

**NORTH ISLAND COLLEGE
FINANCIAL STATEMENTS
March 31, 2012**

NORTH ISLAND COLLEGE

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For the Year ended March 31, 2012**

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INDEPENDENT AUDITORS' REPORT

*To the Board of Governors of North Island College, and
To the Minister of Advanced Education, Province of British Columbia*

We have audited the accompanying financial statements of North Island College, which comprise the statement of financial position as at March 31, 2012, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Island College as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

May 23, 2012
Victoria, Canada

NORTH ISLAND COLLEGE

Statement of Financial Position

March 31, 2012 with comparative information for 2011

	Operating and Ancillary Services Fund	Capital Fund	March <u>2012</u> Total	March <u>2011</u> Total
Assets				
Current assets				
Cash and cash equivalents	\$ 5,766,949	\$ -	\$ 5,766,949	\$ 4,702,415
Short-term investments	605,793	-	605,793	302,636
Accounts receivable	1,021,430	-	1,021,430	1,973,701
Prepaid expenses	72,443	-	72,443	96,509
Inventories	201,329	-	201,329	216,554
Interfund balances	<u>109,938</u>	<u>(109,938)</u>	<u>-</u>	<u>-</u>
	7,777,882	(109,938)	7,667,944	7,291,815
Long-term investments - Note 4	9,506,381	-	9,506,381	9,319,654
Capital assets - Note 5	<u>-</u>	<u>27,943,981</u>	<u>27,943,981</u>	<u>28,861,968</u>
	<u>\$ 17,284,263</u>	<u>\$ 27,834,043</u>	<u>\$ 45,118,306</u>	<u>\$ 45,473,437</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities - Note 6	\$ 5,682,646	\$ -	\$ 5,682,646	\$ 6,100,965
Deferred revenue - Note 7	<u>8,915,467</u>	<u>-</u>	<u>8,915,467</u>	<u>7,948,682</u>
	14,598,113	-	14,598,113	14,049,647
Deferred capital contributions - Note 8	-	22,656,196	22,656,196	23,803,643
Net Assets				
Invested in capital assets	-	5,177,847	5,177,847	4,868,817
Unrestricted	<u>2,686,150</u>	<u>-</u>	<u>2,686,150</u>	<u>2,751,330</u>
	2,686,150	5,177,847	7,863,997	7,620,147
Commitments - Note 12	<u>\$ 17,284,263</u>	<u>\$ 27,834,043</u>	<u>\$ 45,118,306</u>	<u>\$ 45,473,437</u>

Approved on behalf of the Board of Governors:



Bruce Calder, Chair of the Board of Governors

See accompanying notes to the financial statements



Carol Baert, VP Finance and Facilities

NORTH ISLAND COLLEGE

Statement of Operations and Changes in Net Assets For the Year ended March 31, 2012 with comparative information for 2011

	Operating and Ancillary Services Fund	Capital Fund	March <u>2012</u> Total	March <u>2011</u> Total
Revenue				
Province of British Columbia transfers	\$ 25,312,725	\$ 1,114,970	\$ 26,427,695	\$ 26,005,838
Government of Canada transfers	9,160	-	9,160	356,232
Student fees	6,178,624	-	6,178,624	6,923,031
Contract services	1,740,891	14,516	1,755,407	1,173,093
Ancillary services	1,453,984	-	1,453,984	1,599,347
Other income - Note 10	1,002,183	14,549	1,016,732	1,145,416
Grant transfers - Note 11	381,931	-	381,931	365,000
Amortization of deferred capital contributions - Note 8	<u>-</u>	<u>1,988,598</u>	<u>1,988,598</u>	<u>1,923,430</u>
	36,079,498	3,132,633	39,212,131	39,491,387
Expenses - Schedule 1				
Salaries and benefits	27,255,560	-	27,255,560	27,807,423
Other	8,507,187	-	8,507,187	8,137,000
Grant transfers - Note 11	381,931	-	381,931	365,000
Amortization of capital assets	<u>-</u>	<u>2,823,603</u>	<u>2,823,603</u>	<u>2,820,304</u>
	36,144,678	2,823,603	38,968,281	39,129,727
Excess (deficiency) of revenue over expenses	<u>(65,180)</u>	<u>309,030</u>	<u>243,850</u>	<u>361,660</u>
Net Assets				
Beginning of year	<u>2,751,330</u>	<u>4,868,817</u>	<u>7,620,147</u>	<u>7,258,487</u>
End of year	<u>\$ 2,686,150</u>	<u>\$ 5,177,847</u>	<u>\$ 7,863,997</u>	<u>\$ 7,620,147</u>

