

Financial Statements of

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Year ended March 31, 2010



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AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the statement of financial position of Justice Institute of British Columbia (the "Institute") as at March 31, 2010 and the statements of operations and net assets 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada

May 7, 2010

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,559,031	\$ 4,203,272
Short-term investments	3,795,604	3,782,762
Accounts receivable and prepaids	3,035,172	4,637,814
	<u>8,389,807</u>	<u>12,623,848</u>
Capital assets (note 3)	42,552,822	40,527,462
	<u>\$ 50,942,629</u>	<u>\$ 53,151,310</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,930,689	\$ 3,242,259
Employee benefits payable (note 4)	909,701	939,150
Deferred revenue	4,198,969	5,283,490
	<u>8,039,359</u>	<u>9,464,899</u>
Deferred lease costs - long-term (note 5)	7,009	39,367
Deferred capital contributions (note 6)	27,781,226	27,372,498
	<u>35,827,594</u>	<u>36,876,764</u>
Net assets (note 6)	15,115,035	16,274,546
	<u>\$ 50,942,629</u>	<u>\$ 53,151,310</u>

Commitments (note 7)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Governor



Governor

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Operations and Net Assets

Year ended March 31, 2010, with comparative figures for 2009

	<u>2010</u>	<u>2009</u>
Revenue:		
Province of British Columbia:		
Grants	\$ 10,811,025	\$ 10,625,698
Contracts	6,113,490	8,431,204
Tuition (note 9)	9,974,255	10,866,559
Contract services (note 9)	10,985,618	12,919,678
Interest	22,814	279,248
Other	1,587,614	1,352,712
	<u>1,458,446</u>	<u>1,336,878</u>
Amortization of deferred capital contributions (note 6)	40,953,262	45,811,977
	<u>40,953,262</u>	<u>45,811,977</u>
Expenses:		
Advertising and promotion	520,528	709,830
Contract instruction and program development	4,542,492	6,345,357
Facilities and equipment	4,192,099	4,565,400
Professional services	1,336,884	1,557,907
Salaries and employee benefits	25,089,401	24,538,122
Staff travel	942,496	1,102,585
Student travel and activities	979,298	1,819,792
Supplies - instructional	1,183,822	1,527,397
Supplies - office	500,052	638,477
Other	454,548	793,207
Amortization of capital assets	2,371,153	2,247,014
	<u>42,112,773</u>	<u>45,845,088</u>
Deficiency of revenue over expenses	<u>(1,159,511)</u>	<u>(33,111)</u>

See accompanying notes to financial statements.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Changes in Net Assets

Year ended March 31, 2010, with comparative figures for 2009

	<u>2010</u>	<u>2009</u>
Net assets, beginning of year	\$ 16,274,546	\$ 12,551,318
Deficiency of revenue over expenses	(1,159,511)	(33,111)
Contribution for purchase of land (note 6)	-	<u>3,756,339</u>
Net assets, end of year	<u>\$ 15,115,035</u>	<u>\$ 16,274,546</u>

See accompanying notes to financial statements.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	<u>2010</u>	<u>2009</u>
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (1,159,511)	\$ (33,111)
Items not involving cash:		
Amortization of capital assets	2,371,153	2,247,014
Amortization of deferred lease costs	(32,358)	(32,461)
Amortization of deferred capital contributions	(1,458,446)	(1,336,878)
	<u>(279,162)</u>	<u>844,564</u>
Change in non-cash operating accounts:		
Accounts receivable and prepaids	1,602,642	(589,133)
Accounts payable and accrued liabilities	(311,570)	(47,631)
Employee benefits payable	(29,449)	91,564
Deferred revenue	(1,084,521)	(855,497)
	<u>(102,060)</u>	<u>(556,133)</u>
Investments:		
Purchase of capital assets	(4,396,513)	(6,460,467)
Short-term investments	(12,842)	(73,282)
	<u>(4,409,355)</u>	<u>(6,533,749)</u>
Financing:		
Deferred capital contributions received	<u>1,867,174</u>	<u>297,511</u>
Decrease in cash and cash equivalents	(2,644,241)	(6,792,371)
Cash and cash equivalents, beginning of year	<u>4,203,272</u>	<u>10,995,643</u>
Cash and cash equivalents, end of year	<u>\$ 1,559,031</u>	<u>\$ 4,203,272</u>

Cash and cash equivalents consist of cash and short-term investments with a maturity date of less than ninety days from acquisition.

