

EMILY CARR INSTITUTE

ART + DESIGN + MEDIA

FINANCIAL STATEMENTS

March 31, 2008

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MANAGEMENT'S STATEMENT OF RESPONSIBILITY

To the Board of Emily Carr Institute of Art + Design

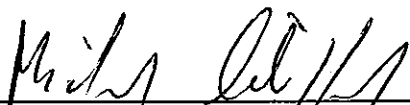
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Governors and Audit Committee are composed primarily of those who are neither management nor employees of the Institute. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the financial reporting process, auditing matters, financial reporting issues, and recommends approval of the financial statements to the Board. The Committee is also responsible for recommending the appointment of the Institute's external auditor.

D&H Group LLP, an independent firm of Chartered Accountants, is appointed by the Board to audit the financial statements and report directly to them through the Audit Committee; their report follows. The external auditor has full and free access to, and meets periodically and separately with, both the Committee and management to discuss their audit findings.

May 17, 2008



Michael A. Clifford, Vice-President
Financial and Administrative Services



Connie Currie, Director of Finance

AUDITORS' REPORT

To the Members of the Board of Governors of Emily Carr Institute of Art and Design

We have audited the statement of financial position of Emily Carr Institute of Art and Design as at March 31, 2008 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
May 17, 2008



Chartered Accountants

Emily Carr Institute of Art and Design

STATEMENT OF FINANCIAL POSITION

March 31, 2008

	Operating Fund	Special Purpose Fund	Contingency Fund	Capital Fund	Building Leases Fund	Trust Fund	GNW Campus Trust Fund	Total 2008	Total 2007
ASSETS									
CURRENT ASSETS									
Cash	\$ 1,374,042	\$ 859	\$ -	\$ 2,274	\$ -	\$ 378,019	\$ 1,266,103	\$ 3,021,297	\$ 855,837
Short-term investments	-	-	-	-	-	-	-	-	3,602,344
Accounts receivable	233,613	12,596	-	613,274	74,434	63,377	1,937,406	2,934,700	653,433
Interfund balances	-	1,407,639	759,522	-	-	-	-	2,167,161	2,060,465
Prepaid expenses	13,129	-	-	13,555	204,034	-	10,261	240,979	271,446
Inventories - supplies	16,802	-	-	-	-	-	-	16,802	12,324
	1,637,586	1,421,094	759,522	629,103	278,468	441,396	3,213,770	8,380,939	7,455,849
LONG-TERM INVESTMENTS (Note 4)	3,569,723	189,587	-	131,000	-	3,401,423	9,022,445	16,314,178	11,808,646
INVESTMENT IN GNW CAMPUS TRUST	404,592	-	-	-	-	-	-	404,592	404,592
PROPERTY, PLANT AND EQUIPMENT (Note 5)	-	-	-	21,928,833	-	983,599	11,925,598	34,838,030	35,895,356
	\$ 5,611,901	\$ 1,610,681	\$ 759,522	\$ 22,688,936	\$ 278,468	\$ 4,826,418	\$ 24,161,813	\$ 59,937,739	\$ 55,564,443
LIABILITIES AND FUND BALANCES									
CURRENT LIABILITIES									
Accounts payable and accrued liabilities (Note 6)	\$ 2,819,758	\$ 180,928	\$ -	\$ -	\$ 15,278	\$ -	\$ 101,301	\$ 3,117,265	\$ 2,767,684
Deferred tuition	829,250	-	-	-	-	-	-	829,250	813,046
Interfund balances	1,472,656	-	-	218,635	177,154	298,716	-	2,167,161	2,060,464
Bank loan (Note 7)	-	-	-	-	-	-	-	-	78,639
Current portion of long-term debt (Note 8)	24,759	-	-	-	-	-	5,875,000	5,899,759	2,749,759
	5,146,423	180,928	-	218,635	192,432	298,716	5,976,301	12,013,435	8,469,592
LONG-TERM DEBT (Note 8)	153,390	-	-	-	-	-	-	153,390	178,149
DEFERRED CONTRIBUTIONS (Schedule A)	-	1,429,753	509,522	22,470,301	-	3,721	17,497,295	41,910,592	41,628,350
	5,299,813	1,610,681	509,522	22,688,936	192,432	302,437	23,473,596	54,077,417	50,276,091
COMMITMENTS (Note 11)									
FUND BALANCES									
Externally restricted - Trust (Schedule B)	-	-	-	-	-	4,408,129	-	4,408,129	4,640,114
Internally restricted	-	-	-	-	86,036	115,852	-	201,888	134,535
Unrestricted (Note 9)	312,088	-	250,000	-	-	-	688,217	1,250,305	513,703
	312,088	-	250,000	-	86,036	4,523,981	688,217	5,860,322	5,288,352
	\$ 5,611,901	\$ 1,610,681	\$ 759,522	\$ 22,688,936	\$ 278,468	\$ 4,826,418	\$ 24,161,813	\$ 59,937,739	\$ 55,564,443