See accompanying notes to the financial statements

NORTH ISLAND COLLEGE

Statement of Cash Flows

For the Year ended March 31, 2012 with comparative information for 2011

	<u>March 2012</u>	<u>March 2011</u>
Cash provided by operating activities		
Excess of revenue over expenses	\$ 243,850	\$ 361,660
Items not requiring an outlay of cash:		
Amortization of capital assets	2,823,603	2,820,304
Amortization of deferred capital contributions	(1,988,598)	(1,923,430)
Gain on disposal of capital assets	(14,088)	-
Decrease (increase) in fair value of long-term investments	<u>33,764</u>	<u>(166,054)</u>
	1,098,531	1,092,480
Change in non-cash operating accounts:		
Accounts receivable and prepaid expenses	976,337	(1,168,848)
Inventories	15,225	(5,593)
Accounts payable and accrued liabilities	(418,319)	53,556
Deferred revenue	<u>966,785</u>	<u>688,827</u>
	<u>2,638,559</u>	<u>660,422</u>
Cash used in investing activities		
Decrease (increase) in short-term investments	(303,157)	3,380,966
Increase in long-term investments	(220,491)	(515,054)
Purchase of capital assets	(1,905,616)	(7,686,123)
Proceeds on disposal of capital assets	<u>14,088</u>	<u>-</u>
	<u>(2,415,176)</u>	<u>(4,820,211)</u>
Cash provided by financing activities		
Proceeds from deferred capital contributions	<u>841,151</u>	<u>5,601,472</u>
Increase in cash and cash equivalents	1,064,534	1,441,683
Cash and cash equivalents - beginning of year	<u>4,702,415</u>	<u>3,260,732</u>
Cash and cash equivalents - end of year	<u>\$ 5,766,949</u>	<u>\$ 4,702,415</u>

NORTH ISLAND COLLEGE

Notes to the Financial Statements Year ended March 31, 2012

General

North Island College is a post-secondary educational institution funded by the provincial government. The College is incorporated under the College and Institute Act of British Columbia. The College is exempt from income tax under section 149 of the Income Tax Act.

Note 1. **Summary of Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit organizations and include the following significant accounting policies.

(a) Fund accounting

The operations of the College have been classified into various funds for accounting and reporting purposes:

The operating fund records the instructional and support activities of the College.

The ancillary services fund records the operations of the cafeteria and the bookstores.

The capital fund records the activities involved in acquiring and disposing of capital assets.

(b) Revenue recognition

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

Fee for services revenue and expenses are recognized as activities are performed, using the percentage of completion method. When a contract's financial outcome is not reasonably determinable, equal amounts of revenue and expense are recognized until the financial outcome can be reasonably estimated. Provision for all anticipated losses is made in the period in which they become evident.

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

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

NORTH ISLAND COLLEGE

Notes to the Financial Statements Year ended March 31, 2012

(c) Financial Instruments

Held for trading:

The College has designated cash and cash equivalents, short-term investments and long-term investments as held for trading. These instruments are initially recognized at cost and subsequently measured at fair value, determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in excess of revenue over expenses. Net gains and losses arising from changes in fair value are recognized immediately in excess of revenue over expenses.

Loans and receivables:

The College has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instruments' initial cost in a transaction between unrelated parties. Accounts receivable are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in excess of revenue over expenses upon derecognition or impairment.

