

NORTHWEST COMMUNITY COLLEGE

Financial Statements

As at March 31, 2012

McAlpine
& Co. CA^{II}

CHARTERED ACCOUNTANTS

May 31, 2012

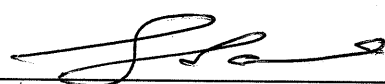

STATEMENT OF MANAGEMENT RESPONSIBILITY

The College is responsible for the preparation of the financial statements and has prepared them in accordance with generally accepted accounting principles prescribed for not-for-profit organizations by the Canadian Institute of Chartered Accountants. These financial statements present fairly the financial position of the College as at March 31, 2012, and the results of its operations and changes in net assets for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the College has developed and maintains a system of internal controls designed to provide reasonable assurance that College assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors carries out its responsibility for review of the financial statements. The Board of Governors may meet with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Board of Governors with and without the presence of Management.

The financial statements for the year ended March 31, 2012 have been reported on by the independent firm of McAlpine & Co. Chartered Accountants. The auditor's report outlines the scope of their examination and provides their opinion on the fairness of presentation of the information in the financial statements.



Denise K. Henning
President

Cathay Sousa
Vice President, Finance & Administration

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 statement of financial position as at March 31, 2012, and the statements of operations, changes in fund balances and cash flow for the year then ended, and 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.

Auditor's 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 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 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 Northwest Community College as at March 31, 2012, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Terrace, B.C.
May 31, 2012


CHARTERED ACCOUNTANTS

NORTHWEST COMMUNITY COLLEGE

Statement of Financial Position As at March 31, 2012

	Operating Fund	Capital Fund	Trust Fund	2012 Total	2011 Total (restated)
Assets					
Current assets					
Cash and term deposits	\$ 8,168,736	\$ 100,000	\$ 200,760	\$ 8,469,496	\$ 7,786,968
Accounts receivable (Note 3)	2,389,838			2,389,838	2,539,585
Inventories	283,319			283,319	285,265
	10,841,893	100,000	200,760	11,142,653	10,611,818
Property, plant and equipment (Note 4)		34,956,158		34,956,158	35,883,299
Inter-fund balances	(1,417,129)	1,452,967	(35,838)		
	\$ 9,424,764	\$ 36,509,125	\$ 164,922	\$ 46,098,811	\$ 46,495,117
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 2,749,738	\$	\$	\$ 2,749,738	\$ 3,790,084
Accrued termination benefits	1,436,816			1,436,816	433,536
Accrued vacation and other payroll benefits	1,019,083			1,019,083	1,092,235
Deferred revenue (Note 5)	3,129,300			3,129,300	1,530,991
	8,334,937			8,334,937	6,846,846
Deferred contributions - (Note 6)		1,502,020	164,922	1,666,942	1,134,573
Deferred capital contributions (Note 7)		30,336,331		30,336,331	30,694,877
	8,334,937	31,838,351	164,922	40,338,210	38,676,296
Net assets					
Unrestricted	239,827	50,947		290,774	130,399
Internally restricted (Note 8)	850,000			850,000	2,500,000
Invested in property, plant and equipment (Note 9)		4,619,827		4,619,827	5,188,422
	1,089,827	4,670,774		5,760,601	7,818,821
	\$ 9,424,764	\$ 36,509,125	\$ 164,922	\$ 46,098,811	\$ 46,495,117

Approved by:



