

Financial Statements of

# **NORTHWEST COMMUNITY COLLEGE**

Year ended March 31, 2013 and 2012

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## Management's Report

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

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditors, Vohora & Company Chartered Accountants LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Northwest Community College and meet when required.

On behalf of Northwest Community College



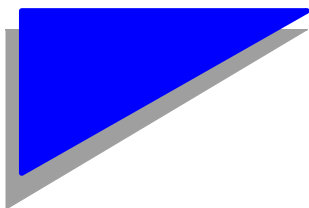
Herb Pond, Acting Chair

Rhoda Witherly  
Chair, Board of Governors



Cathay Sousa  
Vice-President, Finance & Administration

May 24, 2013



## **Vohora & Company**

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*\*Denotes Professional Corporations*

## **Independent Auditor's Report**

To the Board of Governors of Northwest Community College,

We have audited the accompanying financial statements of Northwest Community College, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, change in net financial assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

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

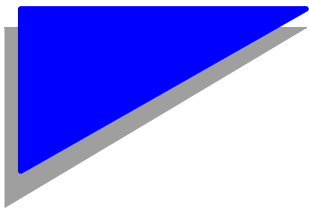
Management is responsible for the preparation of these financial statements in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's 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 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 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.



**Vohora  
& Company**

*Chartered Accountants LLP*

**Independent Auditor's Report (continued)**

*Opinion*

In our opinion, the statements of financial position of Northwest Community College as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in net debt and cash flows for the years ended March 31, 2012 and March 31, 2011 are prepared, in all material respects, in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

*Emphasis of Matter*

We draw attention to Note 2(a) to the financial statements which describes the basis of accounting used in the preparation of these financial statements and the significant difference between the basis of accounting and Canadian Public Sector Accounting Standards. Our opinion is not qualified in respect of this matter.

May 24, 2013  
Vancouver, BC

*Vohora & Company*  
*Chartered Accountants LLP*


**Northwest Community College  
Statement of Financial Position  
As at March 31, 2013**

[In thousands of dollars]

	<i>Note</i>	March 31, 2013	March 31, 2012 (Restated - Note 3)	April 1, 2011 (Restated - Note 3)
<b>Financial assets</b>				
Cash and cash equivalents	4	11,996	8,469	7,787
Accounts receivable	5	1,581	2,390	2,540
Inventory held for sale		362	329	363
		13,939	11,188	10,690
<b>Liabilities</b>				
Accounts payable & accrued liabilities	7	3,642	1,892	2,945
Accrued employee entitlements	8	1,442	2,571	1,663
Payroll liabilities	9	829	789	786
Deferred revenue	10	4,597	3,129	1,531
Deferred contributions	11	2,040	1,667	1,135
Deferred capital contributions	12	31,682	30,336	30,695
		44,232	40,384	38,755
Net financial assets (debt)		(30,293)	(29,196)	(28,065)
<b>Non-financial assets</b>				
Tangible capital assets	13	35,827	34,829	35,846
		35,827	34,829	35,846
Accumulated surplus	15	5,534	5,633	7,781
Contingent liabilities	18			

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Signature  Herb Pond, Acting Chair  
Rhoda Witherly, Chair, Board of Governors

Signature   
Cathay Sousa, Vice-President, Finance & Administration

Northwest Community College  
Statement of Operations  
For the Year ended March 31, 2013  
[In thousands of dollars]

	<i>Note</i>	Budget (Unaudited – Note 2(l))	2013	2012
Revenues				(Restated - Note 3)
Contributions		19,244	23,151	21,976
Tuition and other fees		2,192	2,720	2,676
Contract services and other		686	2,799	2,321
Ancillary services		1,284	1,257	1,254
Loss on disposal of assets		-	-	(61)
Amortization of deferred capital contributions		1,400	1,920	1,239
Other		75	-	-
		<u>24,881</u>	<u>31,847</u>	<u>29,405</u>
Expenses	19			
Instruction and support		22,106	27,856	28,784
Ancillary		1,246	1,444	743
Amortization		2,000	2,646	2,026
		<u>25,352</u>	<u>31,946</u>	<u>31,553</u>
Annual deficit		<u>(471)</u>	<u>(99)</u>	<u>(2,148)</u>
Accumulated surplus at beginning of year (restated)	3		<u>5,633</u>	<u>7,781</u>
Accumulated surplus at end of year			<u>5,534</u>	<u>5,633</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Northwest Community College  
Statement of Change in Net Financial Assets (Debt)  
For the Year ended March 31, 2013  
[In thousands of dollars]