George Pedersen, Chair
Board of Governors


Michael A. Clifford, Vice-President
Finance and Administrative Services

Emily Carr Institute of Art and Design

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended March 31, 2008

	Operating Fund	Special Purpose Fund	Contingency Fund	Capital Fund	Building Leases Fund	Trust Fund	GNW Campus Trust Fund	Total 2008	Total 2007
REVENUES									
Grants									
Province of British Columbia	\$ 12,025,706	\$ -	\$ -	\$ -	\$ 536,608	\$ -	\$ -	\$ 12,562,314	\$ 12,082,318
Federal Government	113,411	-	-	-	-	-	-	113,411	185,612
Tuition fees	7,681,514	-	-	-	-	-	-	7,681,514	7,344,512
Amortization of deferred contributions	-	1,326,373	-	1,687,406	-	-	459,276	3,473,055	3,080,884
Gifts, grants and bequests	-	-	-	-	-	127,858	-	127,858	144,906
Interest	174,357	-	-	-	-	9,154	458,177	641,688	163,463
Rent	-	-	-	-	-	-	256,707	256,707	-
Gain on sale of land	-	-	-	-	-	-	1,476,454	1,476,454	-
Miscellaneous	223,517	-	-	-	-	-	48,114	271,631	297,543
	<u>20,218,505</u>	<u>1,326,373</u>	<u>-</u>	<u>1,687,406</u>	<u>536,608</u>	<u>137,012</u>	<u>2,698,728</u>	<u>26,604,632</u>	<u>23,299,238</u>
EXPENSES									
Salaries and benefits	16,349,047	86,436	-	-	-	-	-	16,435,483	15,417,691
Other expenses	4,249,101	702,143	-	27,054	-	-	1,256,458	6,234,756	5,397,819
Building leases	-	-	-	-	536,608	-	-	536,608	455,355
Amortization of property, plant and equipment	-	-	-	1,660,352	-	-	176,979	1,837,331	1,577,346
Student awards	109,766	-	-	-	-	163,967	-	273,733	281,374
	<u>20,707,914</u>	<u>788,579</u>	<u>-</u>	<u>1,687,406</u>	<u>536,608</u>	<u>163,967</u>	<u>1,433,437</u>	<u>25,317,911</u>	<u>23,129,585</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(489,409)	537,794	-	-	-	(26,955)	1,265,291	1,286,721	169,653
ENDOWMENTS, NET OF DISTRIBUTIONS (Schedule B)									
	-	-	-	-	-	222,383	-	222,383	445,060
UNREALIZED LOSS ON PORTFOLIO INVESTMENT	-	-	-	-	-	-	(368,148)	(368,148)	-
INDUSTRY CONTRIBUTION	-	-	-	-	-	-	65,000	65,000	-
TRANSFER FROM (TO) DEFERRED CONTRIBUTIONS	-	-	-	(366,837)	-	6,777	(273,926)	(633,986)	(88,192)
INTERFUND TRANSFERS (Note 10)	287,794	(537,794)	250,000	366,837	-	(366,837)	-	-	-
FUND BALANCES, beginning of year	<u>513,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,036</u>	<u>4,688,612</u>	<u>-</u>	<u>5,288,351</u>	<u>4,761,830</u>
FUND BALANCES, end of year	\$ <u>312,088</u>	\$ <u>-</u>	\$ <u>250,000</u>	\$ <u>-</u>	\$ <u>86,036</u>	\$ <u>4,523,980</u>	\$ <u>688,217</u>	\$ <u>5,860,321</u>	\$ <u>5,288,351</u>