Rhoda Witherly
Chair, Board of Governors



Cathay Sousa
Vice-President, Finance and Administration

NORTHWEST COMMUNITY COLLEGE

Statement of Operations For the Year Ended March 31, 2012

	Operating Fund	Capital Fund	Trust Fund	2012 Total	2011 Total
Revenue					
Contributions					
- Province of British Columbia	\$ 21,540,748	\$ 428,931		\$ 21,969,679	\$ 22,481,684
- Federal Government	95,732			95,732	65,189
Tuition and other fees	2,564,555	111,623		2,676,178	2,587,934
Contract services and other	2,220,996	28,607	71,872	2,321,475	2,764,474
Ancillary services	1,253,934			1,253,934	1,447,392
Gain (loss) on disposal of assets		(61,309)		(61,309)	
Amortization of deferred capital contributions		1,238,536		1,238,536	1,323,725
	27,675,965	1,746,388	71,872	29,494,225	30,670,398
Expenses					
Personnel	22,130,333			22,130,333	22,495,201
Instructional and service contracts	2,000,587			2,000,587	1,583,586
Supplies	817,763			817,763	937,732
Cost of goods sold	743,197			743,197	913,127
Advertising and promotion	123,174			123,174	191,944
Building and equipment costs	538,687	342,546		881,233	904,417
Building leases	108,004			108,004	94,007
Janitorial	375,246			375,246	391,025
Other	780,385		71,872	852,257	912,711
Telecommunications	274,720			274,720	323,435
Travel	569,131			569,131	550,712
Utilities	651,096			651,096	577,453
Amortization of property, plant and equipment		2,025,704		2,025,704	1,951,580
	29,112,323	2,368,250	71,872	31,552,445	31,826,930
Excess (shortfall) of revenue over expense for the year	\$ (1,436,358)	\$ (621,862)		\$ (2,058,220)	\$ (1,156,532)

NORTHWEST COMMUNITY COLLEGE

Statement of Changes in Fund Balances For the Year Ended March 31, 2012

	Operating Fund	Capital Fund	Trust Fund	Total 2012
Fund balances - beginning of year (restated)	\$ 2,526,185	\$ 5,292,636	\$	\$ 7,818,821
Excess (shortfall) of revenue over expense for the year	(1,436,358)	(621,862)		(2,058,220)
Fund balances - end of year	\$ 1,089,827	\$ 4,670,774	\$	\$ 5,760,601

NORTHWEST COMMUNITY COLLEGE

Statement of Cash Flows For the Year ended March 31, 2012

	2012	2011
Operating activities:		
Excess (shortfall) of revenue over expense for the year	\$ (2,058,220)	\$ (1,156,532)
Items not involving cash		
- amortization of property, plant and equipment	2,025,704	1,951,580
- amortization of deferred capital contributions	(1,238,536)	(1,323,725)
- loss on disposal of property, plant and equipment	61,309	
Net change in non-cash working capital	41,476	398,459
Net increase (decrease) in deferred revenue related to expenses of future periods	2,130,678	(1,076,192)
Cash provided by operations	962,411	(1,206,410)
Financing and investing activities:		
Deferred capital contributions	879,990	12,774,798
Purchase of property, plant and equipment	(1,170,873)	(13,277,461)
Proceeds from disposal of property, plant and equipment	11,000	
Cash provided (utilized) by financing and investing activities	(279,883)	(502,663)
Net increase (decrease) in cash during the year	682,528	(1,709,073)
Cash - beginning of year	7,786,968	9,496,041
Cash - end of year	\$ 8,469,496	\$ 7,786,968

NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended March 31, 2012

1. Purpose of the organization

Northwest Community College is a post-secondary educational institution incorporated under the provisions of the College and Institute Act of British Columbia. The College is funded principally by the provincial government of British Columbia through the Ministry of Advanced Education, Training and Technology. The College is exempt from income tax under the Income Tax Act.

2. Significant accounting policies

Basis of presentation

The financial statements of the College have been prepared by management in accordance with Canadian generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as well as disclosure of contingent assets and liabilities in the financial statements. Specific areas of estimate include the rate of amortization of property, plant and equipment, the allowance for doubtful accounts receivable, retirement allowance benefits accrual and the timing of recording of contract services revenue. Actual results may differ from these estimates.