	Budget (Unaudited – Note 2(l))	2013	2012  (Restated - Note 3)
Annual deficit	(471)	(99)	(2,148)
Acquisition of tangible capital assets	(3,500)	(3,644)	(1,081)
Amortization of tangible capital assets	2,000	2,646	2,026
Loss on sale of tangible capital assets	-	-	72
	(1,500)	(998)	1,017
(Increase) decrease in net financial assets (debt)	(1,971)	(1,097)	(1,131)
Net financial assets (debt) at beginning of year	(29,196)	(29,196)	(28,065)
Net financial assets (debt) at end of year	(31,167)	(30,293)	(29,196)

The accompanying notes and supplementary schedules are an integral part of these financial statements.



Northwest Community College  
Statement of Cash Flows  
For the Year ended March 31, 2013  
[In thousands of dollars]

	<i>Note</i>	2013	2012
Cash flows from operating activities			(Restated - Note 3)
Annual deficit		(99)	(2,058)
Items not involving cash:			
- Amortization of tangible capital assets		2,646	2,026
- Amortization of deferred capital contributions		(1,920)	(1,239)
- Loss on disposal of tangible capital assets		-	61
		<u>726</u>	<u>(1,210)</u>
Net change in non-cash working capital	20	1,437	42
Net increase (decrease) in deferred revenues related to expenses of future periods		1,841	2,130
Cash provided by (applied to) operating transactions		<u>3,905</u>	<u>962</u>
<b>Capital activities</b>			
Proceeds on sale of tangible capital assets		-	11
Cash used to acquire tangible capital assets		(3,644)	(1,171)
Cash provided by (applied to) capital transactions		<u>(3,644)</u>	<u>(1,160)</u>
<b>Financing transactions</b>			
Deferred capital contributions		3,266	880
Cash provided by (applied to) financing transactions		<u>3,266</u>	<u>880</u>
Increase in cash and cash equivalents		<u>3,527</u>	<u>682</u>
Cash and cash equivalents at beginning of year		<u>8,469</u>	<u>7,787</u>
Cash and cash equivalents at end of year		<u><u>11,996</u></u>	<u><u>8,469</u></u>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

# NORTHWEST COMMUNITY COLLEGE

## Notes to Financial Statements

Year ended March 31, 2013, with comparative figures for 2012

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### 1. Authority and Purpose

Northwest Community College (the "College") is a post-secondary educational institution incorporated under the provisions of the College and Institute Act of British Columbia. The College is a not-for-profit entity governed by a Board of Governors and is funded principally by the provincial government of British Columbia through the Ministry of Advanced Education, Training and Technology. The College is a registered charity and is therefore exempt from income taxes under section 149 of the *Income Tax Act*.

### 2. Summary of significant accounting policies

#### (a) Basis of accounting:

In 2010, directive was provided by the Province of British Columbia Treasury Board ("Treasury Board") through Government Organization Accounting Standards Regulation 257/2010 requiring all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Public Sector Accounting Board (PSAB) standards of the Canadian Institute of Chartered Accountants (CICA) without any PS4200 elections from their first fiscal year commencing after January 1, 2012.

In March 2011, PSAB released a new Public Sector Accounting Standard PS 3410 "Government Transfers". In November 2011, Treasury Board provided a directive through Restricted Contributions Regulation 198/2011 providing direction for the reporting of restricted contributions whether they are received or receivable by the College before or after this regulation was in effect. The Treasury Board direction on the accounting treatment of restricted contributions is as described in Note 2(h)(i) and 2(h)(ii).