Emily Carr Institute of Art and Design

STATEMENT OF CASH FLOWS

Year ended March 31, 2008

	ECI Other Funds	ECI GNW Fund	Total 2008	Total 2007
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Excess of revenue over expenses	\$ 21,430	\$ 1,265,291	\$ 1,286,721	\$ 169,653
Adjustments to reconcile net cash provided by operating activities				
Amortization of property, plant and equipment	1,660,352	176,979	1,837,331	1,577,346
Amortization of deferred contributions	(3,013,779)	(459,276)	(3,473,055)	(3,080,884)
Gain on sale of land	-	(1,476,454)	(1,476,454)	-
Decrease (increase) in				
Accounts receivable	(471,635)	38,368	(433,267)	370,566
Mortgage receivable	-	(1,848,000)	(1,848,000)	-
Contribution receivable (GNW grant)	-	-	-	10,125,000
Inventory	(4,478)	-	(4,478)	12,456
Prepaid expenses	38,013	(7,546)	30,467	(73,329)
Increase (decrease) in				
Accounts payable and accrued liabilities	386,790	(37,209)	349,581	(632,009)
Deferred tuition fees	16,204	-	16,204	180,287
	<u>(1,367,103)</u>	<u>(2,347,847)</u>	<u>(3,714,950)</u>	<u>8,649,086</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net addition to endowment	222,383	-	222,383	445,060
Debt issue	-	3,150,000	3,150,000	-
Long-term debt repayments	(24,759)	-	(24,759)	(2,126,417)
Bank loan borrowing (repayment)	-	(78,639)	(78,639)	(27,951)
Industry contribution	-	65,000	65,000	-
Deferred contributions	2,974,650	146,661	3,121,311	3,740,300
	<u>3,172,274</u>	<u>3,283,022</u>	<u>6,455,296</u>	<u>2,030,992</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Sale (purchase) of short-term investments, net	1,210,084	2,392,260	3,602,344	(3,402,344)
Sale (purchase) of long-term investments, net	131,253	(5,004,933)	(4,873,680)	(4,893,220)
Investment in GNW Campus Trust	-	-	-	(48,342)
Proceeds on sale of land	-	3,223,750	3,223,750	-
Purchase of property, plant and equipment	(1,866,253)	(661,047)	(2,527,300)	(3,174,577)
	<u>(524,916)</u>	<u>(49,970)</u>	<u>(574,886)</u>	<u>(11,518,483)</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	1,280,255	885,205	2,165,460	(838,405)
CASH, beginning of year	<u>474,939</u>	<u>380,898</u>	<u>855,837</u>	<u>1,694,242</u>
CASH, end of year	\$ <u><u>1,755,194</u></u>	\$ <u><u>1,266,103</u></u>	\$ <u><u>3,021,297</u></u>	\$ <u><u>855,837</u></u>
CASH IS COMPRISED OF				
Unrestricted cash	\$ 1,755,194	\$ -	\$ 1,755,194	\$ 855,837
Restricted cash	<u>-</u>	<u>1,266,103</u>	<u>1,266,103</u>	<u>-</u>
	\$ <u><u>1,755,194</u></u>	\$ <u><u>1,266,103</u></u>	\$ <u><u>3,021,297</u></u>	\$ <u><u>855,837</u></u>

Emily Carr Institute of Art and Design

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2008

1. NATURE OF OPERATIONS

Emily Carr Institute of Art and Design (the "Institute") is a post-secondary educational institution funded by the British Columbia Provincial Government and incorporated under the Colleges and Institute Act. The Institute was established to provide education and training in the visual arts, communication and industrial design and media communication. The Institute is exempt from income taxation under the *Income Tax Act*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

The resources of the Institute are classified for accounting and reporting purposes into funds according to the activities or objectives specified. Funds which have similar characteristics have been combined into seven funds – Operating Fund, Special Purpose Fund, Contingency Fund, Capital Fund, Building Leases Fund, Trust Fund and GNW Campus Trust Fund .

The Operating Fund accounts for the instructional, administrative and other operational costs financed by grants, tuition fees and other general income. It also records the related assets, liabilities and surplus.

The Special Purpose Fund accounts for income received to be expended for specific initiatives.

The Contingency Fund accounts for excess operating revenue designated for future Institute contingencies.