Other financial liabilities:

The College has classified accounts payable as other financial liabilities. These assets are initially recognized at their fair value. Fair value is approximated by the instruments' initial cost in a transaction between unrelated parties. Accounts payable are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in excess of revenue over expenses upon derecognition or impairment.

Financial asset impairment:

The College assesses impairment of all its financial assets, except those classified as held for trading. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is recognized in excess of revenue over expenses.

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

(d) Cash and cash equivalents

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

(e) Short-term investments

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

(f) Inventories

Inventories held for resale are recorded at the lower of cost and net realizable value.

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Notes to the Financial Statements Year ended March 31, 2012

(g) Capital assets

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

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

(h) Employee Future Benefits

The costs of employee future benefits are recognized on an accrual basis as services are rendered.

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

(j) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Accounts payable includes various estimated accruals. Amortization of capital assets and deferred capital contributions is based on estimated useful lives of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenue over expenses in the periods in which they become known.

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

Effective April 1, 2012, the College will transition to a new accounting framework which will include Public Sector Accounting Standards (PSAB) supplemented by directives from the Government of British Columbia's Treasury Board.

The transition to the new accounting framework will be applied on a retrospective basis. The College is reviewing the impact of these changes on the financial statements.

NORTH ISLAND COLLEGE

Notes to the Financial Statements Year ended March 31, 2012

Note 3. Financial Instruments

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

Fair value of financial instruments:

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

Note 4. Long-term Investments

	2012	2011
Equities and equity funds	\$ 4,056,340	\$ 3,242,053
Bonds and income funds	5,450,041	6,077,601
	\$ 9,506,381	\$ 9,319,654

Note 5. Capital Assets

	Cost	Accumulated Amortization	2012 Net Book Value	2011 Net Book Value
Land	\$ 526,889	\$ -	\$ 526,889	\$ 526,889
Buildings and site improvements	53,878,897	28,907,493	24,971,404	26,108,746
Furniture and equipment	4,724,236	2,803,514	1,920,722	1,926,505
Leasehold improvements	15,103	9,113	5,990	8,229
Work in progress	518,976	-	518,976	291,599
	\$ 59,664,101	\$ 31,720,120	\$ 27,943,981	\$ 28,861,968

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

Note 6. Accounts Payable and Accrued Liabilities

	2012	2011
Trade payables	\$ 2,149,428	\$ 2,268,276
Financial aid and bursaries payable	243,384	212,562
Wages and benefits payable	962,633	1,226,736
Accrued leave payable	2,327,201	2,393,391
	\$ 5,682,646	\$ 6,100,965

NORTH ISLAND COLLEGE

Notes to the Financial Statements Year ended March 31, 2012

Note 7. Deferred Revenue

	2012	2011
Deferred tuition	\$ 1,157,928	\$ 1,361,339
Other revenue received in advance	2,518,821	1,208,837
Deferred contributions	5,238,718	5,378,506
	\$ 8,915,467	\$ 7,948,682

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

	2012	2011
Opening balance	\$ 5,378,506	\$ 4,940,030
Restricted contributions received	453,016	1,246,944
Contributions spent	(592,804)	(808,468)
Closing balance	\$ 5,238,718	\$ 5,378,506

Note 8. Deferred Capital Contributions

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

	Deferred	Unamortized	2012	2011
Opening balance	\$ -	\$ 23,803,643	\$ 23,803,643	\$ 20,125,601
Restricted contributions received	841,151	-	841,151	5,601,472
Contributions spent	(805,206)	805,206	-	-
Amounts amortized to revenue	-	(1,988,598)	(1,988,598)	(1,923,430)
Closing balance	\$ 35,945	\$ 22,620,251	\$ 22,656,196	\$ 23,803,643

Note 9. Capital Management

The College's objective when managing capital is to safeguard its ability to continue as a going concern, so it can continue to provide services to students. The College defines capital as net assets. The College is not subject to externally imposed capital requirements.

