VCC.ca

Annual Report

For the year ended March 31, 2013

VANCOUVER COMMUNITY COLLEGE

Financial Statements of

VANCOUVER COMMUNITY COLLEGE

Years ended March 31, 2013 and 2012

KPMG LLP
Chartered Accountants
Metrotower II
Suite 2400 - 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca

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 provisions 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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.

KPMG LLP

Chartered Accountants

May 28, 2013

Burnaby, Canada

VANCOUVER COMMUNITY COLLEGE
Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Financial assets			
Cash and cash equivalents	$ 8,711,894	$ 7,064,345	$ 11,828,964
Accounts receivable	1,598,873	1,581,578	1,582,027
Inventories for resale	980,160	1,040,458	951,255
Due from the Province of BC (note 5)	1,063,317	133,122	1,761,061
Investments (note 4)	14,714,343	14,522,006	11,291,034
	27,068,587	24,341,509	27,414,341
Liabilities			
Accounts payable and accrued liabilities (note 6)	6,762,193	6,980,363	8,076,075
Due to the Province of BC and other government agencies (note 5)	926,535	450,609	419,900
Employee future benefits (note 7)	3,755,830	3,650,659	3,640,169
Deferred tuition fees	4,154,940	3,874,395	4,551,890
Deferred revenue	7,546,009	3,642,999	6,581,650
Deferred capital contributions (note 8)	88,082,423	87,208,855	90,921,579
	111,227,930	105,807,880	114,191,263
Net debt	(84,159,343)	(81,466,371)	(86,776,922)
Non-financial assets			
Tangible capital assets (note 9)	110,419,781	107,635,204	110,708,477
Inventories held for use	124,663	157,716	139,754
Prepaid expenses	309,514	353,611	423,309
	110,853,958	108,146,531	111,271,540
Accumulated surplus (note 10)	$ 26,694,615	$ 26,680,160	$ 24,494,618

Commitments and contingencies (note 14)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Kathy Kinloch
President

Chair of the Board

VANCOUVER COMMUNITY COLLEGE

Statements of Operations

Years ended March 31, 2013 and March 31, 2012

	Budget (note 12)	March 31, 2013	March 31, 2012
Revenue:			
Province of British Columbia grants	$ 71,329,613	$ 73,733,025	$ 73,663,099
Tuition and student fees	20,668,385	18,765,773	21,039,395
Sales of goods and services	5,697,903	5,617,137	5,486,671
Other grants and contracts	2,204,594	873,629	1,951,133
Miscellaneous income	1,326,516	1,688,343	1,965,009
Investment income	350,004	360,597	323,288
Revenue recognized from deferred capital contributions	4,695,216	4,923,394	4,596,695
	106,272,231	105,961,898	109,025,290
Expenses:			
Instruction and Instructional Support	102,911,187	101,888,840	101,813,324
Ancilliary Operations	2,861,044	3,227,882	3,238,791
Special Purposes funds	500,000	830,721	1,787,633
	106,272,231	105,947,443	106,839,748
Annual surplus	$ -	$ 14,455	$ 2,185,542
Accumulated surplus, beginning of year	26,680,160	26,680,160	24,494,618
Accumulated surplus, end of year	$ 26,680,160	$ 26,694,615	$ 26,680,160

See accompanying notes to financial statements.

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	(81,466,371)	(81,466,371)	(86,776,922)
Net debt, end of year	$ (78,041,186)	$ (84,159,343)	$ (81,466,371)

See accompanying notes to financial statements.

VANCOUVER COMMUNITY COLLEGE

Statements of Cash Flows

Years ended March 31, 2013 and March 31, 2012

	March 31, 2013	March 31, 2012
Cash provided by (used in):		
Operations:		
Annual surplus	$ 14,455	$ 2,185,542
Items not involving cash:		
Amortization of tangible capital assets	7,876,576	7,378,736
Revenue recognized from deferred capital contributions	(4,923,394)	(4,596,695)
Change in employee future benefits	105,171	10,490
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(17,295)	449
Decrease (increase) in inventories for resale	60,298	(89,203)
Decrease (increase) in due from the Province of BC	(930,195)	1,627,939
Increase in prepaid expenses	44,097	69,698
Decrease (increase) in inventories held for use	33,053	(17,962)
Decrease in accounts payable and accrued liabilities	(218,170)	(1,095,712)
Increase in due to the Province of BC and other government agencies	475,926	30,709
Increase (decrease) in deferred tuition fee	280,545	(677,495)
Increase (decrease) in deferred revenues	3,903,010	(2,938,651)
Net change in cash from operating activities	6,704,077	1,887,846
Capital activities:		
Cash used to acquire tangible capital assets	(10,661,153)	(4,305,463)
Net change in cash from capital activities	(10,661,153)	(4,305,463)
Financing activities:		
Deferred capital contributions received	5,796,962	883,970
Net change in cash from financing activities	5,796,962	883,970
Investing activities:		
Purchase of investments	(192,337)	(3,230,972)
	(192,337)	(3,230,972)
Net increase (decrease) in cash and cash equivalents	1,647,549	(4,764,619)
Cash and cash equivalents, beginning of year	7,064,345	11,828,964
Cash and cash equivalents, end of year	$ 8,711,894	$ 7,064,345

See accompanying notes to financial statements.