The Capital Fund accounts for capital assets and funds available and expended for the acquisition of capital assets.

The Building Leases Fund accounts for the expenditure in servicing long-term leases.

The Trust Fund accounts for bursary and scholarship awards distributed by the Institute in accordance with donor requests and management of endowed funds, and the administration of the art collection maintained for educational and research purposes.

The GNW Campus Trust Fund accounts for the Institute's 25% interest in the Great Northern Way Campus Trust presented on the proportionate consolidated basis.

GNW Campus Trust is an equal share joint venture between the Institute, British Columbia Institute of Technology, University of British Columbia, and Simon Fraser University. The purpose of the joint venture is to develop an integrated, learning-centred campus with a high-technology focus, supported by new media and telecommunications technologies.

Revenue recognition

The Institute follows the deferral method of recognizing contributions. Under this method, restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred, and unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions received which are restricted to the acquisition of capital assets are deferred and recognized as revenue on the same basis as the amortization is calculated on the cost of the capital assets.

Short-term investments

Short-term investments include securities with original terms to maturity of greater than three months and less than one year when purchased.

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Emily Carr Institute of Art and Design

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided after the year of purchase on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Granville Island Campus</u>		<u>Great Northern Way Campus Trust</u>	
Buildings	- 40 years	Buildings	- 10 years
Equipment	- 5 years	Equipment	- 10 years
Computer	- 3 years	Computer	- 3 years
Library	- 10 years		

Long-term investments

Long-term investments consist primarily of fixed income securities. They are considered as available for sale and are recorded at market value for the current year and at cost for the prior year.

Tuition fees

The portion of tuition fees received for terms subsequent to March 31, 2008 are recorded as deferred revenue.

Vacation pay, accumulated gratuity days and banked time

Vacation pay, gratuity days and banked time pay entitlements are accrued as they are earned by the employee. Anticipated funding to settle these obligations has not been recorded in these financial statements.

Foreign currency transactions

Monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the year-end. Revenues and expenses are translated throughout the year at the exchange rate prevailing at the date of receipt of payment. All exchange gains and losses are included in the determination of operating revenues or expenditures for the year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Actual results could differ from those estimates.

Financial instruments

Effective April 1, 2007, the Institute adopted Sections 3855 "Financial instruments – Recognition and measurement", 3861, "Financial instruments – Disclosure and presentation", and 3865 "Hedges" issued by the Accounting Standards Board ("AcSB") of the Canadian Institute of Chartered Accountants.

Sections 3855 and 3861 set our criteria for the recognition, measurement, disclosure and presentation of financial instruments and requires all financial instruments within its scope, including derivatives, to be accounted for either at fair value, or in circumstances where fair value may not be considered the most relevant information, at cost or amortized cost. All financial instruments are classified into one of five categories, with each category possessing specific requirements for initial and subsequent recognition and measurement.

The Institute has designated long-term investments on initial recognition as available for sale. These instruments are initially recognized at cost. Upon application of the financial instruments accounting policy, they are remeasured at each period end at their fair value, determined by published price quotations in an active market. Net gains and losses arising from changes in fair value are recognized in the Statement of Changes in Fund Balances.

Accounts receivable and promissory note receivable are measured at amortized cost. Accounts payable, bank loan and long-term debt are classified as other financial liabilities, which are measured at amortized cost, using the effective interest rate method.

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Institute currently does not have any hedges.

Emily Carr Institute of Art and Design

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

New accounting pronouncements

Effective April 1, 2008 the Institute will adopt Section 3862 "Financial instruments – Disclosures", Section 1535 "Capital Disclosures", Section 3863, "Financial Instruments – Presentation" and Section 3031 "Inventories". Section 3862 replaces the disclosure requirements of Section 3861 "Financial instruments – Presentation and disclosure" and will require additional disclosure of the risks associated with financial instruments and of how those risks are managed. Section 3863 is to enhance financial statement users' understanding of the significance to an entity's financial position, performance and cash flows. Section 1535 will require disclosure of information to enable users of the financial statements to evaluate the Institute's objectives, policies and processes for managing capital. Section 3031 requires inventory to be carried at the lower of cost and net realizable value using, in certain cases, the specific identification method or either of the first-in, first-out or average cost methods. Write downs to net realizable value may be reversed, to the extent of the original write down, if there is clear evidence of an increase in value due to a change in circumstances. The Institute does not anticipate any financial statement effect from the implementation of this Section.

