:

Inventories held for resale, including books, etc. are recorded at the lower of cost or net realizable value. Cost is determined based on weighted average costing. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. When conditions indicate that losses previously recognized have been recovered, the loss is reversed to the extent of the amount recovered.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

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## 2. Summary of significant accounting policies (continued):

### (e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

### (i) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets. Land is not amortized as it is deemed to have a permanent value. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a basis over their estimated useful lives shown below:

| Asset  | Rate           |
|--|----------------|
| Site improvements  | 10 years       |
| Buildings  | 20 to 40 years |
| Furniture, equipment and vehicles (including computer equipment) | 3 to 5 years   |
| Personal computer equipment and peripherals                      | 3 years        |
| Leasehold improvements   | lease term     |

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Institute's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

### (ii) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

### (iii) Works of art and historic assets:

Works of art and historic assets are not recorded as assets in these financial statements.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

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## 2. Summary of significant accounting policies (continued):

(f) Employee future benefits:

The Institute and its employees make contributions to College Pension Plan and Municipal Pension Plan, which are multi-employer joint trustee plans. These plans are defined benefit plans. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as defined contribution plans and any contributions of the Institute to the plans are expensed as incurred.

Employees who are members of the BC Government and Services Employees' Union are entitled to earned benefits related to retirement allowances. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future rate of compensation increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees. The retirement allowance benefits are unfunded.

(g) Revenue recognition:

Tuition and student fees and sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured. Fees received prior to the year end where the course is delivered subsequent to the year end are recorded as deferred revenue.

Contract revenues are recognized in the period in which the related activities are performed. 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 anticipated losses is made in the period in which they become evident.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than for those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.

Investment income includes interest recorded on an accrual basis.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

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## 2. Summary of significant accounting policies (continued):

### (h) Use of estimates:

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the useful lives of tangible capital assets, accrued losses on contracts, employee future benefits payable and provision for contingencies. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

### (i) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the fiscal 2013 budget approved by the Board of Governors of the Institute on April 5th, 2012. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

## 3. Adoption of new financial reporting framework:

Effective April 1, 2012, the Institute adopted the financial reporting framework described in note 2(a). These financial statements are the first financial statements for which the Institute has applied this financial reporting framework.

The impact of the adoption to this financial reporting framework on accumulated surplus at the date of transition and the comparative annual surplus is presented below. These accounting changes have been applied retroactively with adjustment of prior periods.

Key adjustments on the Institute's financial statements resulting from the adoption of these accounting standards are as follows:

- Previously, the Institute recorded actuarial gains and losses in the period they arise. Canadian public sector accounting standards require that actuarial gains and losses be amortized over the expected average remaining service life of the employees. Previously, the Institute also used a discount rate determined in reference to the market interest rates on high-quality debt instruments. Canadian public sector accounting standards require that the discount rate be determined in reference to the Institute's cost of borrowing. An adjustment was made to adjust the liability and expense related to retirement allowances employee future benefits. The resulting adjustment to the liability for employee future benefits as at April 1, 2011 was increased by \$50,000. An additional expense of \$3,000 was recognized in the 2012 fiscal year. The liability for employee future benefits recorded as at March 31, 2012 was increased by \$53,000.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

### 3. Adoption of new financial reporting framework (continued):

Summary of adjustments:

|   | March 31, 2011<br>Previously stated               | Adjustment | April 1, 2011<br>Adjusted                |
|---|---|------------|--|
| <b>Statement of Financial Position:</b> |   |            |  |
| Employee future benefits                | \$ 994,883  | \$ 50,000  | \$ 1,044,883                             |
|   | Year ended<br>March 31, 2012<br>Previously stated | Adjustment | Year ended<br>March 31, 2012<br>Adjusted |
| <b>Statement of Operations:</b>         |   |            |  |
| Instructional/Educational               | \$ 41,772,443                                     | \$ 3,000   | \$ 41,775,443                            |

#### Accumulated surplus at April 1, 2011:

|   |               |
|---|---------------|
| Accumulated surplus, as previously reported   | \$ 15,462,806 |
| Adjustment to employee future benefit expense | (50,000)      |
| Accumulated surplus, as adjusted              | \$ 15,412,806 |

#### Annual surplus for the year ended March 31, 2012:

|   |              |
|---|--------------|
| Annual surplus, as previously reported        | \$ 1,167,781 |
| Adjustment to employee future benefit expense | (3,000)      |
| Annual surplus, as adjusted                   | \$ 1,164,781 |