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. Significant accounting policies are as follows:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections effective their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors. 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. For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

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 instruments that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets are recognized a Statement of Remeasurement. Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

(ii) Cost category: Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

(iii) The College does not have any financial instruments that are recorded at fair value.

(iv) The following items are included in the cost category and measured as follows:

(i) Accounts receivable are measured at amortized cost using the effective interest method

(ii) Investments are comprised of term deposits, bearer deposit notes, and bankers' acceptances that are capable of prompt liquidation. The investments are cashable on demand and are recorded at amortized cost based on the transaction price on the trade date. All interest income, gains and losses are recognized in the statement of operations in the period in which they arise.

(iii) Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

2. Summary of significant accounting policies (continued)

(d) Inventories for resale and assets held for sale

Inventories held for resale, including books and school supplies, and assets held for resale are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated selling costs less any costs to sell.

(e) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) 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. Interest during construction is capitalized whenever external debt is issued finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value:

Asset	Basis
Buildings and site improvements	30 - 50 years
Building improvements	15 years
Furniture and equipment	5 years
Computer hardware and software	4 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.

(ii) Inventories held for use

Inventories held for use are recorded at the lower of cost and replacement cost.

Cost includes the original purchase cost, plus shipping and applicable duties. Replacement cost is the estimated current price to replace the items.

(iii) Prepaid expenses

Prepaid expenses are recorded at cost and amortized over the period where the service benefits are received.

2. Summary of significant accounting policies (continued)

(f) Employee future benefits

(i) The College and its employees make contributions to the College Pension and Municipal Pension Plans which are multi-employer joint trustee plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plan are not segregated by institution, the plans are accounted for as a defined contribution plans and any contributions of the College to the plan are expensed as incurred.

(ii) Sick leave benefits are also available to the College's employees. The costs of these benefits are actuarially determined based on length of service and best estimates of benefit usage, retirement ages and expected future salary and wage increases. The obligation 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 employee average remaining service life. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation completed in March 6, 2013 and projected to March 31, 2015

(iii) The College allows employees to accumulate unused vacation days for future use. Any unused vacation days are recorded as a liability when earned.

(iv) The College provides long-service and gratuity benefits to the employees. The costs of these benefits are actuarially determined based on length of service and best estimates of benefit usage, retirement ages and expected future salary and wage increases. The obligation 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 employee average remaining service life. The most recent valuation of the College's future employee benefits was completed March 6, 2013.

(v) Retiring faculty employees are permitted to go on unpaid leave of absence between 3 months up to a maximum of 12 months. The costs associated with this benefit include a stipend of $1,000 per month and the continuance of medical, extended health, dental and group life benefits. These benefits are recognized based on the net present value of the expected obligations.

(vi) Employees who are members of the Faculty Association who are retiring at age 55 or over and who receive pension under the provisions of the Pension Act, receive a benefit where the College pays for Group Life Insurance premiums equivalent to the lesser of $10,000 or the coverage in effect immediately preceding retirement for five years. These benefits are recognized based on the net present value of the expected obligations.

(vii) The College may offer an early retirement incentive to its eligible Faculty and CUPE employees based on a set of criteria. The incentive is voluntary and is offered based on certain eligibility requirements. The benefit is equivalent to a certain percentage of the annual salary ranging between 20% and 100%, depending on the number of years left before the age of 65. This benefit is paid out either as a lump sum amount or in annual installments. At the present time, there are no employees who were made the offer and elected to accept the incentive so no future benefit has been accrued. These benefits are recognized based on the net present value of the expected obligations.

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.

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 Net Financial Assets. Note 12 reconciles the approved budget to the budget information reported in these financial statements.

(l) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the net realizable value of inventories for resale, useful lives of tangible capital assets, the present value of employee future benefits, provisions for contingencies and commitments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

3. Adoption of new financial reporting framework

Effective April 1, 2012, the College adopted the financial reporting framework described in note 2(a). These financial statements are the first financial statements for which the College has applied this financial reporting framework.

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. These accounting changes have been applied retroactively with restatement of prior periods.