See accompanying notes to financial statements.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2010

1. Purpose of the Institute:

The Justice Institute of British Columbia (the "Institute") is a post-secondary educational institution established in 1978 by the Province of British Columbia (the "Province") under the provisions of the College and Institute Act. The Institute is exempt from income tax under the Income Tax Act. The mission of the Institute is to provide learning opportunities for practitioners and the public that lead to improved justice and public safety services, and safer communities.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(b) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Any unamortized balance is written off when the asset is disposed of or no longer used by the Institute. Amortization is provided on a straight-line basis over the useful lives of the assets as follows:

<u>Asset</u>	<u>Period</u>
Site improvements	10 years
Buildings	40 years
Furniture, equipment and vehicles (including computer equipment)	5 years
Personal computer equipment and peripherals	3 years
Leasehold improvements	lease term

Expendables of student residence are amortized as they are consumed.

(c) Revenue recognition:

The Institute follows the deferral method of accounting for contributions.

Contributions from the Province are recognized as follows:

- "Base" funding contributions are recognized as revenue in the year in which the contributions are received or receivable.
- "Other" funding contributions are recognized as revenue in the year in which the related expenses are incurred.

Tuition fees are recognized as revenue in the period the course is conducted. Fees received prior to the year end where the course is delivered subsequent to the year end are recorded as deferred revenue.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2010

2. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Contract services revenue is recognized to the extent of costs incurred, until such time as the contract is complete. When a contract is complete and all expenses incurred, the excess of fees over expenses is recognized as revenue in the sponsoring academy/division. Projected losses are recognized in the period the loss is determined and can be reasonably estimated.

Contributions received for capital asset acquisitions are recorded as deferred capital contributions and recognized as revenue on the same basis as the related capital assets are depreciated. Contributions of or relating to the acquisition of non-depreciable assets are recognized as direct increases in net assets when received.

Contributions, tuition fees and contract services are recognized as revenue in accordance with the applicable recognition criteria above when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Areas of significant estimates include useful lives of capital assets for amortization and employee benefits payable. Actual results could differ from these estimates.

(e) Financial instruments:

The Institute accounts for its financial instruments in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, and as permitted for not-for-profit organizations, CICA Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*.

All financial instruments are measured at the balance sheet date at fair value except for loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost.

The Institute classifies its cash and cash equivalents, and short-term investments as held to maturity. These financial instruments are initially measured at fair value and subsequently accounted for at amortized cost. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and employee benefits payable are classified as other financial liabilities, which are measured at amortized cost.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2010

2. Significant accounting policies (continued):

(f) Adoption of new accounting standard:

Revisions to Not-for-Profit accounting standards:

Effective April 1, 2009, the CICA issued amendments to Handbooks Sections 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The amendments removes the requirement to disclose net assets invested in capital assets, clarifies capital asset recognition criteria and amortization, requires disclosure of the allocation of general support expenses, and includes the requirement to follow Handbook Section 1540, *Cash Flow Statements*. These amendments did not have a material impact on the Institute's financial statements.

(g) Future accounting policies:

Changes in accounting framework:

The CICA has decided to transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. Private companies will transition to a new private company accounting framework effective the same date. The Institute is classified as a not-for-profit organization. The Accounting Standards Board and Public Sector Accounting Board have released exposure drafts relating to the future of financial reporting by not-for-profit organizations. The Institute is in the process of reviewing the potential impact of the proposals on its reporting framework and financial statements.

3. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 10,416,476	\$ -	\$ 10,416,476	\$ 10,416,476
Buildings	38,119,205	10,791,234	27,327,971	26,178,097
Buildings – work in process	922,401	-	922,401	-
Furniture, equipment and vehicles	3,687,053	1,890,104	1,796,949	1,688,089
Personal computer equipment	620,937	394,094	226,843	291,374
Leasehold Improvements	816,039	451,272	364,767	234,269
Site improvements	2,964,112	1,541,369	1,422,743	1,719,157
Expendables of student residence	74,672	-	74,672	-
	<u>\$ 57,620,895</u>	<u>\$ 15,068,073</u>	<u>\$ 42,552,822</u>	<u>\$ 40,527,462</u>

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2010

4. Employee future benefits:

(a) Pensions:

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusted pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has approximately 12,000 active members from college senior administration and instructional staff and approximately 3,900 retired members. The Municipal Pension Plan has about 158,000 active members, with approximately 5,400 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 was 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 was as at December 31, 2009 with results available in 2010. As at May 7, 2010, the results are not yet available.

The actuary does not attribute portions of the unfunded liability to individual employers.

The Institute records pension expense as cash contributions to the plans are made. During the year, the Institute contributed \$1,375,020 (2009 - \$1,258,640) to the above plans.

(b) Other employee benefits:

The Institute accrues vacation and retirement entitlements for employees as earned. However, funding for these is not accrued, as the Province does not provide special funding for vacations and retiring allowances. As the majority of employees are paid salaries, management anticipates that vacation accruals will be reversed when these employees take their standard vacations and that no additional funding will be required above authorized salaries.

