

Financial Statements of

VANCOUVER COMMUNITY COLLEGE

Years ended March 31, 2013 and 2012

ABCD

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Vancouver Community College and
To the Ministry of Advanced Education, Innovation and Technology, Province of British Columbia

We have audited the accompanying financial statements of Vancouver Community College which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net debt and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting framework (including the accounting policies) used in the preparation of the financial statements.

Opinion

In our opinion, the financial statements of Vancouver Community College as at March 31, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012 are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Chartered Accountants

May 28, 2013

Burnaby, Canada

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VANCOUVER COMMUNITY COLLEGE

Statements of Operations

Years ended March 31, 2013 and March 31, 2012

Budget

VANCOUVER COMMUNITY COLLEGE

Statements of Net Debt

Years ended March 31, 2013 and March 31, 2012

	Budget (note 12)	March 31, 2013	March 31, 2012
Annual surplus	\$ -	\$ 14,455	\$ 2,185,542
Acquisition of tangible capital assets	(3,530,531)	(10,661,153)	(4,305,463)
Amortization of tangible capital assets	6,955,716	7,876,576	7,378,736
	3,425,185	(2,784,577)	3,073,273
Acquisition of inventories	-	(124,335)	(157,716)
Acquisition of prepaid expenses	-	(309,842)	(353,611)
Use of inventories	-	157,716	139,754
Use of prepaid expenses	-	353,611	423,309
	-	77,150	51,736
Decrease (increase) in net debt	3,425,185	(2,692,972)	5,310,551
Net debt, beginning of year	(ense		

March 31,
2012

2,185,542

7,378,736
(4,596,695)

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VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Authority and Purpose

Vancouver Community College (the "College") is a post-secondary educational institution funded in part by the Province of British Columbia and incorporated under the College and Institute act on November 28, 1978. The College is a not-for-profit entity governed by a Board of Governors, the majority of which are appointed by the provincial government of British Columbia. The College is exempt from income taxes under Section 149 of the Income Tax Act.

The College serves a diverse urban community by providing excellent programs and services that prepare learners for ongoing education, direct entry into employment, career advancement and greater participation in the community.

2. Summary of significant accounting policies

The financial statements of Vancouver Community College are prepared by management in accordance with the basis of accounting described below. Signi

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Summary of significant accounting policies (continued)

(a) Basis of accounting (continued)

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410. As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(b) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) Financial instruments

Financial instruments are classified into two categories: fair value or cost.

(i) Fair value category: Portfolio investments in equity

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Summary of significant accounting policies (continued)

(g) Revenue recognition

(i) Fees for services

Tuition fees are collected in advance and recognized as revenue at the time services are provided.

Student fees and sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured.

(ii) Contributions

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

Restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related 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.

Contributions restricted for specific purposes other than those 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 contributions have been met.

(iii) Investment income

Investment income includes interest recorded on an effective interest method, dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

(h) 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, including leased premises resulting 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 and is amortized over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

(i) Foreign currency translation

The College's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the balance sheet date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet date is recognized in the Statement of Operations.

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Summary of significant accounting policies (continued):

(j) Segmented information

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. The College has provided definitions of segments used by the College as well as presented financial information in segmented format in note 15.

(k) Budget figures

The budget figures have been derived from the 2013 Budget approved by the Board of Governors of the College on April 4, 2012. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Ne

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

5. Due from (to) the Province of BC and other government agencies:

	March 31, 2013	March 31, 2012	April 1, 2011
Due from the Province of BC	\$ 1,063,317	\$ 133,122	\$ 1,761,061

	March 31, 2013	March 31, 2012	April 1, 2011
Due to the Province of BC	\$ 553,606	\$ -	\$ -
Due to other government agencies	372,929	450,609	419,900
	\$ 926,535	\$ 450,609	\$ 419,900

The amounts are due on demand and are non-interest bearing.

6. Accounts payable and accrued liabilities

	March 31, 2013	March 31, 2012	April 1, 2011
Accounts payables and accrued liabilities	\$ 3,713,942	\$ 2,750,616	\$ 3,961,510
Salaries and benefits payable	2,160,273	3,087,267	3,198,129
Student deposits	887,978	1,142,480	916,436
	\$ 6,762,193	\$ 6,980,363	\$ 8,076,075

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

7. Employee future benefits:

	Sick Leave	Vacation Leave	Long-Service and Gratuity	Total
Balance March 31, 2011	\$ -	\$1,921,954	\$ 828,215	\$2,750,169
Adjustment on transition	890,000	-	-	890,000
Balance April 1, 2011	890,000	1,921,954	828,215	3,640,169
Current Service Cost	379,000	113,620	31,870	524,490
Interest costs	34,000	-	26,000	60,000
Benefits Paid	(412,000)	-	(104,000)	(516,000)