The College has elected to not use any exemptions allowed upon first-time adoption.

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

Statement of Financial Position – April 1, 2011

	ref	March 31, 2012	Adjustment	Presentation reclass	April 1, 2011
Accounts receivable	c,d	$ 3,766,397	$ -	$ (2,184,370)	$ 1,582,027
Due from Province of BC	d	-	-	1,761,061	1,761,061
Prepaid expenses	c	-	-	423,309	423,309
Employee future benefits	a,b	2,750,169	890,000	-	3,640,169
Deferred capital contributions	e	90,472,512	449,067	-	90,921,579

3. Adoption of new financial reporting framework (continued)

Statement of Financial Position – March 31, 2012

	ref	March 31, 2012	Adjustment	Presentation reclass	March 31, 2012
Accounts receivable	c,d	$ 2,068,310	$ -	$ (486,732)	$ 1,581,578
Due from Province of BC	d	-	-	133,122	133,122
Prepaid expenses	c	-	-	353,611	353,611
Employee future benefits	a,b	2,828,761	821,898	-	3,650,659
Deferred capital contributions	e	86,460,409	748,446	-	87,208,855

(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 based on estimates determined through an actuarial valuation. This resulted in a the following adjustments:

- An increase to the liability for employee future benefits at April 1, 2011 of $890,000.
- A decrease in the employee benefit expense of $68,075 for the year ended March 31, 2012
- An increase in the liability of $821,898 at March 31, 2012

(b) The College obtained an actuarial valuation of its liability for its Long-Service and Gratuity benefits and there was no change as a result of the valuation.

(c) The College reclassified certain prepaid costs from accounts receivable to a prepaid expense category.

(d) The College has disclosed amounts Due from the Province separate from other accounts receivable.

(e) During 2013, the College determined that a calculation error had occurred in the calculation of amortization of deferred capital contributions related to restricted assets. As a result, recognition of deferred capital contributions had been overstated as at April 1, 2011 by $449,067 and by $299,379 in the year ended March 31, 2012, resulting in a total overstatement of $748,446.

3. Adoption of new financial reporting framework (continued):

Statement of Operations

	ref	March 31, 2012
Annual surplus, previously reported		$ 2,416,846
Actuarial adjustment for Employee future benefits	d	68,075
Prior period adjustment of deferred capital contributions (note 8)	e	(299,379)
Annual surplus		$ 2,185,542

Accumulated surplus

	ref	April 1, 2011	March 31, 2012
Accumulated surplus as previously reported		$ 25,833,685	$ 28,250,531
Increase in liability for employee future benefits at transition	a,b	(890,000)	(890,000)
Prior period adjustment of deferred capital contributions - April 1, 2011	e	(449,067)	(449,067)
Decrease in deferred capital amortization - year ended March 31, 2012	e	-	(299,379)
Decrease in employee benefit expense - year ended March 31, 2012	a,b	-	68,075
Accumulated surplus		$ 24,494,618	$ 26,680,160

4. Investments:

Short-term investments consist of term deposits, bearer deposit notes, and bankers' acceptances with maturity dates with due dates between September 20, 2013 and October 27, 2015. Interest on the investments range from 1.75% to 2.06%.

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

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)
Amortization of actuarial gain	-	-	(58,000)	(58,000)
Balance March 31, 2012	$ 891,000	$2,035,574	$ 724,085	$3,650,659
Expense – March 31, 2012	$ 413,000	$ 113,620	$ (130)	$ 526,490

	Sick Leave	Vacation Leave	Long-Service and Gratuity	Total
Balance March 31, 2012	$891,000	$2,035,574	$724,085	$3,650,659
Current Service Cost	385,000	71,786	48,385	505,171
Interest costs	34,000	-	25,000	59,000
Benefits Paid	(423,000)	-	(83,000)	(506,000)
Amortization of actuarial loss	22,000	-	25,000	47,000
Balance March 31, 2013	$909,000	$2,107,360	$739,470	$3,755,830
Expense - March 31, 2012	$ 441,000	$ 71,786	$ 98,385	$ 611,171

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

	March 31, 2013	March 31, 2012	April 1, 2011
Discount rates	3.90%	3.75%	3.75%
Expected future inflation rates	2.00%	2.00%	2.00%
Expected wage and salary increases	2.75%	0.75%	0.0%

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of externally restricted grants and other funding received for the purchase of capital assets. Amortization of deferred capital contributions is recorded as revenue in the statement of operations over the useful life of the related asset.