Fund accounting

The resources and operations of the College have been segregated for accounting and financial reporting purposes into the following funds:

(i) Operating fund

The purpose of the Operating Fund is to reflect the operating and administration activities of the College. The operating fund also reflects various ancillary activities of the College including the Bookstore, Cafeteria and Dormitory operations.

(ii) Capital fund

The purpose of the Capital Fund is to reflect the College's investment in property, plant and equipment, capital maintenance and relating financing.

(iii) Trust fund

The purpose of the Trust Fund is to reflect the activity of funds held for those specific externally restricted purposes. The majority of the fund is restricted for student scholarships and bursaries.

Financial instruments

The College has designated all non-derivative financial assets and liabilities as held for trading with the exception of certain obligations designated as other liabilities and receivables which are designated as held to maturity.

- The College initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as held for trading are measured at fair value and changes in fair value are recognized in the statement of operations.
- Receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities are recorded at amortized cost.
- All transaction costs incurred on receivables and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method

Assets and liabilities classified as available for sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets until the financial instruments are re-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The College has not classified any assets or liabilities as available for sale.

NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements Year Ended March 31, 2012

2. Significant accounting policies (continued)

Revenue recognition

(i) Contributions

The College follows the deferral method of accounting for contributions which include mainly government grants. The government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of the funding arrangements.

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.

Externally restricted non-capital contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

Externally restricted contributions for the purchase of property, plant and equipment are deferred and amortized into revenue of the capital fund at a rate corresponding with the amortization rate for the related assets. Contributions restricted for property, plant and equipment that will not be amortized such as land, are recorded as direct increases to net assets of the capital fund in the year the asset is acquired. Donated property, plant and equipment that would otherwise be purchased are accounted for as externally restricted capital contributions, at fair value when fair value can be reasonably estimated. Unamortized deferred capital contributions relating to property, plant and equipment disposed of are recognized as revenue in the year of disposal, provided that all restrictions are complied with.

(ii) Contract services

Contract services revenues and expenditures are recognized in the operating fund as activities are performed, using the percentage of completion method. The zero profit margin method is used when a contract's financial outcome is not reasonably determinable. This method of accounting requires that equal amounts of revenue and cost be recognized until the financial outcome of a contract can be reasonably estimated. Provision for all anticipated losses is made in the year in which they become evident.

(iii) Tuition fees

Tuition fees are deferred for the portion of courses held in the next fiscal year.

Inventories

Inventories for resale are valued at the lower of cost or net realizable value.

Art collections

Art collections are recorded at cost. Donated art collections are recorded at fair market value when fair value can be reasonably estimated.

NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements Year Ended March 31, 2012

2. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized on a straight-line basis over the assets estimated useful lives at the following rates:

Site improvements	10%
Buildings	
- wood frame	5%
- concrete/steel	2.5%
Furniture and equipment	20%
Computer equipment	25%
Library acquisitions	10%
Landscaping	6.7%

No amortization is taken in the year of acquisition and a full year's amortization is taken in the year of disposal.

Construction in progress, representing property, plant and equipment under construction, is recorded at cost. Upon completion of the construction, construction in progress is transferred to property, plant and equipment.

Fund transfers and inter-fund balances

Fund transfers are approved by the College Board. Inter-fund balances owing to the Capital Fund are non-interest bearing with no specific terms of repayment.

3. Accounts receivable

Accounts receivable are recorded net of allowance for doubtful receivables of \$ 216,974 (2011 - \$ 226,021).

4. Property, plant and equipment

	Cost	Accumulated depreciation	Net Book Value 2012	Net Book Value 2011 (restated)
Land	\$ 1,623,140	\$	\$ 1,623,140	\$ 1,623,140
Buildings and site improvements	49,868,106	20,094,840	29,773,266	16,007,664
Furniture and equipment	12,608,350	10,366,094	2,242,256	1,467,815
Computer equipment	2,101,582	1,216,881	884,701	379,299
Library acquisitions	1,515,742	1,210,121	305,621	294,170
	67,716,920	32,887,936	34,828,984	19,772,088
Construction in progress				16,073,933
Art collections	127,174		127,174	37,278
	\$ 67,844,094	\$ 32,887,936	\$ 34,956,158	\$ 35,883,299

NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements Year Ended March 31, 2012

5. Deferred revenue

Deferred revenue represents deferred contract services and deferred tuition revenue of the operating fund as described at Note 2.

