Audited Financial Statements of

# CAMOSUN COLLEGE

Years ended March 31, 2013 and 2012

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Audited Financial Statements

Years ended March 31, 2013 and March 31, 2012

## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Camosun College ("the entity"), which comprise the statement of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the statement of operations, statement of change in accumulated surplus, statement of changes in net debt, and statement of cash flows for the years ended March 31, 2013, and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 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 presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the statements of financial position of Camosun College as at March 31, 2013, March 31, 2012, and April 1, 2011, and its statements of operations, change in accumulated surplus, change in net debt, and cash flows for the years ended March 31, 2013, and March 31, 2012, are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

**Emphasis of Matter**

Without modifying my opinion, I draw attention to Note 2(a) to the financial statements, which describes the basis of accounting used in the preparation of these financial statements. Note 5 of the financial statements discloses the impact of these differences between such basis of accounting and Canadian public sector accounting standards.

Russ Jones

*Victoria, British Columbia*
June 10, 2013

Russ Jones, MBA, CA
Auditor General (Acting)

# CAMOSUN COLLEGE

Statement of Financial Position

March 31, 2013, with comparative figures for March 31, 2012 and April 1, 2011

| | | March 31, 2013 | March 31, 2012 (Restated notes 3, 4) | April 1, 2011 (Restated notes 3, 4) |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | (note 6) | $ 27,968,124 | $ 21,012,008 | $ 16,177,755 |
| Accounts receivable | (note 7) | | | |
| Due from Government and other government organizations | | 2,699,623 | 1,665,995 | 2,640,115 |
| Other | | 3,323,595 | 2,955,672 | 3,682,919 |
| Inventories for resale | (note 8) | 768,749 | 726,234 | 798,590 |
| | | 34,760,091 | 26,359,909 | 23,299,379 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | (note 9) | | | |
| Due to Government and other government organizations | | 2,702,103 | 1,355,760 | 1,258,803 |
| Other | | 15,008,275 | 11,105,600 | 11,018,317 |
| Employee future benefits | (note 10) | 1,758,659 | 2,038,371 | 2,179,894 |
| Deferred contributions | (note 11) | 5,087,128 | 4,467,133 | 3,450,838 |
| Deferred revenue | (note 12) | 5,076,915 | 4,736,266 | 4,667,776 |
| Deferred capital contributions | (note 13) | 57,954,602 | 53,406,096 | 54,879,375 |
| Obligations under capital lease | (note 14) | 149,447 | 354,140 | 357,090 |
| | | 87,737,129 | 77,463,366 | 77,812,093 |
| Net financial assets (net debt) | | (52,977,038) | (51,103,457) | (54,512,714) |
| **Non-financial assets** | | | | |
| Tangible capital assets | (note 15) | 69,368,684 | 66,968,811 | 70,093,593 |
| Prepaid expenses | | 397,706 | 426,099 | 513,856 |
| | | 69,766,390 | 67,394,910 | 70,607,449 |
| Accumulated surplus | (note 4) | $ 16,789,352 | $ 16,291,453 | $ 16,094,735 |
| Contractual obligations | (note 16) | | | |
| Contingent liabilities and assets | (note 17) | | | |

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Vice President Administration and
Chief Financial Officer

# CAMOSUN COLLEGE

Statement of Operations

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

| | Budget (note 21) | March 31, 2013 | March 31, 2012 (Restated notes 3, 4) |
|---|---|---|---|
| Revenue: | | | |
| Provincial grants | | | |
| Ministry of Advanced Education | $ 54,460,747 | $ 57,593,269 | $ 56,103,894 |
| Other | 5,565,746 | 5,024,191 | 6,594,044 |
| Federal grants | 1,898,209 | 1,596,656 | 1,528,052 |
| Other grants | 188,030 | 380,288 | 193,009 |
| Tuition | 27,459,954 | 26,972,339 | 25,222,308 |
| Fees (other) | 568,000 | 682,803 | 658,399 |
| Other revenue | 1,672,423 | 819,733 | 1,024,613 |
| Rentals and leases | 363,023 | 96,709 | 114,806 |
| Investment income | 175,000 | 320,244 | 252,824 |
| Sales of goods and services | | | |
| To the Province | 1,029,000 | 1,076,546 | 468,793 |
| To Crown Corporations or Government Organizations | 500,000 | 878,835 | 496,816 |
| To non-related entities | 10,657,599 | 12,524,847 | 13,169,651 |
| | 104,537,731 | 107,966,460 | 105,827,209 |
| Expenses: (note 18) | | | |
| Instruction & Support | 96,141,690 | 98,987,608 | 97,319,769 |
| Ancillary Operations | 7,183,041 | 7,072,524 | 7,165,654 |
| Applied Research | 1,213,000 | 1,408,430 | 1,145,067 |
| | 104,537,731 | 107,468,562 | 105,630,490 |
| Annual surplus | $ - | $ 497,898 | $ 196,719 |

See accompanying notes to financial statements.