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

9. Tangible capital assets

March 31, 2013	Land and land improvements	Buildings	Building improvements	Furniture and equipment	Computer hardware and software	Total
Cost						
Beginning	\$ 7,744,768	\$ 144,414,647	\$ -	\$ 59,959,147	\$ 18,278,961	\$ 230,397,523
Additions	-	-	2,147,163	6,400,381	2,113,609	10,661,153
Ending	7,744,768	144,414,647	2,147,163	66,359,528	20,392,570	241,058,676
Accumulated amortization						
Opening Balance	-	53,212,751	-	54,354,099	15,195,469	122,762,319
Amortization	-	3,609,868	71,572	2,608,799	1,586,337	7,876,576
	-	56,822,619	71,572	56,962,898	16,781,806	130,638,895
Net book value	\$ 7,744,768	\$ 87,592,028	\$ 2,075,591	\$ 9,396,630	\$ 3,610,764	\$ 110,419,781

March 31, 2012	Land and land improvements	Buildings	Building improvements	Furniture and equipment	Computer hardware and software	Total
Cost						
Beginning	\$ 7,744,768	\$ 143,123,525	\$ -	\$ 58,488,472	\$ 16,735,294	\$ 226,092,059
Additions	-	1,291,122	-	1,470,675	1,543,667	4,305,464
Ending	7,744,768	144,414,647	-	59,959,147	18,278,961	230,397,523
Accumulated amortization						
Beginning	-	49,618,523	-	52,217,240	13,547,820	115,383,583
Amortization	-	3,594,228	-	2,136,859	1,647,649	7,378,736
Ending	-	53,212,751	-	54,354,099	15,195,469	122,762,319
Net						

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

11. Related organization (continued):

The College had the following transactions with the Foundation:

	2013	2012
Foundation contributed awards and bursaries to the College	\$ 428,191	\$ 474,778
Foundation provided project funding and equipment to the College	201,167	175,303
Gifts in kind transferred from the Foundation to the College	27,053	93,891
Capital campaign donations transferred from the Foundation to the College	30	128,285
College contributed grants to the Foundation for capital campaigns	1,000,000	-
College contributed grants to the Foundation for capital campaigns	50,000	-
College contributed grants to the Foundation for operating expenses	199,059	481,771
Foundation reimbursed the College for salaries expenses	250,809	423,507
	<u>\$ 2,156,309</u>	<u>\$ 1,777,535</u>

As of March 31, 2013, the College had accounts receivable from the Foundation of \$43,759 (2012 - \$153,846) for expenses that were paid for by the College on behalf of the Foundation as well as capital campaign donations. At March 31, 2013, the Foundation had net assets of \$11 million (2012 - \$9.7 million).

12. Budget

The 2012/2013 College budget was approved by the Board of Governors on April 4, 2012. The approved College budget did not include any budgeted amounts for Special Purpose funds. The Special Purpose fund budget was included in the disclosed College budget for comparison purposes. The following is a

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued g .0002b)

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

15. Segmented information

Segmented information has been identified based upon functional lines of service provided by the College. The College's services are provided by departments and their activities are reported by functional area in the body of the financial statements. Functional lines have been separately disclosed in the segmented information, along with the services they provide, are as follows:

- (i) Instruction and instructional support – This segment includes activities related to delivering education. This includes instruction, education administration, student support, general administration, the cost of space, safety and equipment, deferred capital contributions and depreciation of tangible capital assets. This segment also includes funding from the Province of BC which is required to offset the shortfall between amortization of capital assets and the related deferred capital contributions.
- (ii) Ancillary operations – This segment includes the activities of the ancillary operations. An ancillary operation is one that is generally outside of the normal functions of instruction and research, provides goods and services to students, staff or others, and that charges a fee directly related to the cost of

VANCOUVER COMMUNITY COLLEGE

Notes to Financial Statements

Years ended March 31, 2013 and 2012

15. Segmented information (continued)

	Instruction and Instruction Support	Ancillary Services	Special Purpose	March 31, 2013	March 31, 2012
Revenue					
Province of British Columbia grants	\$ 73,313,680	\$ -	\$ 419,345	\$ 73,733,025	\$ 73,663,099
Tuition and student fees	18,319,442	-	-	18,319,442	20,613,965
College initiative fee	446,331	-	-	446,331	425,430
Sales of goods and services	2,541,113	3,076,024	-	5,617,137	5,486,671
Other grants and contracts	873,629	-	-	873,629	1,951,133
Miscellaneous income	1,197,832	79,135	411,376	1,688,343	1,965,009
Investment income	360,597	-	-	360,597	323,288
Revenue recognized from deferred capital contributions	4,923,394	-	-	4,923,394	4,596,695
	101,976,018	3,155,159	830,721	105,961,898	109,025,290
Expenses					
Salaries	60,891,700	675,754	9,226	61,576,680	61,992,263
Benefits	14,041,607	171,958	830	14,214,395	13,245,326
Supplies and general expenses	6,322,633	180,713	819,015	7,322,361	8,365,241
Professional fees	4,301,187	1,776	1,650	4,304,613	4,548,287
Building and telecommunications	7,003,236	18,049	-	7,021,285	7,589,697
Cost of goods sold	1,451,901	2,179,632	-	3,631,533	3,720,198
Amortization of tangible capital assets	7,876,576	-	-	7,876,576	7,378,736
	101,888,840	3,227,882	830,721	105,947,443	106,839,748
Accumulated surplus (deficit)	\$ 87,178	\$ (72,723)	\$ -	\$ 14,455	\$ 2,185,542