Further, the Office of the Comptroller General ("OCG") provided direction in memorandum ref. 250955 on the treatment of endowment funds, financial instruments, pension plans and employee future benefits. The OCG direction requires:

- (i) The College to treat endowment contributions as described in Note 2(h)(iii);
- (ii) The College to implement PS 3450 Financial Instrument as at April 1, 2012; and
- (iii) The College to apply the discount rate for pension plans and/or employee future benefits at the next valuation date or within three years of transition to PSAB.

These financial statements have been prepared in accordance with the financial reporting framework described above.

The adoption of the basis of accounting described above did not result in adjustments to the previously reported annual surplus for the year ended March 31, 2012 or the accumulated surplus as of April 1, 2011 and March 31, 2012.

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

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

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

The basis of accounting that the College has adopted is different from PSAS with respect to the timing of revenue recognition for government transfers. If the College had recorded government transfers under PSAS rather than the accounting policy described in note 2(h)(i), capital contributions recognized as revenue and the annual surplus for the year ended March 31, 2013 would have increased (decreased) by \$1,346 (March 31, 2012 – (\$359)). Consequentially, as at March 31, 2013, deferred capital contributions used to purchase tangible capital assets would have decreased and the accumulated surplus would have increased by \$31,682 (March 31, 2012 – \$30,336) (April 1, 2011 - \$30,695). Under PSAS, the total cash flows from operating, financing, and capital transactions for the years ended March 31, 2013 and 2012 would have been the same as reported in these financial statements.

Had the College adopted PSAS together with the not-for-profit provisions, another alternative basis of accounting permitted under Canadian generally accepted accounting principles, capital contributions recognized as revenue and the annual surplus for each year would have been the same as reported in these financial statements. Further, deferred capital contributions used to purchase tangible capital assets would have been the same as reported in these financial statements.

### (b) Cash and cash equivalents

Cash and cash equivalents include term deposits with a term to maturity of three months or less at the date of purchase.

### (c) Financial instruments

Financial instruments are classified into two categories: fair value or cost.

(i) Fair value category: Portfolio instruments that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Other financial instruments which the College has designated to be recorded at fair value include cash and cash equivalents. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

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

### (c) Financial instruments (continued)

- (ii) Cost category: Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

Amounts receivable are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Any gains, losses or interest expense is recorded in the annual deficit depending on the nature of the financial liability that gave rise to the gain, loss or expense.

### (d) Short-term investments

Short term investments are comprised of money market securities and other investments with maturities that are capable of prompt liquidation. Short-term investments are cashable on demand and are recorded at cost based on the transaction price on the trade date. All interest income, gains and losses are recognized in the period in which they arise.

### (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 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, 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. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value:

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Site improvements	10 years
Buildings	
- Wood frame	20 years
- Concrete/steel	40 years
Furniture and equipment	5 years
Computer equipment	4 years
Library acquisitions	10 years
Landscaping	15 years

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# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

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

### (e) Non-financial assets (continued)

#### (i) Tangible capital assets (continued)

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 College'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.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

#### (ii) Works of art and historic assets

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

#### (iii) 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.

#### (iv) Inventories held for use

Inventories held for use are recorded at the lower of cost and replacement cost.

Cost includes the original purchase cost, plus shipping and applicable duties. Replacement cost is the estimated current price to replace the items.

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

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

### (f) Accrued employee entitlements

#### (i) Defined contribution plans

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The board 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 based on a formula. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has about 176,000 active members, with approximately 5,700 from colleges.

Defined contribution plan accounting is applied to the plan as the plan exposes 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 obligation, plan assets and cost to individual entities participating in the plan.

#### (ii) Severance benefits

Severance benefits are also available to the College's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage 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.

#### (iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The College's short-term employee benefits include accrued vacation, banked overtime and executive benefit plan payments. Employees of the College do not accumulate sick leave and therefore there is no liability recognized.