# CAMOSUN COLLEGE

Statement of Change in Accumulated Surplus

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

| | | March 31, 2013 | March 31, 2012 |
|---|---|---|---|
| Accumulated surplus at the beginning of the year as originally reported | | $ 17,095,742 | $ 16,887,545 |
| Adjustments to accumulated surplus: | | | |
| Change on transition to PSAS - Employee Future Benefits | (note 4) | (177,247) | (188,505) |
| Change on transition to PSAS - Tangible Capital Assets | (note 4) | (91,917) | (91,917) |
| Prior period error corrected - Benefits for Employees on LTD | (note 3) | (535,124) | (512,389) |
| Accumuated surplus at the beginning of the year | | 16,291,454 | 16,094,734 |
| Surplus for the year as originally reported | | 497,898 | 208,196 |
| Change on transition to PSAS | (note 4) | | 11,258 |
| Prior period error corrected | (note 3) | | (22,735) |
| Surplus for the year restated | | 497,898 | 196,719 |
| Accumulated surplus at the end of the year | | $ 16,789,352 | $ 16,291,453 |

See accompanying notes to financial statements.

# CAMOSUN COLLEGE

Statement of Changes in Net Financial Assets (Net Debt)

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

| | Budget (note 21) | March 31, 2013 | March 31, 2012 |
|---|---|---|---|
| Annual surplus (deficit) | $ - | $ 497,898 | $ 196,719 |
| (Acquisition) disposal of tangible capital assets | (1,762,181) | (9,032,270) | (2,287,464) |
| Amortization of tangible capital assets | 5,400,000 | 6,632,398 | 5,412,245 |
| | 3,637,819 | (2,399,872) | 3,124,781 |
| Use of prepaid expense | - | 28,393 | 87,757 |
| | | 28,393 | 87,757 |
| (Increase) decrease in net financial assets (net debt) | 3,637,819 | (1,873,581) | 3,409,257 |
| Net financial assets (net debt), beginning of year | (51,103,457) | (51,103,457) | (54,512,714) |
| Net financial assets (net debt), end of year | $ (47,465,638) | $ (52,977,038) | $ (51,103,457) |

See accompanying notes to financial statements.

# CAMOSUN COLLEGE

Statement of Cash Flows

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

| | March 31, 2013 | March 31, 2012 |
|---|---|---|
| | | (Restated notes 3,4) |
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | $ 497,898 | $ 196,719 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 6,632,399 | 5,412,245 |
| Revenue recognized from deferred capital contributions | (4,745,357) | (5,347,357) |
| Change in employee future benefits | (279,712) | (141,523) |
| Change in non-cash operating working capital: | | |
| Decrease (increase) in accounts receivable | (1,401,551) | 1,701,367 |
| Decrease in prepaid expenses | 28,393 | 87,757 |
| Decrease (increase) in in other assets held for sale | (42,515) | 72,356 |
| Increase (decrease) in accounts payable and accrued liabilities | 5,249,018 | 184,239 |
| Increase in deferred revenue | 960,644 | 1,084,785 |
| Net change in cash from operating activities | 6,899,217 | 3,250,588 |
| Capital activities: | | |
| Cash used to acquire tangible capital assets | (8,081,865) | (2,106,627) |
| Net change in cash from capital activities | (8,081,865) | (2,106,627) |
| Financing activities: | | |
| Capital contributions received | 8,343,457 | 3,874,078 |
| Principal payments on capital lease obligations | (204,693) | (183,786) |
| Net change in cash from financing activities | 8,138,764 | 3,690,292 |
| Net change in cash | 6,956,116 | 4,834,253 |
| Cash, beginning of year | 21,012,008 | 16,177,755 |
| Cash, end of year | $ 27,968,124 | $ 21,012,008 |

Cash is comprised of cash and cash equivalents

See accompanying notes to financial statements.

**1. Nature of operations:**

Camosun College (the “College”) is a post-secondary educational institution funded by the Province of British Columbia (the “Province”) and incorporated under the College and Institute Act of British Columbia. The British Columbia Ministry of Advanced Education, Innovation and Technology (the “Ministry”) provides the principal source of funding. The College is governed by a Board of Governors, the majority of which are appointed by the provincial government of British Columbia. The College is a registered charity and is therefore exempt from income taxes under section 149 of the *Income Tax Act*.

**2. Significant accounting policies:**

(a) Basis of accounting:

These financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act (BTAA) of the Province of British Columbia. The BTAA requires that the financial statements be prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) except as modified by the Restricted Contributions Regulation (BC Regulation 198/2011) as set out in Note 5.

These are the College’s first financial statements prepared in accordance with the reporting framework noted above, and PS2125, First-time Adoption by Government Organizations, has been applied.

These accounting changes have been applied retroactively with restatement of prior periods. The transition date is April 1, 2011.

In accordance with the transitional provisions of PSAS PS2125, the College has elected to use the following exemptions:

Tangible capital asset impairment – the College has elected not to reassess conditions for a write-down prior to the transition date, and instead maintain the book values at transition and to assess conditions for a write-down of a tangible capital asset as noted in PS3150, Tangible Capital Assets, on a prospective basis from the date of transition to Public Sector Accounting Standards.

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

Detailed information on the impact of the conversion to modified Canadian Public Sector Accounting Standards is provided in Note 5.