Changes in deferred revenue of the operating fund are as follows:

	2012	2011
Balance - beginning of year	\$ 1,530,991	\$ 1,954,704
Less amount recognized as revenue in the year	(1,180,191)	(1,843,871)
Add amount received related to the following year	2,778,500	1,420,158
Balance - end of year	\$ 3,129,300	\$ 1,530,991

6. Deferred contributions

Deferred contributions represent unspent contributions externally restricted for either capital or non-capital purposes.

	Operating Fund	Capital Fund	Trust Fund	Total 2012	Total 2011
Balance - beginning of year	\$ NIL	\$ 957,130	\$ 177,443	\$ 1,134,573	\$ 1,787,052
Less amount recognized as revenue in the year		(320,328)	(71,872)	(392,200)	(1,349,925)
Add amount received related to the following year		865,218	59,351	924,569	697,446
Balance - end of year	\$ NIL	\$ 1,502,020	\$ 164,922	\$ 1,666,942	\$ 1,134,573

7. Deferred capital contributions

Deferred capital contributions represent the unamortized external funding used to purchase property, plant and equipment. Deferred capital contributions are recognized as revenue in future years in the capital fund as the related property, plant and equipment are amortized.

	2012	2011
Balance - beginning of year	\$ 30,694,877	\$ 19,243,804
Contributions from government grants	879,990	12,774,798
Less amounts amortized to revenue	31,574,867 (1,238,536)	32,018,602 (1,323,725)
Balance - end of year	\$ 30,336,331	\$ 30,694,877

NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements Year Ended March 31, 2012

8. Internally restricted net assets

Internally restricted net assets comprise net assets restricted by the College Board of Governors for the following purposes:

	2012	2011
Dormitory upgrades	\$ 250,000	\$ 500,000
Programs - additional		525,000
Workplace Training & Continuing Studies contingency	350,000	350,000
College contingency		375,000
Equipment replacement		500,000
Matching funds	250,000	250,000
Balance - end of year	\$ 850,000	\$ 2,500,000

9. Net assets invested in property, plant and equipment

Net assets invested in property, plant and equipment is calculated as follows:

	2012	2011 (restated)
Property, plant and equipment, net of accumulated depreciation	\$ 34,956,158	\$ 35,883,299
Amounts funded by:		
Deferred capital contributions	30,336,331	30,694,877
	\$ 4,619,827	\$ 5,188,422

Change in fund balance invested in property, plant and equipment is calculated as follows:

	2012	2011
Deficiency of revenues over expenses:		
Amortization of deferred capital contributions	\$ 1,238,536	\$ 1,323,725
Amortization of property, plant and equipment	(2,025,704)	(1,951,580)
Loss on disposal of property, plant and equipment	(61,309)	
	(848,477)	(627,855)
Net change in investment in property, plant and equipment:		
Purchase of property, plant and equipment	1,170,873	13,277,461
Amounts funded by:		
Deferred contributions	(879,990)	(12,774,798)
Proceeds on disposal of property, plant and equipment	(11,000)	
	279,883	502,663
	\$ (568,594)	\$ (125,192)

NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements Year Ended March 31, 2012

10. Pension plans

The College and its employees contribute to the College Pension Plan and Municipal Pension 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 approximately 13,000 active contributors 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.

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, 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 an unfunded liability of \$ 1,024 million 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 the obligation, plan assets and cost to individual entities participating in the plan. Northwest Community College paid \$ 1,373,000 for employer contributions to the two plans in fiscal 2011 (2011 - \$ 1,423,000).