### (g) Payroll liabilities

Payroll liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

The College's payroll liabilities include wages and payroll remittance accruals, WCB payable, payments to the College and Municipal Pension Plans, and other short-term payroll accruals.

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

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

### (h) Revenue recognition

Tuition and student fees are reported as revenues over the duration of the course or school year. Tuition fees are deferred for the portion of the courses held in the next fiscal year. The sale 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.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the College or the transfer of property is completed.

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 in the form of a depreciable tangible capital asset, in each case for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the 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 to be held in perpetuity or 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.
- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent, are recorded as direct increases to accumulated surplus for the portion to be held in perpetuity and as deferred contributions for any restricted investment income earned thereon.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

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

### (i) 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 determination of the fair value of financial instruments, useful life of tangible capital assets, and the present value of employee future benefits and commitments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

### (j) Asset retirement obligation

The College recognizes asset retirement obligations in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset, including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is amortized over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

### (k) Foreign currency translation

The College's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the balance sheet date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet date is recognized in the Statement of remeasurement gains and losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the Statement of remeasurement gains and losses and the exchange gain or loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the Statement of operations.



# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

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

### (l) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the College's Fiscal 2012/2013 Budget approved by the Board of Governors of the College on May 14, 2012. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Financial Assets.

Budget figures have not been audited, and are presented only for information purposes.

### (m) Future accounting standards

In June 2010, PSAB issued PS 3260, *Liability for Contaminated Sites*. PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments. The main features of the standard are as follows:

- § A liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage.
- § A liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination; and
- § Outstanding site assessments do not negate the requirement to assess whether a liability exists.

Management is assessing the impact of PS 3260, which will be adopted for fiscal year ending March 31, 2015.

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

### 3. Adoption of new financial reporting framework

Effective April 1, 2012, the College adopted the financial reporting framework described in note 2(a). These financial statements are the first financial statements for which the College 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 deficit is presented below. These accounting changes have been applied retroactively with restatement of prior periods.

The College has elected to use the following exemptions allowed upon first-time adoption:

- *Retirement and post-employment benefits*
  - o *The College has elected to delay application of the new discount rate until the sooner of the date of the next actuarial valuation or three years of transition date, and has also elected to record all cumulative gains and losses from inception to date of transition into accumulated surplus.*

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

- (a) Previously, the College recorded works of art as a tangible capital asset at cost. Canadian Public Sector Accounting standards require that works of art not be recorded in the financial statements and instead only be disclosed in the notes to the financial statements. The total resulting adjustment to accumulated surplus was \$127.

#### Summary of adjustments:

	2012		2012
	Previously stated	Adjustments	Restated
<u>Statement of Financial Position:</u>			
<i>Tangible capital assets</i>	34,919	(90)	34,829
<u>Statement of Operations:</u>			
<i>Contributions</i>	22,066	(90)	21,976

#### Accumulated surplus at April 1, 2012:

Accumulated surplus, as previously reported		\$	5,723
Works of art			(90)
Accumulated surplus, as restated		\$	5,633

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

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

#### Summary of adjustments:

	2011		April 1, 2011
	Previously stated	Adjustments	Restated
<u>Statement of Financial Position:</u>			
<i>Tangible capital assets</i>	35,883	(37)	34,846
<i>Accumulated surplus</i>	7,818	(37)	7,781

#### Statement of Operations:

*There is no impact on the statement of operations as the works of art were recorded at cost and were not being amortized.*

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

Accumulated surplus, as previously reported		\$	7,818
Works of art			(37)
Accumulated surplus, as restated		\$	7,781

### 4. Cash and cash equivalents

	2013	2012
Restricted cash	\$ 308	\$ 201
Unrestricted cash, term deposits and GICs	11,688	8,268
	<u>\$ 11,996</u>	<u>\$ 8,469</u>

Restricted cash is comprised of funds held for externally restricted purposes and is related to bursary funds and funds held in trust.