(b) Inventories for resale:

Inventories held for resale, comprised of bookstore inventory, is recorded at the lower of average cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated selling price less any costs to sell.

**2. Significant accounting policies (continued):**

(c) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

| Asset | Rate |
|---|---|
| Buildings | 20-40 years |
| Furniture, fixtures, equipment | 5 years |
| Computers, software | 3 years |

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the College's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed capital assets are recorded at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

On July 14, 1983 certain land was transferred to the College by order of the Lieutenant-Governor in Council. These assets have been recorded at a nominal value of $1. Title to the assets is transferred subject to their continued use for educational purposes.

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

Leases which transfer substantially all of the benefit and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs. The discount rate used to determine the present value of the lease payments is the lower of the College's rate for incremental borrowing or the interest rate implicit in the lease. The maximum recorded value of the leased assets cannot exceed the leased property's fair value when determining the discount rate to be used. See Note 14 for a schedule of repayments and amount of interest on the leases.

**2. Significant accounting policies (continued):**

(d) Employee future benefits:

i. The College and its employees contribute to the College Pension Plan and the Municipal Pension Plan, which are multi-employer joint trustee plans. The plans are defined benefit plans providing a pension on retirement based on the member's age at retirement, length of service and earnings. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as defined contribution plans and any contributions of the College to the plans are expensed as incurred.

ii. Sick leave benefits are also available to certain College employees. The costs of these benefits is actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees.

iii. The cost and obligation of non-vesting sick leave benefits is actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

iv. Certain employees of the College are entitled to the continuation of health and dental benefits while on disability. The accrued benefit obligation for currently disabled employees was estimated by an actuarial valuation for accounting purposes at March 31, 2013.

v. The costs of insured benefits reflected in these statements are the employer's portion of the insurance premiums owed for coverage of employees during the period.

(e) Asset retirement obligations:

The College recognizes asset retirement obligations in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations. At this time the College has determined that there are no significant asset retirement obligations.

(f) Prepaid expenses:

Prepaid expenses include lease and contract payments that will be charged to expense over the periods the College is expected to benefit from them.

**2. Significant accounting policies (continued):**

(g) Revenue recognition:

Tuition and student fees and sales of inventory are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured. Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Fee for services revenues and expenditures are recognized as activities are performed, using the percentage of completion method. Provision for all anticipated losses is made in the period in which they become evident.

Unrestricted contributions, donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors. Under Restricted Contributions Regulation 198/2011, government transfers are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

(ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.

See note 5 for the impact of this regulation on these consolidated financial statements.

(h) Expenses:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

(i) Financial instruments:

The College does not hold any derivatives or equity investments and has not elected to record any other financial instruments at fair value. Financial assets and financial liabilities are measured at cost or amortized cost, less any permanent impairment in value.

A statement of remeasurement gains and losses is not presented as the College did not have remeasurement transactions to report.

**2. Significant accounting policies (continued):**

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

(j) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short term cash commitments rather than investing.

(k) Measurement uncertainty:

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Key areas where management has made estimates and assumptions include those related to the determination of the useful lives of capital assets, amortization of related deferred capital contributions, determination of employee future benefits, and provisions for contingencies. Where actual results differ from these estimates and assumptions, the impact is recorded in future periods when the difference becomes known.

**3. Prior Period Adjustments:**

The College has determined that extended health & dental obligations for employees on LTD should be included in these financial statements (Note 10.a.ii).

| | March 31, 2012 Previously stated | Adjustment | March 31, 2012 Restated |
|---|---|---|---|
| Statement of Financial Position: | | | |
| Employee future benefits | $ 1,326,000 | $ 535,124 | $ 1,861,124 |
| Accumulated surplus | 17,095,741 | (535,124) | 16,560,617 |

**Accumulated surplus at March 31, 2012:**

| | |
|---|---|
| Accumulated surplus, as previously reported | $ 17,095,741 |
| Recognition of employee future benefits | (535,124) |
| Accumulated surplus, as restated | $ 16,560,617 |

### 3. Prior Period Adjustments (continued):

**Annual surplus for 2012:**

| | | |
|---|---|---|
| Annual surplus, as previously stated | $ | 208,196 |
| Adjustment to salaries and benefits expense | | (22,735) |
| Annual surplus, as restated | $ | 185,461 |

| | April 1, 2011 Previously stated | Adjustment | April 1, 2011 Restated |
|---|---|---|---|
| Statement of Financial Position: | | | |
| Employee future benefits | $ 1,479,000 | $ 512,389 | $ 1,991,389 |
| Accumulated surplus | 16,887,545 | (512,389) | 16,375,156 |

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

| | | |
|---|---|---|
| Accumulated surplus, as previously reported | $ | 16,887,545 |
| Recognition of employee future benefits | | (512,389) |
| Accumulated surplus, as restated | $ | 16,375,156 |

### 4. Adoption of new financial reporting framework:

Effective April 1, 2012, the College adopted the financial reporting framework described in note 2(a). The impact of the adoption to this financial reporting framework on accumulated surplus at the date of transition and the comparative annual surplus is presented below.