The AcSB also amended Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This Section will apply to the Institute's annual financial statements for the fiscal year beginning April 1, 2008.

Effective April 1, 2009, the Institute will adopt Section 3064 "Goodwill and intangible assets", which establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets including internally developed intangible assets. The Institute does not anticipate any financial statement effect from the implementation of this Section.

3. GNW CAMPUS TRUST

In fiscal year 2002, the Institute entered into a Joint Venture with the British Columbia Institute of Technology, University of British Columbia and Simon Fraser University. Joint Venture members participated equally in the control of the Joint Venture.

On November 15, 2001 the members of the Joint Venture or their foundations each acquired by way of gift from Finning International Inc., an undivided 1/5 legal and beneficial interest in the lands and premises located at 555 and 577 Great Northern Way and 375 East 1st Avenue, Vancouver, British Columbia.

On March 15, 2002, the remaining 1/5 legal and beneficial interest in the Property was sold to the members of the Joint Venture or their foundations in equal undivided interests. Consequently, as at March 31, 2002, each of the four institutions or their foundations held a 25% undivided legal and beneficial interest in the lands and premises described generally as the Great Northern Way Campus. The Institute held its interest in Great Northern Way Campus directly.

On September 15, 2002, the respective beneficial ownership interests in the lands and premises comprising Great Northern Way Campus were transferred to Great Northern Way Campus Ltd. as trustee for Great Northern Way Campus Trust (the "Trust"). The Trust was established for the Institute, British Columbia Institute of Technology, University of British Columbia and Simon Fraser University as equal beneficiaries. Each of the four institutions (the "Owners") is an equal shareholder in Great Northern Way Campus Ltd. and each of them appoints three directors to its board of directors.

The Trust has incurred significant annual operating losses over the last four years. Accordingly, the Trust's continuance as a going concern is dependent upon the continued support of its Owners and its lenders. The Institute uses proportionate consolidation for certain Financial Instruments of the Trust and accordingly is subject to risk and uncertainties in the Financial Instruments of the Trust as disclosed in their statements.

If the going concern basis is not appropriate, adjustments may be necessary in the carrying amounts of the Great Northern Way Campus Trust Fund assets, liabilities and expenses in these financial statements and the adjustments could be material. In this regard, the Institute annually reviews its continued interest in, and obligations relating to, the Trust.

Emily Carr Institute of Art and Design

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2008

3. GNW CAMPUS TRUST - continued

These financial statements include the Institute's 25% interest in the financial position and net operating results of the Trust, for the year ended December 31, 2007 (2007 – December 31, 2006).

Under the provision of the Trust Deed, Great Northern Way Campus Ltd. in its capacity as trustee of the Trust, and at its sole discretion, is required to distribute all Net Income of the Trust to the beneficiaries. During the year, the trustee declared distribution of Net Income of the Trust to the beneficiaries of \$ 688,217 each.

4. LONG-TERM INVESTMENTS

Long-term investments consist primarily of fixed income securities with maturities greater than one year at time of purchase. All of the long-term investments held at March 31, 2008 mature at various dates to March 2016 (2007 – various maturity dates to April 2016) and bear interest at rates ranging from 3.490% to 5.750% per annum (2007 – 3.00% to 6.125%).

5. PROPERTY, PLANT AND EQUIPMENT

	2008			2007
	Cost	Accumulated amortization	Net	Net
GNW Campus Trust Fund				
Land	\$ 10,825,686	\$ –	\$ 10,825,686	\$ 12,433,891
Buildings	1,317,598	533,883	783,715	691,393
Equipment	<u>410,000</u>	<u>93,803</u>	<u>316,197</u>	<u>63,542</u>
	<u>12,553,284</u>	<u>627,686</u>	<u>11,925,598</u>	<u>13,188,826</u>
Capital Fund				
Building	31,313,586	11,879,081	19,434,505	19,598,301
Equipment: general	977,688	483,377	494,311	554,390
Equipment: computer	1,862,604	380,960	1,481,644	1,091,324
Library collection	<u>948,107</u>	<u>429,734</u>	<u>518,373</u>	<u>478,916</u>
	<u>35,101,985</u>	<u>13,173,152</u>	<u>21,928,833</u>	<u>21,722,931</u>
Trust Fund				
Art collection	<u>983,599</u>	<u>–</u>	<u>983,599</u>	<u>983,599</u>
	\$ <u>48,638,868</u>	\$ <u>13,800,838</u>	\$ <u>34,838,030</u>	\$ <u>35,895,356</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Operating Fund		
Trade and other	\$ 2,159,316	\$ 1,821,143
Accrued payroll benefits		
Holiday pay	556,710	525,514
Banked time	11,338	10,723
Gratuity days	<u>92,394</u>	<u>91,944</u>
	\$ <u>2,819,758</u>	\$ <u>2,449,324</u>