### 5. Accounts receivable

Accounts receivable are recorded net of allowance for doubtful receivables of \$75 (2012 - \$217).

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

## 6. Financial instruments

(a) Financial assets and liabilities recorded at fair value are comprised of the following:

	2013	2012
Financial assets designated to fair value category		
Cash and cash equivalents	\$ 11,996	\$ 8,469

The fair value of cash and cash equivalents approximate their carrying values, unless otherwise noted.

(b) Financial assets and liabilities recorded at cost / amortized cost are comprised of the following:

	2013	2012
Accounts receivable	\$ 1,581	\$ 2,390
Accounts payable and accrued liabilities	3,642	1,892
Accrued employee entitlements	1,442	2,571
Payroll liabilities	829	789
	<u>\$ 7,494</u>	<u>\$ 7,642</u>

## 7. Accounts payable and accrued liabilities

	2013	2012
Accounts payable	\$ 1,901	\$ 1,112
Accrued liabilities	1,369	502
Other	372	278
	<u>\$ 3,642</u>	<u>\$ 1,892</u>

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

## 8. Accrued employee entitlements

Accrued employee entitlements are comprised of the following:

	2013	2012
Accrued vacation	\$ 486	\$ 506
Accrued overtime	43	65
Severance benefits (a)	754	1,847
Executive benefits	159	153
Balance, end of year	<u>\$ 1,442</u>	<u>\$ 2,571</u>

### (a) Severance benefits:

The College provides severance benefits to its eligible employees based on eligibility, years of service and final salary. Information about the severance benefits, measured as at March 31, is as follows:

	2013	2012
Severance benefits	<u>\$ 754</u>	<u>\$ 1,847</u>

The fair value has been determined using a discounted cash flow analysis with an appropriate discount factor, which at March 31, 2013 was determined to be 3.75% (2012 – 5.8%).

## 9. Payroll liabilities

Payroll liabilities are comprised of the following:

	2013	2012
Payroll accruals	\$ 428	\$ 464
Pension benefits (a)	102	7
Professional development accruals	260	273
Other	39	45
Balance, end of year	<u>\$ 829</u>	<u>\$ 789</u>

### (a) Pension benefits:

The most recent actuarial 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 actuarial 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. The College paid \$1,295 for employer contributions to the two plans in fiscal 2013 (2012 - \$1,373).

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

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## 10. Deferred revenue

Deferred revenue is comprised of deferred contract services and deferred tuition revenue.

Changes in deferred revenue are as follows:

	2013	2012
Balance, beginning of year	\$ 3,129	\$ 1,531
Less: amount recognized as revenue in the year	(2,985)	(1,180)
Add: amount received related to the following year	4,453	2,778
Balance, end of year	<u>\$ 4,597</u>	<u>\$ 3,129</u>

## 11. Deferred contributions

Deferred contributions are comprised of funds restricted for the following purposes:

	2013	2012
Capital	\$ 1,732	\$ 1,502
Endowment	308	165
	<u>\$ 2,040</u>	<u>\$ 1,667</u>

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

## 11. Deferred contributions (continued)

Changes in the deferred contribution balance are as follows:

	2013		
	Capital	Endowment	Total
Balance, beginning of year	\$ 1,502	\$ 165	\$ 1,667
Contributions received during the year	239	205	444
Revenue recognized from deferred contributions	(9)	(62)	(71)
Balance, end of year	<u>\$ 1,732</u>	<u>\$ 308</u>	<u>\$ 2,040</u>

	2012		
	Capital	Endowment	Total
Balance, beginning of year	\$ 957	\$ 178	\$ 1,135
Contributions received during the year	865	59	924
Revenue recognized from deferred contributions	(320)	(72)	(392)
Balance, end of year	<u>\$ 1,502</u>	<u>\$ 165</u>	<u>\$ 1,667</u>

## 12. Deferred capital contributions

Contributions for capital that meet the definition of a liability are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. Treasury Board provided direction on accounting treatment as disclosed in note 2. Changes in the deferred capital contributions balance are as follows:

Changes in the deferred capital contributions balance are as follows:

	2013	2012
	Balance, beginning of year	\$ 30,336
Contributions received during the year	3,266	880
Revenue recognized from deferred capital contributions	(1,920)	(1,239)
Balance, end of year	<u>\$ 31,682</u>	<u>\$ 30,336</u>

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

## 13. Tangible capital assets

Cost	Balance at March 31, 2012	Additions	Disposals	Balance at March 31, 2013
Land and land improvements	\$ 1,623	\$ -	\$ -	\$ 1,623
Buildings	49,868	99	-	49,967
Furniture and equipment	12,608	3,331	(68)	15,871
Computer hardware and software	2,102	151	(13)	2,240
Library holdings	1,516	64	-	1,580
<b>Total</b>	<b>\$ 67,717</b>	<b>\$ 3,645</b>	<b>\$ (81)</b>	<b>\$ 71,281</b>

Accumulated amortization	Balance at March 31, 2012	Disposals	Amortization expense	Balance at March 31, 2013
Land and land improvements	\$ -	\$ -	\$ -	\$ -
Buildings	20,095	-	1,645	21,740
Furniture and equipment	10,366	(68)	668	10,966
Computer hardware and software	1,217	(13)	283	1,488
Library holdings	1,210	-	50	1,260
<b>Total</b>	<b>\$ 32,888</b>	<b>\$ (81)</b>	<b>\$ 2,646</b>	<b>\$ 35,454</b>

	Net book value March 31, 2012	Net book value March 31, 2013
Land and land improvements	\$ 1,623	\$ 1,623
Buildings	29,773	28,227
Furniture and equipment	2,242	4,905
Computer hardware and software	885	752
Buildings under capital lease	-	-
Library holdings	306	320
<b>Total</b>	<b>\$ 34,829</b>	<b>\$ 35,827</b>



# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

## 13. Tangible capital assets (continued)

Cost	Balance at March 31, 2011	Additions	Disposals	Balance at March 31, 2012
Land and land improvements	\$ 1,623	\$ -	\$ -	\$ 1,623
Buildings	35,690	15,226	(1,048)	49,868
Furniture and equipment	11,800	1,323	(515)	12,608
Computer hardware and software	1,562	679	(139)	2,102
Library holdings	1,455	61	-	1,516
Assets under construction	16,074	-	(16,074)	-
<b>Total</b>	<b>\$ 68,204</b>	<b>\$ 17,289</b>	<b>\$ (17,776)</b>	<b>\$ 67,717</b>

Accumulated amortization	Balance at March 31, 2011	Disposals	Amortization expense	Balance at March 31, 2012
Land and land improvements	\$ -	\$ -	\$ -	\$ -
Buildings	19,682	(854)	1,267	20,095
Furniture and equipment	10,332	(507)	541	10,366
Computer hardware and software	1,183	(135)	169	1,217
Library holdings	1,161	-	49	1,210
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 32,358</b>	<b>\$ (1,496)</b>	<b>\$ 2,026</b>	<b>\$ 32,888</b>

	Net book value March 31, 2011	Net book value March 31, 2012
Land and land improvements	\$ 1,623	\$ 1,623
Buildings	16,008	29,773
Furniture and equipment	1,468	2,242
Computer hardware and software	379	885
Library holdings	294	306
Assets under construction	16,074	-
<b>Total</b>	<b>\$ 35,846</b>	<b>\$ 34,829</b>

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

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## 13. Tangible capital assets (continued)

### (a) Assets under construction

Assets under construction having a value of \$ Nil (2012 - \$ Nil) have not been amortized. Amortization of these assets will commence when the asset is put into service.

### (b) Works of art and historical treasures

The Institution manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at the College sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

### (c) Write-down of tangible capital assets

There was no write-down of tangible capital assets during the year (2012 - \$ Nil).

## 14. Financial risk management

The College has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

The Board of Governors ensures that the College has identified its major risks and ensures that management monitors and controls them.