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

(a) Previously, the College was not required to record an accrued benefit obligation related to sick leave benefits as the benefits do not vest. Canadian Public Sector Accounting standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the College in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability for employee future benefits at April 1, 2011 was $176,000. An additional expense of $12,000 was recognized in the 2012 fiscal year. The liability for employee future benefits recorded at March 31, 2012 was increased by $164,000 related to the accrual for accumulated sick leave entitlement, determined by an actuarial valuation.

(b) Previously, the College recognized artwork as a capital asset on the balance sheet. Upon conversion to the financial reporting framework, these assets were written off as works of art are not recognized as tangible capital assets under Canadian Public Sector Accounting standards because a reasonable estimate of the future benefit associated with such property

## 4. Adoption of new financial reporting framework (continued):

cannot be made. The resulting adjustment was a reduction in accumulated surplus and tangible capital assets at April 1, 2011 of $91,917.

**Summary of adjustments:**

| | March 31, 2012 Previously stated | Effect of PSAS transition | March 31, 2012 Restated |
|---|---|---|---|
| Statement of Financial Position: | | | |
| Tangible capital assets | $67,060,728 | $ (91,917) | $66,968,811 |
| Employee future benefits restated (note 3) | 1,861,124 | 177,247 | 2,038,371 |
| Accumulated surplus restated (note 3) | 16,560,617 | (269,164) | 16,291,453 |
| Expense by Object (note 18): | | | |
| Salaries and benefits restated | 83,617,874 | (11,258) | 83,606,616 |

**Accumulated surplus at March 31, 2012:**

| | | |
|---|---|---|
| Accumulated surplus restated (note 3) | $ | 16,560,617 |
| Recognition of unvested employee future benefits | | (177,247) |
| Write off of artwork | | (91,917) |
| Accumulated surplus, as restated | $ | 16,291,453 |

**Annual surplus for 2012:**

| | | |
|---|---|---|
| Annual surplus restated (note 3) | $ | 185,461 |
| Adjustment for non-vested employee future benefits | | 11,258 |
| Annual surplus, as restated | $ | 196,719 |

| | April 1, 2011 Previously stated | Effect of PSAS transition | April 1, 2011 Restated |
|---|---|---|---|
| Statement of Financial Position: | | | |
| Tangible capital assets | $70,185,510 | $ (91,917) | $70,093,593 |
| Employee future benefits restated (note 3) | 1,991,389 | 188,505 | 2,179,894 |
| Accumulated surplus restated (note 3) | 16,375,157 | (280,422) | 16,094,735 |

**4. Adoption of new financial reporting framework (continued):**

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

| | | |
|---|---|---|
| Accumulated surplus, as restated | $ | 16,375,157 |
| Recognition of non-vested employee future benefits | | (188,505) |
| Write off of artwork | | (91,917) |
| Accumulated surplus, as restated | $ | 16,094,735 |

The College elected to use the tangible capital asset impairment exemption and maintained the book values at transition. The College will assess conditions for a write-down of tangible capital assets on a prospective basis from date of transition to PSAS.

**5. Impact of Accounting for Government Transfers in Accordance with Section 23.1 of the Budget Transparency and Accountability Act:**

As noted in the significant accounting policies, Section 23.1 of the Budget Transparency and Accountability Act and its related regulations require the College to recognize all government transfers into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be fully recognized into revenue. The impact of this difference on the financial statements of the College is as follows:

(a) April 1, 2011 – increase in accumulated surplus by $57,139,397 and decrease in deferred operating contributions by $2,260,022 and deferred capital contributions by $54,879,375
(b) Year-ended March 31, 2012 – decrease in annual surplus by $323,651
(c) March 31, 2012 – increase in accumulated surplus by $56,815,746 and decrease in deferred operating contributions by $3,409,647 and deferred capital contributions by $53,406,099
(d) Year-ended March 31, 2013 – increase in annual surplus by $4,154,302
(e) March 31, 2013 – increase in accumulated surplus by $60,970,048 and decrease in deferred operating contributions by $3,989,050 and deferred capital contributions by $56,980,998

**6. Cash and cash equivalents:**

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Cash and guaranteed investment certificates | $27,968,124 | $21,012,008 | $16,177,755 |
| | $27,968,124 | $21,012,008 | $16,177,755 |

A redeemable $6,000,000 GIC earning 1.5% per annum with a maturity date of December 7, 2013 is included in the 2013 balance.

## 7. Accounts receivable:

(a) Due from government and other government organizations:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Federal government | $2,144,628 | $ 256,318 | $ 895,096 |
| Provincial government | 470,617 | 569,636 | 1,360,691 |
| Other government organizations | 84,378 | 840,041 | 384,328 |
| | $2,699,623 | $ 1,665,995 | $ 2,640,115 |

(b) Due from other:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Revenues receivable | $3,641,093 | $ 3,329,321 | $ 4,050,088 |
| Accrued interest | 73,479 | - | - |
| Less provision for doubtful accounts | (390,977) | (373,649) | (367,169) |
| | $3,323,595 | $ 2,955,672 | $ 3,682,919 |

## 8. Inventories for resale:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Inventories for resale | $ 768,749 | $ 726,234 | $ 798,590 |
| | $ 768,749 | $ 726,234 | $ 798,590 |

Inventory is comprised of bookstore inventory for resale. During the year ended March 31, 2013 the College recognized $3,521,211 (2012 - $3,669,435) of expenses related to inventories in the Statement of Operations. This includes an amount of $17,392 (2012 - $18,344) resulting from the write-down of inventories.