### 4. Employee future benefits:

(a) Pension benefits:

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans representing plan members and employers, are responsible for the management of the pension plans including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are based on a formula. The College Pension Plan has approximately 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has approximately 176,000 active members and approximately 67,000 retired members. Active members with the Municipal Pension Plan include approximately 5,700 from colleges.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

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## 4. Employee future benefits (continued)

### (a) Pension benefits (continued)

The most recent valuation for the College Pension Plan as at August 31, 2009 indicated a \$1 million funding surplus 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 a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the plans as the plans expose the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligations, plans assets and costs to individual entities participating in the plan.

During the year ended March 31, 2013, the Institute paid \$1,705,284 (2012 - \$1,599,354) for employer contributions to the plans.

### (b) Other employee benefits:

Employee benefits payable are as follows:

|                                   | March 31,<br>2013   | March 31,<br>2012   | April 1,<br>2011    |
|-----------------------------------|---------------------|---------------------|---------------------|
| Retirement allowances (i)         | \$ 292,000          | \$ 269,000          | \$ 247,000          |
| Vacation, including benefits (ii) | 896,276             | 847,357             | 797,883             |
|                                   | <u>\$ 1,188,276</u> | <u>\$ 1,116,357</u> | <u>\$ 1,044,883</u> |

(i) Employees who are members of the BC Government and Services Employees' Union are entitled to earned benefits related to retirement allowances. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future rate of compensation increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefit.

The Institute engaged the services of an actuarial firm to evaluate its employee future benefits related to retirement allowances. The liabilities reported in 2013 are based on an actuarial valuation as at March 31, 2009, updated to March 31, 2013. As a result of this estimate, for the year ended March 31, 2013, an increase of employee future benefits relating to retirement allowances of \$23,000 (2012 - \$22,000 increase) has been recorded.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

## 4. Employee future benefits (continued)

### (b) Other employee benefits (continued)

#### (i) (continued)

Information about liabilities for the Institute's retirement allowances is as follows:

|  | 2013       | 2012       |
|--|------------|------------|
| Accrued benefit obligation:            |            |            |
| Balance, beginning of year             | \$ 269,000 | \$ 247,000 |
| Current service and interest cost      | 23,000     | 22,000     |
| Accrued benefit liability, end of year | \$ 292,000 | \$ 269,000 |

The significant actuarial assumptions adopted in measuring the Institute's accrued benefit liability are as follow:

|  | March 31,<br>2013 | March 31,<br>2012 | April 1,<br>2011 |
|--|-------------------|-------------------|------------------|
| Discount rate                                    | 3.75%             | 3.75%             | 3.75%            |
| Expected future inflation rate                   | 2.00%             | 2.00%             | 2.00%            |
| Expected future rate of compensation<br>increase | 2.75%             | 2.75%             | 2.75%            |

- (ii) The Institute accrues vacation and retirement entitlements for employees as earned. However, revenue for 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.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

## 5. Deferred capital contributions:

Changes in the deferred capital contributions balance are as follows:

|  | 2013          | 2012          |
|--|---------------|---------------|
| Balance, beginning of year                             | \$ 25,416,725 | \$ 26,028,723 |
| Contributions received during the year                 | 1,149,222     | 1,378,318     |
| Amortization of deferred capital contributions         | (1,613,793)   | (1,470,685)   |
| Revenue recognized from deferred capital contributions | (89,743)      | (519,631)     |
| Balance, end of year                                   | \$ 24,862,411 | \$ 25,416,725 |

## 6. Deferred lease inducement:

Total payments under an operating lease for the premises at 810 Fort 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 \$483,001 was received during fiscal 2011. The amount of the inducement has been recorded as deferred lease costs and is being credited to the statement of operations on a straight-line basis over the term of the lease, being seven years.

## 7. Obligation under capital lease:

During the year ended March 31, 2013, the Institute entered into a capital lease with an imputed interest rate of 3.68%, repayable in monthly principal and interest payments of \$24,311 expiring in April 2018.