7. BANK LOAN

The Great Northern Way Campus Trust has available a \$ 500,000 revolving operating loan that bears interest at prime plus 0.75% per annum. At March 31, 2008, the Institute's 25% interest is \$ Nil (2007 - \$ 78,639).

Emily Carr Institute of Art and Design

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2008

8. LONG-TERM DEBT

Operating

The debt is unsecured, bears interest at prime plus 1.0%, and is payable over ten years which commenced March 31, 2006 at an annual rate of \$ 24,759 (2007 - \$ 24,759) exclusive of interest.

GNW Campus Trust

The debt bears interest at an annual rate of prime plus 0.65%. Pursuant to an interest rate swap agreement, the interest on the loan has been fixed at 5.47% per annum. Interest is due monthly and the principal is due on demand. If not demanded earlier, the debt is payable in full on August 15, 2009. These financial statements reflect the Institute's 25% interest in the amount of \$ 5,875,000 (2007 - \$ 2,725,000).

9. UNRESTRICTED FUND BALANCE – OPERATING FUND

Unrestricted funds available for operations comprise:

	<u>2008</u>	<u>2007</u>
Funds available for operations before accumulated payroll benefit accrual	\$ 972,530	\$ 1,141,884
Less: Accrued holiday pay, banked time and gratuity days (Note 6)	<u>(660,442)</u>	<u>(628,181)</u>
	\$ <u><u>312,088</u></u>	\$ <u><u>513,703</u></u>

10. INTERFUND TRANSFERS

	<u>Operating Fund</u>	<u>Special Purpose Fund</u>	<u>Contingency Fund</u>	<u>Capital Fund</u>	<u>Trust Fund</u>
Transfers in (out)					
One Time Funding (2007)	\$ 447,794	\$ (447,794)	\$ -	\$ -	\$ -
Intersection Digital Studio/Operations	90,000	(90,000)	-	-	-
Intersection Digital Studio/Equipment	-	-	-	366,837	(366,837)
Contingency Provision	<u>(250,000)</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>-</u>
	\$ <u><u>287,794</u></u>	\$ <u><u>(537,794)</u></u>	\$ <u><u>250,000</u></u>	\$ <u><u>366,837</u></u>	\$ <u><u>(366,837)</u></u>

Interfund transfers represent transfers required to fund specific financial activities.

11. COMMITMENTS

Leases

The Institute has entered into operating leases with respect to land, premises and operating equipment. The Institute is obligated to make the following minimum lease payments in each of the next five fiscal years ending March 31:

2009	\$ 673,679
2010	613,709
2011	421,047
2012	301,636
2013	262,668

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NOTES TO THE FINANCIAL STATEMENTS

March 31, 2008

11. COMMITMENTS - continued

Early retirement

The Institute has committed to the following payments as part of early retirement agreements with retiring employees:

2009	\$	110,974
2010		86,608
2011		57,306
2012		57,306
2013		31,350

12. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2008, an employee of the Institute was granted an interest free loan in the amount of \$ 13,410 for the purchase of pensionable service with the Municipal Pension Plan. The loan is repayable over five years. At March 31, 2008, the balance of the loan amounted to \$ 12,069.

13. PENSION

The Institute and its employees contribute to the College Pension Plan and Municipal Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has over 11,245 active members from college senior administration and instructional staff and approximately 3,500 retired members. The Municipal Pension Plan has approximately 145,000 active contributors, with approximately 5,000 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2006 indicated an unfunded liability of \$ 54 million for basic pension benefits. The next valuation will be as at August 31, 2009 with results available in 2010. The most recent valuation for the Municipal Pension Plan as at December 31, 2006 indicated a surplus of \$ 438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of an unfunded liability to individual employers. The Institute's employer contributions amounted to \$ 888,925 in 2008 (2007 - \$ 812,226).