## 9. Accounts payable and accrued liabilities:

(a) Due to government and other government organizations:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Federal government | $ 1,671,758 | $ 789,268 | $ 686,112 |
| Provincial government | 59,000 | 48,000 | 47,000 |
| Other government organizations | 971,345 | 518,492 | 525,691 |
| | $2,702,103 | $ 1,355,760 | $ 1,258,803 |

(b) Due to other:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Trade payables and accrued liabilities | $10,260,822 | $ 6,645,578 | $ 6,720,657 |
| Accrued vacation pay and earned time off | 3,693,415 | 3,411,257 | 3,521,841 |
| Professional development | 1,054,038 | 1,048,765 | 775,819 |
| | $15,008,275 | $11,105,600 | $11,018,317 |

## 10. Employee future benefits:

(a) Employee future benefits:

Information about obligations for employee sick leave and other liabilities is as follows:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Sick leave | $ 1,360,000 | $ 1,490,000 | $ 1,655,000 |
| LTD health & dental benefits | 398,659 | 548,371 | 524,894 |
| | $ 1,758,659 | $ 2,038,371 | $ 2,179,894 |

i. Certain employees of the College are entitled to sick leave benefits in accordance with the terms and conditions of their employment contracts. These include post-retirement benefits, benefits that are expected to be provided after employment but prior to retirement and which vest or accumulate during service; and compensated absence benefits, benefits paid during employment, including sick pay benefits that accumulate and are payable upon a future illness or injury-related absence. The

## 10. Employee future benefits (continued):

benefit expense associated with the covered benefits attributed to the accounting period is included in the College's statement of operations and the accrued benefit liability for the benefits attributed to employee service to the accounting date are included in the College's statement of financial position. The accrued benefit obligation and the net periodic benefit costs were estimated by an actuarial valuation completed in March 2010 and extrapolated to the current year.

| | 2013 | 2012 |
|---|---|---|
| Accrued benefit obligation: | | |
| Balance, beginning of year | $1,490,000 | $ 1,655,000 |
| Current benefit cost | 130,000 | 134,000 |
| Benefits paid | (260,000) | (299,000) |
| Accrued benefit obligation, end of year | $1,360,000 | $ 1,490,000 |

The components of the net benefit expense for this item are as follows:

| | 2013 | 2012 |
|---|---|---|
| Projected service cost | $ 66,000 | $ 68,000 |
| Interest expense | 64,000 | 66,000 |
| | $ 130,000 | $ 134,000 |

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligations are as follows:

| | 2013 | 2012 |
|---|---|---|
| Discount rates | 3.75% | 3.75% |
| Expected future inflation rates | 2.00% | 2.00% |
| Expected wage and salary increases | 2.75% | 2.75% |

ii. Certain employees of the College are entitled to the continuation of extended health, dental and Medical Services Plan (MSP) benefits in accordance with the terms and conditions of their employment contracts. Coverage is extended to disabled employees, their spouses and dependent children while on disability. Faculty and Exempt employees receive these benefits from their date of disability to the earlier of recovery from disability and return to work or age 65. Support staff receive these benefits from their date of disability to the earlier of recovery from disability and return to work or two years.

**10. Employee future benefits (continued):**

The accrued benefit obligation for currently disabled employees was estimated by an actuarial valuation for accounting purposes as at March 31, 2013.

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligations are as follows:

| | 2013 | 2012 |
|---|---|---|
| Discount rates | 2.76% | 3.08% |
| Medical trend | 8.00% | 8.00% |
| Dental trend | 6.00% | 6.00% |
| MSP trend | 4.50% | 4.50% |

(b) Pension plans:

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (the "Plans"), jointly trusteed pension plans. The Boards of Trustees, representing plan members and employers, are responsible for the management of the Plans, including investment of the assets and administration of benefits. The Plans are multi-employer contributory pension plans. Basic pension benefits provided are based on a formula. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has about 176,000 active members, with approximately 5,700 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the Plans and the adequacy of Plan funding. The most recent valuation for the College Pension Plan as at August 31, 2012 indicated a $105 million deficit for basic pension benefits. The next valuation will be as at August 31, 2015 with results available in 2016.

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 the obligation, plan assets and cost to individual entities participating in the plan.

The College paid $3,854,587 (2012 - $ 4,009,890) for employer contributions for the College Pension Plan and $1,453,393 (2012 - $1,483,949) for the Municipal Pension Plan in fiscal 2013.