As at March 31, 2013, the Institute is committed to principal repayments under the capital lease as follows:

|      |              |
|------|--------------|
| 2014 | \$ 251,769   |
| 2015 | 261,001      |
| 2016 | 270,578      |
| 2017 | 280,513      |
| 2018 | 287,388      |
|      | \$ 1,351,249 |



# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

## 8. Tangible capital assets:

| Cost  | Balance at<br>March 31,<br>2012 | Additions,<br>net of<br>transfers | Disposals      | Balance at<br>March 31,<br>2013 |
|---|---------------------------------|-----------------------------------|----------------|---------------------------------|
| Land  | \$ 10,416,476                   | \$ -                              | \$ -           | \$ 10,416,476                   |
| Site improvements                           | 2,922,953                       | 459,644                           | (349,980)      | 3,032,617                       |
| Buildings                                   | 39,518,563                      | 1,875,864                         | -              | 41,394,427                      |
| Furniture, equipment and vehicles           | 4,248,688                       | 729,976                           | (699,858)      | 4,278,806                       |
| Personal computer equipment and peripherals | 736,445                         | 171,003                           | (207,927)      | 699,521                         |
| Leasehold improvements                      | 1,960,347                       | 30,844                            | (373,349)      | 1,617,842                       |
| Work in process                             | 101,417                         | (62,941)                          | -              | 38,476                          |
|   | \$ 59,904,889                   | \$ 3,204,390                      | \$ (1,631,114) | \$ 61,478,165                   |

| Accumulated<br>amortization                 | Balance at<br>March 31,<br>2012 | Amortization<br>Expense | Disposals      | Balance at<br>March 31,<br>2013 |
|---|---------------------------------|-------------------------|----------------|---------------------------------|
| Land  | \$ -                            | \$ -                    | \$ -           | \$ -                            |
| Site improvements                           | 1,881,941                       | 293,269                 | (349,980)      | 1,825,230                       |
| Buildings                                   | 12,870,080                      | 1,128,331               | -              | 13,998,411                      |
| Furniture, equipment and vehicles           | 2,259,297                       | 800,272                 | (699,858)      | 2,359,711                       |
| Personal computer equipment and peripherals | 404,366                         | 193,220                 | (207,927)      | 389,659                         |
| Leasehold improvements                      | 654,400                         | 190,455                 | (373,349)      | 471,506                         |
| Total                                       | \$ 18,070,084                   | \$ 2,605,547            | \$ (1,631,114) | \$ 19,044,517                   |

|   | Net book value<br>March 31, 2012 | Net book value<br>Mar 31, 2013 |
|---|----------------------------------|--------------------------------|
| Land  | \$ 10,416,476                    | \$ 10,416,476                  |
| Site improvements                           | 1,041,012                        | 1,207,387                      |
| Buildings                                   | 26,648,483                       | 27,396,016                     |
| Furniture, equipment and vehicles           | 1,989,391                        | 1,919,095                      |
| Personal computer equipment and peripherals | 332,079                          | 309,862                        |
| Leasehold improvements                      | 1,305,947                        | 1,146,336                      |
| Work in process                             | 101,417                          | 38,476                         |
| Total                                       | \$ 41,834,805                    | \$ 42,433,648                  |

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

## Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

### 8. Tangible capital assets (continued):

| Cost  | Balance at<br>March 31,<br>2011 | Additions,<br>net of<br>transfers | Disposals      | Balance at<br>March 31,<br>2012 |
|---|---------------------------------|-----------------------------------|----------------|---------------------------------|
| Land  | \$ 10,416,476                   | \$ -                              | \$ -           | \$ 10,416,476                   |
| Site improvements                           | 2,809,003                       | 163,403                           | (49,453)       | 2,922,953                       |
| Buildings                                   | 39,498,166                      | 20,397                            | -              | 39,518,563                      |
| Furniture, equipment and vehicles           | 4,109,589                       | 809,010                           | (669,911)      | 4,248,688                       |
| Personal computer equipment and peripherals | 644,036                         | 233,140                           | (140,731)      | 736,445                         |
| Leasehold improvements                      | 1,321,723                       | 910,958                           | (272,334)      | 1,960,347                       |
| Work in process                             | 3,322                           | 98,095                            |                | 101,417                         |
|   | \$ 58,802,315                   | \$ 2,235,003                      | \$ (1,132,429) | \$ 59,904,889                   |