Note 10. Interest and Other Income

	2012	2011
Investment income	\$ 602,802	\$ 496,127
Change in fair value of long-term investments	(33,764)	166,054
Gain on disposal of capital assets	14,088	-
Donations and other income	433,606	483,235
	\$ 1,016,732	\$ 1,145,416

NORTH ISLAND COLLEGE

Notes to the Financial Statements Year ended March 31, 2012

Note 11. Grant Transfers

Grant transfers are payments received from the Province of British Columbia which are transferred directly to external non-profit associations in accordance with the provincial granting arrangement.

Note 12. Commitments

The College is committed under the following facility lease agreements:

Port Hardy campus	\$	202,361
Port Alberni campus		254,950
Other		34,816
	\$	492,127

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

	2012-2013	\$	277,899
	2013-2014		214,228
		\$	492,127

Note 13. Related Parties

North Island College Foundation is a not-for-profit organization and a registered charity under the Income Tax Act. The Foundation was created to enhance the delivery of North Island College's programs and services by raising funds to provide scholarships and bursaries, and to support various College projects. Although there is no common control of the organizations through Board appointment or other forms of control, the Foundation is related to the College by virtue of holding resources which are to be used to provide support to students attending the College. Transactions with the Foundation were recorded at the exchange amount.

At March 31, 2012, accounts receivable of the College included \$135,069 (2011 \$106,626) due from the Foundation.

	2012	2011
Bursaries	\$ 201,619	\$ 176,662
Donations and other	16,003	17,715
Gifts in-kind	22,217	5,134
Foundation contributions to the College	\$ 239,839	\$ 199,511
College contributions to the Foundation	\$ 60,000	\$ 60,000

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Notes to the Financial Statements Year ended March 31, 2012

Note 14. **Pension Information**

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has about 173,000 active members, with approximately 5,600 from colleges.

The most recent valuation for the College Pension Plan as at August 31, 2009 indicated an unfunded liability of \$28 million for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent valuation for the Municipal Pension Plan as at December 31, 2009 indicated a \$1,024 million 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 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 obligation, plan assets and costs to individual entities participating in the plan.

The College paid \$1,985,545 for employer contributions to the plans in fiscal 2012 (2011 \$1,777,388).

Note 15. **Comparative Information**

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

NORTH ISLAND COLLEGE

Schedule 1 - Schedule of Expenses

For the Year ended March 31, 2012 with comparative information for 2011

	Operating and Ancillary Services Fund	Capital Fund	March <u>2012</u> Total	March <u>2011</u> Total
Expenses				
Salaries and wages	\$ 21,562,973	\$ -	\$ 21,562,973	\$ 21,868,695
Employee benefits	4,725,924	-	4,725,924	4,724,142
Other personnel costs	966,663	-	966,663	1,214,586
Advertising and promotion	496,433	-	496,433	444,825
Books and periodicals	236,544	-	236,544	258,808
Cost of goods sold	1,089,770	-	1,089,770	1,180,985
Equipment maintenance and operations	136,254	-	136,254	144,517
Equipment rentals	91,260	-	91,260	89,898
Facility leases	292,546	-	292,546	274,959
Facility maintenance	675,988	-	675,988	727,114
Facility operations	1,428,342	-	1,428,342	1,454,683
Financial service charges	154,272	-	154,272	176,228
General fees and services	1,244,779	-	1,244,779	593,745
Minor equipment	822,473	-	822,473	934,331
Postage and freight	181,323	-	181,323	176,617
Student awards	379,283	-	379,283	347,675
Supplies and general expenses	663,401	-	663,401	673,119
Telephone	106,691	-	106,691	103,517
Travel	447,828	-	447,828	495,979
Grant transfers	381,931	-	381,931	365,000
Donations to NIC Foundation	60,000	-	60,000	60,000
Amortization of capital assets	-	2,823,603	2,823,603	2,820,304
	<u>\$ 36,144,678</u>	<u>\$ 2,823,603</u>	<u>\$ 38,968,281</u>	<u>\$ 39,129,727</u>