## 11. Deferred contributions:

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

| | April 1, 2012 | Receipts during year | Transferred to revenue | March 31, 2013 |
|---|---|---|---|---|
| Provincial | $ 3,683,112 | $7,646,509 | $(6,758,393) | $ 4,571,228 |
| Federal | 784,021 | 1,328,535 | (1,596,656) | 515,900 |
| | $ 4,467,133 | $8,975,044 | $(8,355,049) | $ 5,087,128 |

| | April 1, 2011 | Receipts during year | Transferred to revenue | March 31, 2012 |
|---|---|---|---|---|
| Provincial | $ 2,936,135 | $8,303,499 | $(7,556,522) | $ 3,683,112 |
| Federal | 514,703 | 1,797,370 | (1,528,052) | 784,021 |
| | $ 3,450,838 | $10,100,869 | $(9,084,574) | $ 4,467,133 |

## 12. Deferred revenue:

Deferred revenue includes tuition and contract fees received in advance of the related activity performed:

| | April 1, 2012 | Receipts during year | Transferred to revenue | March 31, 2013 |
|---|---|---|---|---|
| Tuition Fees | $ 2,750,691 | $27,252,205 | $ (26,972,339) | $ 3,030,557 |
| Contract Fees | 1,985,575 | 14,541,011 | (14,480,228) | 2,046,358 |
| | $ 4,736,266 | $41,793,216 | $(41,452,567) | $ 5,076,915 |

| | April 1, 2011 | Receipts during year | Transferred to revenue | March 31, 2012 |
|---|---|---|---|---|
| Tuition Fees | $ 2,765,292 | $25,207,707 | $(25,222,308) | $ 2,750,691 |
| Contract Fees | 1,902,484 | 14,218,351 | (14,135,260) | 1,985,575 |
| | $ 4,667,776 | $39,426,058 | $(39,357,568) | $ 4,736,266 |

## 13. Deferred capital contributions:

Deferred capital contributions are comprised of Federal, Provincial and other grants subject to amortization on the same basis as the related asset:

| | Provincial | Federal | Other | March 31, 2013 |
|---|---|---|---|---|
| Equipment | $2,103,873 | $ 1,488,631 | $ 1,003,649 | $ 4,596,153 |
| Buildings | 46,432,920 | 2,145,196 | - | 48,578,116 |
| Deferred | 4,240,165 | 496,722 | 43,446 | 4,780,333 |
| | $ 52,776,958 | $ 4,130,549 | $ 1,047,095 | $57,954,602 |

| | Provincial | Federal | Other | March 31, 2012 |
|---|---|---|---|---|
| Equipment | $179,058 | $ 819,729 | $ 141,512 | $ 1,140,299 |
| Buildings | 46,589,986 | 2,269,639 | - | 48,859,625 |
| Deferred | 3,406,172 | - | | 3,406,172 |
| | $ 50,175,216 | $ 3,089,368 | $ 141,512 | $53,406,096 |

| | Provincial | Federal | Other | April 1, 2011 |
|---|---|---|---|---|
| Equipment | $251,691 | $ 861,759 | $ 139,288 | $ 1,252,738 |
| Buildings | 49,280,391 | 2,394,082 | - | 51,674,473 |
| Deferred | 1,563,698 | 388,466 | | 1,952,164 |
| | $ 51,095,780 | $ 3,644,307 | $ 139,288 | $54,879,375 |

Continuity of all deferred capital contributions is as follows:

| March 31, 2013 | Deferred | Unamortized | Total |
|---|---|---|---|
| Opening balance | $ 3,406,172 | $ 49,999,924 | $53,406,096 |
| Restricted contributions received | 9,293,865 | - | 9,293,865 |
| Contributions spent | (7,919,704) | 7,919,704 | - |
| Amounts amortized to revenue | - | (4,745,357) | (4,745,357) |
| | $ 4,780,333 | $ 53,174,271 | $57,954,604 |

| March 31, 2012 | Deferred | Unamortized | Total |
|---|---|---|---|
| Opening balance | $ 1,952,164 | $ 52,927,211 | $ 54,879,375 |
| Restricted contributions received | 3,874,078 | - | 3,874,078 |
| Contributions spent | (2,420,070) | 2,420,070 | - |
| Amounts amortized to revenue | - | (5,347,357) | (5,347,357) |
| | $ 3,406,172 | $ 49,999,924 | $ 53,406,096 |

**14. Obligations under capital lease:**

The College has entered into two capital leases expiring August 30, 2013 and July 28, 2014 for office equipment requiring future minimum lease payments as follows, calculated using a discount rate of 7.23% and 9.1% respectively:

| | |
|---|---|
| 2014 | $ 136,494 |
| 2015 | 20,735 |
| Minimum lease payments | 157,229 |
| Less amount representing interest | (7,782) |
| Present value of net minimum capital lease payments | $ 149,447 |

Interest of $27,262 (2012 - $27,712) relating to the capital lease obligation has been expensed.