14. FINANCIAL INSTRUMENTS

The Institute's financial instruments consist of cash, long term investments, accounts receivable, accounts payable and accrued liabilities, bank loan and long-term debt. It is management's opinion that the Institute is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values.

15. FUNDS HELD BY VANCOUVER FOUNDATION

The Institute has an endowment fund of \$ 381,243 (2007 - \$ 404,456) with the Vancouver Foundation. This fund is a permanent fund with the Foundation which provides income for scholarships, bursaries and other student aid at the Institute. The fund is not under Institute ownership or control. The Institute has recorded its contributions to the fund as donation expenditures. The Institute received amounts totaling \$ 19,114 (2007 - \$ 16,886) as income from the fund during the year.

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DEFERRED CONTRIBUTIONS

Year ended March 31, 2008

	Special Purpose Fund	Contingency Fund	Capital Fund	Trust Fund	GNW Campus Trust Fund	Total 2008	Total 2007
BALANCE, beginning of year	\$ <u>1,165,059</u>	\$ <u>509,522</u>	\$ <u>22,407,287</u>	\$ <u>10,498</u>	\$ <u>17,535,984</u>	\$ <u>41,628,350</u>	\$ <u>40,880,741</u>
CONTRIBUTIONS							
Province of B.C.	853,473	-	605,560	-	50,000	1,509,033	1,620,041
Federal	285,972	-	605,803	-	-	891,775	1,001,987
Transfer From Endowment	-	-	366,837	-	-	366,837	-
Transfers	-	-	-	(6,777)	273,926	267,149	88,192
Other	<u>451,622</u>	<u>-</u>	<u>172,220</u>	<u>-</u>	<u>96,661</u>	<u>720,503</u>	<u>1,118,273</u>
	<u>1,591,067</u>	<u>-</u>	<u>1,750,420</u>	<u>(6,777)</u>	<u>420,587</u>	<u>3,755,297</u>	<u>3,828,493</u>
AMORTIZATION							
Amortization of Property, Plant and Equipment	-	-	1,660,352	-	176,979	1,837,331	1,577,346
Project Administration	636,856	-	-	-	282,297	919,153	1,197,146
Leasehold Improvements	-	-	27,054	-	-	27,054	106,685
Student Awards	-	-	-	-	-	-	672
Research Awards	151,723	-	-	-	-	151,723	-
Transfers	<u>537,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>537,794</u>	<u>199,035</u>
	<u>1,326,373</u>	<u>-</u>	<u>1,687,406</u>	<u>-</u>	<u>459,276</u>	<u>3,473,055</u>	<u>3,080,884</u>
NET INCREASE (DECREASE)	<u>264,694</u>	<u>-</u>	<u>63,014</u>	<u>(6,777)</u>	<u>(38,689)</u>	<u>282,242</u>	<u>747,609</u>
BALANCE, end of year	\$ <u><u>1,429,753</u></u>	\$ <u><u>509,522</u></u>	\$ <u><u>22,470,301</u></u>	\$ <u><u>3,721</u></u>	\$ <u><u>17,497,295</u></u>	\$ <u><u>41,910,592</u></u>	\$ <u><u>41,628,350</u></u>

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TRUST FUND – ENDOWMENTS

Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
BALANCE, beginning of year	\$ <u>4,640,114</u>	\$ <u>4,205,053</u>
Endowments		
Donations - Regular	153,943	379,441
Interest earned	157,240	152,074
ECI Matching Program (Note)	30,000	12,500
Distributions	<u>(118,800)</u>	<u>(98,955)</u>
Net Endowments	222,383	445,060
Intrafund Transfer	(87,531)	(10,000)
Interfund Transfer	<u>(366,837)</u>	<u>—</u>
Net Change During The Year	<u>(231,985)</u>	<u>435,060</u>
BALANCE, end of year	\$ <u><u>4,408,129</u></u>	\$ <u><u>4,640,114</u></u>

Note: The Institute matches specified donations to the endowment in order to promote endowment growth.

During the year ended March 31, 2008 three donations were matched in the amount of \$ 30,000 (2007 – one donation – \$ 12,500).