Employees who are members of the BC Government and Services Employees' Union are entitled to earned benefits related to retirement allowances. The liability and expense for these post-employment benefits is recognized in the financial statements in the period in which employees render services and on the basis that the benefits are expected to be provided when the employees are no longer providing active service.

In 2009, the Institute engaged the services of an actuarial firm to evaluate its employee future benefits plans. As a result of this estimate, a reduction of employee future benefit expenses relating to retirement allowances of \$49,000 has been recorded in the year (2009 - \$23,000 reduction).

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2010

4. Employee future benefits (continued):

(b) Other employee benefits (continued):

The Institute has accrued future obligations for all post-employment benefits using the projected benefits method prorated on service. The retirement allowance benefits are unfunded.

The Institute records actuarial gains and losses in the period they arise.

The liabilities reported in 2010 are based on an actuarial valuation as at March 31, 2009, updated to March 31, 2010, using the following valuation assumptions:

	2010	2009
Discount rate	5.8%	4.5%
Inflation rate	2.0	2.5
Rate of compensation increase	2.75	3.75

Employee benefits payable as at March 31, 2010 are as follows:

	2010	2009
Retirement allowances	\$ 174,000	\$ 223,000
Vacation, including benefits	735,701	716,150
	<u>\$ 909,701</u>	<u>\$ 939,150</u>

5. Deferred lease costs:

Total payments under an operating lease for the premises at Suite 101, 910 Government Street, Victoria are recorded as an expense on a straight-line basis over the term of the lease. As part of this lease, an inducement of \$119,840 was received during fiscal 2004. The amount of the inducement is being credited to the statement of operations on a straight-line basis over the term of the lease, being seven years. In fiscal 2008, additional space was leased at 910 Government Street and an inducement of \$44,384 was received. The additional lease inducement is being credited to the statement of operations on a straight-line basis over the remaining term of the lease, being three years.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2010

6. Deferred capital contributions:

	2010	2009
Balance, beginning of year	\$ 27,372,498	\$ 32,168,204
Capital contributions received during the year	1,867,174	297,511
	29,239,672	32,465,715
Less:		
Acquisition of land	-	3,756,339
Amortization	1,458,446	1,336,878
Balance, end of year	\$ 27,781,226	\$ 27,372,498

Included in deferred capital contributions at March 31, 2010 is \$ 1,436,684 (2009 - \$861,341) of unspent contributions designated for specific types of capital purchases.

In Fiscal 2009 the Institute used \$5,070,000 of deferred capital contributions from 2008 for a property acquisition to be used as a student residence. As a result, \$3,756,339 for the land component of the purchase was transferred from deferred capital contributions to net assets invested in capital assets in 2009.

During the year, \$2,110,300 for the construction of the student residence was funded through the Institute's net assets. Future revenues, net of expenses, of the operations of the student residence are expected to recover the acquisition cost of the facility.

7. Commitments:

The Institute has operating lease commitments for facilities, computer and office equipment and vehicles as follows:

2011	\$ 597,441
2012	318,323
2013	199,803
2014	55,597
2015	254
	1,171,418
Thereafter	-
	\$ 1,171,418

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2010

8. Related organization:

The Institute has an economic interest in the Justice Institute of BC Foundation (the "Foundation"). The Foundation was formed to raise funds for furthering the interests of the Institute. The net assets and results of operations of the Foundation have not been included in these financial statements.

The balance due from the Foundation at March 31, 2010 is \$105,226 (2009 - nil). The balance arose from expenditures the Institute paid on behalf of the Foundation.

During 2010, the Foundation contributed \$999,106 (2009 - \$706,974) in training equipment and student / applied research awards to the Institute. Administrative services, including salary costs, amounting to approximately \$213,895 (2009 - \$265,140) were provided to the Foundation by the Institute on a no charge basis.

The following is a summary of financial statements of the Foundation for the year ended December 31, 2009 and 2008:

	2009	2008
Total assets	\$ 2,236,699	\$2,066,754
Total liabilities	57,513	10,945
Net assets	\$ 2,179,186	\$2,055,809
Total revenues	\$ 1,054,037	\$1,237,845
Total expenses	930,660	645,777

9. Tuition and contract services:

Tuition and contract services revenue includes approximately \$1.42 million (2009 - \$2.11 million) in services performed for the Province.

10. Capital disclosures:

The Institute receives its principal source of capital through government grants, contributions from the Justice Institute Foundation and general donations. The Institute defines capital to be net assets, which includes amounts held in the operating and capital funds. In carrying out its purpose, the Institute maintains a strong capital base to support the programs, operations and activities of the Institute.

The Institute is not subject to any other external capital requirements or restrictions.