**15. Tangible capital assets:**

| Cost | March 31, 2012 | Additions | Disposals | March 31, 2013 |
|---|---|---|---|---|
| Land | $ 14,484,612 | $ - | $ - | $ 14,484,612 |
| Buildings | 91,983,127 | 2,046,404 | - | 94,029,531 |
| Assets under construction | 337,825 | 2,683,278 | - | 3,021,103 |
| Furniture, fixtures and equipment | 11,708,714 | 3,782,684 | (1,919,449) | 13,571,949 |
| Computers and software | 2,623,102 | 519,904 | (767,859) | 2,375,147 |
| Equipment under capital lease | 757,448 | - | - | 757,448 |
| Total | $ 121,894,828 | $ 9,032,270 | $ (2,687,308) | $ 128,239,790 |

| Accumulated amortization | March 31, 2012 | Disposals | Amortization expense | March 31, 2013 |
|---|---|---|---|---|
| Land | $ - | $ - | $ - | $ - |
| Buildings | 46,002,202 | - | 3,056,861 | 49,059,063 |
| Assets under construction | - | - | - | - |
| Furniture, fixtures and equipment | 6,849,332 | (1,919,449) | 2,668,581 | 7,598,464 |
| Computers and software | 1,730,219 | (767,859) | 755,467 | 1,717,827 |
| Equipment under capital lease | 344,262 | - | 151,490 | 495,752 |
| Total | $ 54,926,015 | $ (2,687,308) | $ 6,632,399 | $ 58,871,106 |

**15. Tangible capital assets (continued):**

| | Net book value March 31, 2012 | Net book value March 31, 2013 |
|---|---|---|
| Land | $ 14,484,612 | $ 14,484,612 |
| Buildings | 45,980,925 | 44,970,468 |
| Assets under construction | 337,825 | 3,021,103 |
| Furniture, fixtures and equipment | 4,859,382 | 5,973,485 |
| Computers and software | 892,883 | 657,320 |
| Equipment under capital lease | 413,186 | 261,696 |
| Total | $ 66,968,813 | $ 69,368,684 |

| Cost | April 1, 2011 | Additions | Disposals | March 31, 2012 |
|---|---|---|---|---|
| Land | $ 14,484,612 | $ - | $ - | $ 14,484,612 |
| Buildings | 91,983,127 | - | - | 91,983,127 |
| Assets under construction | - | 337,825 | - | 337,825 |
| Furniture, fixtures and equipment | 16,830,204 | 1,551,023 | (6,672,515) | 11,708,712 |
| Computers and software | 2,945,444 | 239,989 | (562,331) | 2,623,102 |
| Equipment under capital lease | 598,822 | 158,626 | - | 757,448 |
| Total | $ 126,842,209 | $ 2,287,463 | $ (7,234,846) | $ 121,894,826 |

| Accumulated amortization | April 1, 2011 | Disposals | Amortization expense | March 31, 2012 |
|---|---|---|---|---|
| Land | $ - | $ - | $ - | $ - |
| Buildings | 43,195,959 | - | 2,806,243 | 46,002,202 |
| Assets under construction | - | - | - | - |
| Furniture, fixtures and equipment | 11,542,997 | (6,672,515) | 1,978,850 | 6,849,332 |
| Computers and software | 1,767,928 | (562,331) | 524,622 | 1,730,219 |
| Equipment under capital lease | 241,732 | - | 102,530 | 344,262 |
| Total | $ 56,748,616 | $ (7,234,846) | $ 5,412,245 | $ 54,926,015 |

| | Net book value April 1, 2011 | Net book value March 31, 2012 |
|---|---|---|
| Land | $ 14,484,612 | $ 14,484,612 |
| Buildings | 48,787,168 | 45,980,925 |
| Assets under construction | - | 337,825 |
| Furniture, fixtures and equipment | 5,287,207 | 4,859,380 |
| Computers and software | 1,177,516 | 892,883 |
| Equipment under capital lease | 357,090 | 413,186 |
| Total | $ 70,093,593 | $ 66,968,811 |

**15. Tangible capital assets (continued):**

(a) Assets under construction:

The College is building a Centre for Trades Education and Innovation at its Interurban Campus. Assets under construction also include upgrade and expansion of existing Trades facilities and the Technology Access Centre (TAC), including acquisition and installation of equipment. The projects will be completed by September 2015. Amortization of these assets will commence when they are put into service.

(b) Contributed Tangible Capital Assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is $950,407 (2012 - $12,750). Contributed assets include a ship engine valued at $930,000 that will be installed in the Centre for Trades Education and Innovation.

(c) Works of art and historical treasures:

The College manages and controls various works of art including paintings and sculptures located at various sites and public display areas. These assets are not recorded as tangible capital asses and are not amortized. Intangible assets not recorded in the financial statements have a book value of $91,917 (2012 - $91,917).

(d) Write-down of tangible capital assets:

There was no write-down of tangible capital assets in the years presented.

**16. Contractual Obligations:**

Operating leases:

The College is committed to minimum annual lease payments under various operating leases. The future minimum annual payments over the next five years are as follows:

| | Computer equipment | Facilities |
|---|---|---|
| 2014 | $ 672,058 | $ 531,000 |
| 2015 | 381,546 | 531,000 |
| 2016 | 217,946 | 531,000 |
| 2017 | 126,773 | 531,000 |
| 2018 | 0 | 531,000 |
| | $ 1,398,323 | $ 2,655,000 |

## 17. Contingent liabilities and assets:

(a) Liabilities

The College may, from time to lime, be involved in legal proceedings, claims, and litigation that arise in the normal course of business. At March 31, 2013, there are claims outstanding and management has determined the outcome to be undeterminable and thus no accrual has been recorded. It is considered that the potential claims would not materially affect the College's financial statements and any amounts ultimately settled will be recorded in the period in which the claim is resolved.