| Accumulated<br>amortization                 | Balance at<br>March 31,<br>2011 | Amortization<br>Expense | Disposals      | Balance at<br>March 31,<br>2012 |
|---|---------------------------------|-------------------------|----------------|---------------------------------|
| Land  | \$ -                            | \$ -                    | \$ -           | \$ -                            |
| Site improvements                           | 1,652,523                       | 278,871                 | (49,453)       | 1,881,941                       |
| Buildings                                   | 11,827,100                      | 1,042,980               | -              | 12,870,080                      |
| Furniture, equipment and vehicles           | 2,185,183                       | 744,025                 | (669,911)      | 2,259,297                       |
| Personal computer equipment and peripherals | 386,586                         | 158,511                 | (140,731)      | 404,366                         |
| Leasehold improvements                      | 725,004                         | 201,730                 | (272,334)      | 654,400                         |
| Total                                       | \$ 16,776,396                   | \$ 2,426,117            | \$ (1,132,429) | \$ 18,070,084                   |

|   | Net book value<br>March 31, 2011 | Net book value<br>March 31, 2012 |
|---|----------------------------------|----------------------------------|
| Land  | \$ 10,416,476                    | \$ 10,416,476                    |
| Site improvements                           | 1,156,480                        | 1,041,012                        |
| Buildings                                   | 27,671,066                       | 26,648,483                       |
| Furniture, equipment and vehicles           | 1,924,406                        | 1,989,391                        |
| Personal computer equipment and peripherals | 257,450                          | 332,079                          |
| Leasehold improvements                      | 596,719                          | 1,305,947                        |
| Work in process                             | 3,322                            | 101,417                          |
| Total                                       | \$ 42,025,919                    | \$ 41,834,805                    |

Work in process having a value of \$38,476 (2012 - \$101,417) have not been amortized. Amortization of these assets will commence when the asset is put into service.

As at March 31, 2013, buildings include leased tangible capital assets with a cost of \$1,604,027 (March 31, 2012 - nil, April 1, 2011 - nil) and accumulated amortization of \$80,201 (March 31, 2012 - nil, April 1, 2011 - nil).

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

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## 9. Related organization:

The Justice Institute of British Columbia 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 from the Foundation, included in accounts receivable, at March 31, 2013 is \$46,000 (March 31, 2012 - \$23,144, April 1, 2011 - \$25,888). The balance arose from expenditures the Institute paid on behalf of the Foundation.

During 2013, the Foundation contributed \$1,255,101 (2012 - \$585,826) in training equipment and student / applied research awards to the Institute. Administrative services, including salary costs, amounting to approximately \$505,000 (2012 - \$397,500), included in Instruction/Educational expense, 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, 2012 and 2011:

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|                   | 2012         | 2011         |
|-------------------|--------------|--------------|
| Total assets      | \$ 1,843,985 | \$ 1,674,737 |
| Total liabilities | 94,059       | 3,690        |
| Net assets        | \$ 1,749,926 | \$ 1,671,047 |
| Total revenues    | \$ 1,720,529 | \$ 1,203,062 |
| Total expenses    | 1,641,650    | 1,328,636    |

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## 10. Contractual obligations:

The nature of the Institute's activities can result in multiyear contracts and obligations whereby the Institute will be committed to make future payments. Significant contractual obligations related to operations, including lease commitments for facilities and office equipment, that can be reasonably estimated are as follows:

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|                     |              |
|---------------------|--------------|
| 2014                | \$ 498,206   |
| 2015                | 426,735      |
| 2016                | 405,139      |
| 2017                | 368,221      |
| 2018 and thereafter | 786,756      |
|                     | \$ 2,485,057 |

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# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

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## 11. Contingent liabilities:

The Institute may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of business, in the event that any such claims or litigation are resolved against the Institute such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of the Institute. At March 31, 2013, there are no outstanding claims.

## 12. Expenses by object:

The following is a summary of expenses by object:

|  | 2013          | 2012          |
|--|---------------|---------------|
| Business development and promotion           | \$ 356,093    | \$ 473,916    |
| Contract Instruction and program development | 4,531,420     | 4,524,071     |
| Facilities and equipment                     | 4,074,674     | 4,371,374     |
| Professional services                        | 1,164,160     | 1,691,639     |
| Salaries and employee benefits               | 28,561,147    | 26,796,698    |
| Staff and faculty travel and meetings        | 930,926       | 1,079,671     |
| Student travel and activities                | 339,583       | 510,278       |
| Supplies - instructional                     | 923,084       | 1,139,910     |
| Supplies - office                            | 429,231       | 370,761       |
| Other  | 966,051       | 919,244       |
| Amortization of tangible capital assets      | 2,605,546     | 2,426,118     |
|  | <hr/>         | <hr/>         |
|  | \$ 44,881,915 | \$ 44,303,680 |