	March 31, 2013	March 31, 2012	April 1, 2011
Balance at beginning of year, previously reported	$86,460,409	$90,472,512	$91,262,872
Prior period adjustment (note 3)	748,446	449,067	149,689
Balance at beginning of year, recasted	87,208,855	90,921,579	91,412,561
Contributions from government grants	5,796,588	753,646	3,554,950
Contributions from other sources	404	130,325	220,419
	5,796,962	883,971	3,775,369
Less amortization to revenue	(4,923,394)	(4,596,695)	(4,266,351)
Balance, end of year	$88,082,423	$87,208,855	$90,921,579

Deferred capital contributions are comprised of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Unamortized capital contributions	$ 86,217,266	$ 85,257,407	$ 88,535,144
Unspent contributions	1,865,157	1,951,448	2,386,435
	$ 88,082,423	$ 87,208,855	$ 90,921,579

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 book value	$ 7,744,768	$ 91,201,896	$ -	$ 5,605,048	$ 3,083,492	$ 107,635,204

9. Tangible capital assets (continued)

April 1, 2011	Land and land improvements	Buildings	Building improvements	Furniture and equipment	Computer hardware and software	Total
Cost						
Beginning	$ 7,744,768	$137,629,581	$ -	$ 56,104,593	$ 15,540,695	$ 217,019,637
Additions	-	5,493,944	-	2,383,879	1,194,599	9,072,422
Ending	7,744,768	143,123,525	-	58,488,472	16,735,294	226,092,059
Accumulated amortization						
Beginning	-	46,109,110	-	50,198,888	11,744,104	108,052,102
Amortization	-	3,509,413	-	2,018,351	1,803,716	7,331,480
Ending	-	49,618,523	-	52,217,239	13,547,820	115,383,582
Net book value	$ 7,744,768	$ 93,505,002	$ -	$ 6,271,233	$ 3,187,474	$ 110,708,477

10. Accumulated surplus:

	March 31, 2013	March 31, 2012	April 1, 2011
Accumulated surplus is comprised of:			
Invested in tangible capital assets	$ 24,202,515	$ 22,377,797	$ 22,173,333
Internally restricted	2,335,691	5,124,260	3,787,387
Unrestricted	156,409	(821,897)	(1,466,102)
Accumulated surplus	$ 26,694,615	$ 26,680,160	$ 24,494,618

11. Related organization:

The Vancouver Community College Foundation (“the Foundation”) is a separate society formed to raise funds to further the interests of the College and to provide scholarships and bursaries for students of the College. The College does not control the Foundation; therefore, the Foundation’s assets, liabilities, revenues and expenses are not included in these financial statements.

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
	$ 2,156,309	$ 1,777,535

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 reconciliation between the College original approved budget and the amounts presented in these financial statements:

	College Budget	**Special Purpose Fund Budget**	**Total Budget Presented**
Revenues	$ 105,772,231	$ 500,000	$ 106,272,231
Expenditures	105,772,231	500,000	106,272,231

13. Contractual obligations:

(a) Building construction contracts:

During the year ended March 31, 2009, the College completed construction of a new campus building. At year end, the College has an outstanding letter of credit with the City of Vancouver, secured by a short-term GIC for $237,500. This letter of credit will be held until Phase II of the campus redevelopment has been completed.

13. Contractual obligations (continued):

(b) Service contracts:

The College entered into a number of long term service contracts for equipment rentals and service contracts with expected payments as follows:

2014	$ 1,892,000
2015	1,354,000
2016	246,000
2017	246,000
2018	246,000
	$ 3,984,000

14. Commitments and contingencies:

(a) Pension plans:

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (the Plans), jointly trusteed pension plans. The Board 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 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.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2009 indicated a $28 million funding deficit for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2009 indicated a $1,024 million funding 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 $5,394,633 (2012 - $5,291,953) for employer contributions to the Plans in fiscal 2013.

(b) Contingent liabilities

The College is currently engaged in or party to certain pending matters. A reasonable estimate of these future liabilities has been made where possible and is recorded in the financial statements as a liability. Where the outcomes of amounts or losses are uncertain, no amounts have been recorded.

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 providing the goods or services. Ancillary operations include parking, food services, and bookstores. Costs associated with this segment include segment-related contracts; and general and financial administration and support costs.

(iii) **Special purpose** – This segment includes special purpose and trust activities related to monies set aside from normal operations (and are often gifted to the College) to be used for a particular purpose (and fall outside of the scope of instruction, ancillary services) Costs associated with this segment include such things as general and financial administration, flow through funding to students and support costs related to these activities.

Certain allocation methodologies are employed in the preparation of segmented financial information. Sales of goods and services and miscellaneous income have been allocated to the segments that generated the revenue. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 2.

15. Segmented information (continued)

	Instruction and Instruction Support	Ancilliary 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