11. Commitments and contingencies

Lease Commitments

The College is committed under several lease agreements for the rental of premises. The future aggregate minimum annual rental under these leases is as follows:

2013	\$	61,429
2014		38,851
2015		28,051
2016		28,051

	\$	156,382
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Third Party Claims

The College is involved in certain legal actions, the outcome of which is uncertain at this time. Accordingly, no provision has been made in the accounts for these actions.

NORTHWEST COMMUNITY COLLEGE

Notes to Financial Statements Year Ended March 31, 2012

12. Funds held by Vancouver Foundation

The College has endowment funds totaling \$976,493 (2011 - \$ 965,940) 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. The College has recorded its contributions to the Fund as donation expenditures. The College earned income of \$31,769, (2011 - \$ 33,361) from the Funds during the year. The endowment funds with the Vancouver Foundation are as follows:

	2012 Cost	2012 Market Value	2011 Cost
Northwest Community College Endowment Fund	\$ 577,331	\$ 605,070	\$ 577,246
Morice Community Skills Centre Legacy Fund	182,635	171,058	182,611
NWCC School of Exploration and Mining Endowment Fund	208,796	200,365	206,083
	\$ 968,762	\$ 976,493	\$ 965,940

13. Prior period adjustment

The College has restated its financial statements for a correction of an error in the recording of amortization of furniture and equipment in its 2009 financial statements. As a result of this error, 2009 amortization expense was understated by \$252,330 and property, plant and equipment was overstated by the same amount. The College's financial statements were therefore restated in the current year as follows:

Adjustments to 2011 net assets - invested in property, plant and equipment

Invested in property, plant and equipment, as previously reported	\$ 5,440,752
Less:	
Increase to amortization of furniture and equipment expense	(252,330)
Invested in property, plant and equipment, as restated	\$ 5,188,422

Adjustments to property, plant and equipment

Property, plant and equipment, as previously reported	\$ 36,135,629
Less:	
Increase to amortization of furniture and equipment accumulated amortization	(252,330)
Property, plant and equipment, as restated	\$ 35,883,299

14. Financial instruments

The College's financial instruments consist of cash and term deposits, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the College is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Schedule of Operating Fund Revenues and Expenditures
For the Year Ended March 31, 2012

	2012			2011	
	Base Programs	Non-base Programs	Lease Services	Total	Total
Revenue					
Contributions					
- Province of British Columbia	\$ 19,002,931	\$ 2,425,670	\$ 112,147	\$ 21,540,748	\$ 21,992,513
- Federal Government		95,732		95,732	65,189
Tuition and other fees	1,819,571	744,984		2,564,555	2,458,378
Contract services and other	625,190	1,595,806		2,220,996	2,639,782
Ancillary services	1,253,934			1,253,934	1,447,392
	22,701,626	4,862,192	112,147	27,675,965	28,603,254
Expenses					
Personnel	20,051,166	2,079,167		22,130,333	22,495,201
Instructional and service contracts	799,652	1,200,935		2,000,587	1,583,586
Supplies	599,982	217,781		817,763	937,732
Cost of goods sold	690,531	52,666		743,197	913,127
Advertising and promotion	80,356	42,818		123,174	191,944
Building and equipment costs	436,572	102,115		538,687	380,133
Building leases			108,004	108,004	94,007
Janitorial	375,246			375,246	391,025
Other	594,219	186,166		780,385	829,061
Telecommunications	266,650	8,070		274,720	323,435
Travel	300,492	268,639		569,131	550,712
Utilities	637,995	13,101		651,096	577,453
	24,832,861	4,171,458	108,004	29,112,323	29,267,416
Excess (shortfall) of revenue over expense for the year	\$ (2,131,235)	\$ 690,734	\$ 4,143	\$ (1,436,358)	\$ (664,162)