(b) Assets

The College has the following contingent asset where the estimated asset exceeds $880,000 at March 31, 2013. Collection of this asset is dependent on the successful appeal of the College's Canada Revenue Agency reassessment of GST input tax credits refunded in 2006. This contingent asset is not recorded in the financial statements.

## 18. Expenses by object:

The following is a summary of expenses by object:

| | 2013 | 2012 |
|---|---|---|
| Salaries and benefits | $ 83,473,415 | $83,606,616 |
| Supplies and services | 11,784,726 | 10,501,104 |
| Costs of goods sold | 3,719,470 | 3,857,787 |
| Interest | 27,262 | 27,712 |
| Amortization | 6,632,398 | 5,412,245 |
| Minor repairs and maintenance | 1,831,291 | 2,225,026 |
| | $ 107,468,562 | $105,630,490 |

## 19. Related party transactions:

(a) Other agency operations:

The College is related through common ownership to all Province of British Columbia ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**19. Related party transactions (continued):**

Included in accounts receivable at year end is $554,995 (2012 - $1,409,677) from the provincial government. During the year the College received grants in the amount of $66,298,857 (2012 - $62,241,601) from the provincial government and included $58,982,974 (2012 - $57,362,910) in revenue. $6,572,133 (2012 - $2,862,185) of the $9,293,865 (2012 - $3,874,078) of restricted capital contributions received during the year was from the provincial government.

(b) Camosun College Foundation:

The College has an economic interest in the Camosun College Foundation (the “Foundation”). The net assets and results of operations of the Foundation have not been included in these financial statements. The Foundation is a separate society formed to provide scholarships and bursaries for students of the College and to raise funds for furthering the interest of the College. The College provides some financial support to the Foundation. During the year financial support of $540,143 (2012 - $449,674) was provided to the Foundation.

For the year ended March 31, 2013, gift in kind donations from the Foundation to the College were $983,146 of which $950,408 was recorded as capital assets (2012 - $136,249 of which $12,750 was recorded as capital assets). Included in the College’s accounts receivable at March 31, 2013 is $42,239 (2012 - $70,970) due from the Foundation.

(c) Pacific Institute for Sport Excellence Society:

The College has an economic interest in the Pacific Institute for Sport Excellence Society (“PISE”). The net assets and results of operations of PISE have not been included in these financial statements. PISE is a separate society formed to bring sport education and athlete development under one roof, incorporating health and wellness programs, high performance sport services, applied sport research and innovation and community programs. PISE has three founding members – Camosun College, Canadian Sport Centre Pacific and PacificSport Victoria – and is a not for profit organization under the Income Tax Act.

PISE’s facilities, located at the Interurban campus, were completed in September 2008 at which time the College signed a long term lease and license agreement with PISE under which PISE will operate the facility for a 25 year term with a 29 year extension option at an annual rent of $1 per year. At the same time, PISE has signed a long term sub lease with the College under similar terms under which the College will operate its sport education programs, recreation and athletics programs and teams and applied research activities at an annual cost of $530,674.

At the date of occupancy, the related $28 million cost of the capital assets under construction and associated deferred capital grants were removed from the College’s financial statements. The College provides custodial, grounds, maintenance and other specialist facility services to PISE on a cost recovery basis under a service agreement. Fees and expenses for these services amounted to $343,699 (2012 - $316,700) during the year. Included in the College’s accounts receivable at March 31, 2013 is $15,065 (2012 - $38,456) due from PISE.

**20. Financial risk management:**

It is management's opinion that the College is not exposed to significant interest, currency, or credit risks arising from its financial instruments. The carrying value of cash and cash equivalents, accounts receivable and accounts payables and accrued liabilities approximate fair value because of the short maturity of these instruments.

The insurance on College property is the responsibility of the Province, which paid $74,955 (2012 - $72,569) for premiums and fees on behalf of the College for the coverage. The premiums paid are not recorded in the financial transactions of the College or in these financial statements. All claims for loss are submitted to the Province for consideration for replacement. The College has no direct insurance coverage against loss of any of its capital assets.

**21. Budget data:**

Budget figures have been provided for comparative purposes and have been derived from the Multi Year Budget approved by the Board of Governors of the College on April 2, 2012. The budget is reflected in the Statement of Operations and the Statement of Changes in Net Financial Assets (Net Debt). The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budget figures have not been audited, and are presented only for information purposes.

| | | Budget Amount |
|---|---|---|
| Revenues: | | |
| Operating budget | $ | 100,681,947 |
| Capital budget | | 3,855,784 |
| Total revenue | | 104,537,731 |
| Expenses: | | |
| Operating budget | | 100,280,524 |
| Capital budget | | 4,257,207 |
| Total expenses | | 104,537,731 |
| Annual surplus | $ | - |

**22. Comparative figures:**

Certain comparative figures have been restated to conform to current year's presentation.