### (a) Credit risk

Credit risk is the risk of financial loss to the College if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the College consisting of cash and accounts receivable.

The College manages its credit risk by reviewing the credit history of new customers before extending credit and by conducting regular reviews of its existing customer's credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The College has a significant number of customers which minimizes the concentration of credit risk.

### (b) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the College's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

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

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

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## 14. Financial risk management (continued)

### (c) Liquidity risk

Liquidity risk is the risk that the College will not be able to meet its financial obligations as they become due.

The College manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the College's reputation.

### (d) Fair value of financial instruments

Generally accepted accounting principles define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The College uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Statement of Financial Position under the following captions:

- Cash and cash equivalents, accounts receivable and accounts payables and accrued liabilities - the carrying amounts approximate fair value because of the short maturity of these instruments.

The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The College's instruments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there were no significant transfers of securities between the different levels.

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

## 15. Accumulated surplus (deficit)

Accumulated surplus (deficit) is comprised of the following:

	2013		2012	
Operating	\$	1,586	\$	1,089
Capital		3,948		4,544
Endowment		-		-
Total	\$	5,534	\$	5,633

## 16. Endowments

The College has endowment funds totalling \$966 (2012 - \$969) 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 and therefore have not been included in the financial statements. The College has recorded its contributions to the Fund as donation expenditures. The College earned income of \$35 (2012 - \$32) from the Funds during the year.

Changes to the endowment balances are as follows:

	2013		2012	
	Cost	Market Value	Cost	
Northwest Community College Endowment Fund	\$ 578	\$ 628	\$ 577	
Morice Community Skills Centre Legacy Fund	183	178	183	
NWCC School of Exploration and Mining Endowment Fund	205	209	209	
Balance, end of year	\$ 966	\$ 1,015	\$ 969	

## 17. Contractual obligations

The nature of the College's activities can result in multiyear contracts and obligations whereby the College will be committed to make future payments. Significant contractual obligations related to operations that can be reasonably estimated are as follows:

	2014	2015	2016	Total
Lease agreements	\$ 39	\$ 28	\$ 28	\$ 95

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

## 18. Contingent liabilities

The College 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 College, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of the College. At March 31, 2013, the College has the following claims outstanding:

- 1) 2012 Layoffs – A grievance has been filed with respect to the number of layoffs that occurred in 2012. A liability has been accrued in the financial statements with respect to estimated cost to deal with the arbitration that will occur. No further liability was recognized as the College expects that the grievances will be dismissed.
- 2) Intersession Grievance – An Association has filed a grievance against the College for offering a course by intersession. The potential liability and damages related to this grievance are undeterminable at this time.
- 3) Refusal to Recall – An Association has filed a grievance with respect to the College's alleged failure to recall an employee. The potential liability and damages related to this grievance are undeterminable at this time.
- 4) Termination of Employee – The College terminated an employee and the employee has now threatened legal proceedings. No accrual was made in the financial statements as the likeliness of the outcome of the liability is undeterminable at this time.

## 19. Expenses by object

The following is a summary of expenses by object:

	2013	2012
Personnel	\$ 18,882	\$ 21,551
Instructional and service contracts	3,343	1,999
Supplies	951	816
Ancillary	1,445	1,359
Advertising and promotion	193	123
Building and equipment costs	1,693	859
Building leases	65	108
Janitorial	396	375
Other	775	846
Telecommunications	284	274
Travel	632	565
Utilities	641	651
Amortization	2,646	2,026
	<u>\$ 31,946</u>	<u>\$ 31,552</u>

# NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

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## 20. Supplementary cash flow information

Net change in non-cash working capital

	2013	2012
Accounts receivable	\$ 809	\$ 150
Inventory	(33)	34
Accounts payable and accrued liabilities	1,750	(1,053)
Employee future benefits	(1,129)	908
Payroll liabilities	40	3
	<u>\$ 1,437</u>	<u>\$ 42</u>

## 21. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.