



## **Medicine Hat College**

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**Consolidated Financial Statements**

**June 30, 2005**

# **Medicine Hat College**

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Consolidated Financial Statements

June 30, 2005

**MEDICINE HAT COLLEGE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements



## Auditor's Report

To the Board of Governors of Medicine Hat College

I have audited the consolidated statement of financial position of the Medicine Hat College as at June 30, 2005 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*[Original copy signed by  
Fred Dunn]*

FCA  
Auditor General

Edmonton, Alberta  
September 16, 2005

[ The official version of this Report of the Auditor General, is in printed form.]

**MEDICINE HAT COLLEGE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2005**

<b>ASSETS</b>	<b>2005</b>	<b>2004</b>
<b>Current:</b>		
Cash and short-term investments (Note 3)	\$ 2,273,314	\$ 3,913,277
Accounts receivable	1,075,392	816,950
Inventories	268,658	366,471
Prepaid expenses	237,741	173,639
	<u>3,855,105</u>	<u>5,270,337</u>
<b>Investments</b> (Note 3)	8,969,640	7,629,886
<b>Capital assets</b> (Note 4)	42,752,717	40,867,953
	<u>51,722,357</u>	<u>48,497,839</u>
	\$ 55,577,462	\$ 53,768,176
	<u><u>55,577,462</u></u>	<u><u>53,768,176</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current:</b>		
Accounts payable and accrued liabilities	\$ 970,382	\$ 1,207,185
Accrued vacation pay	641,495	562,698
Unearned revenue (Note 5)	1,087,068	795,906
Deferred contributions (Note 6)	1,000,229	1,745,163
Current portion of long term debt (Note 7)	84,416	79,451
	<u>3,783,590</u>	<u>4,390,403</u>
<b>Construction payables</b>	1,221,414	1,042,209
<b>Deferred capital contributions</b> (Note 6)	-	146,045
<b>Long term debt</b> (Note 7)	3,690,978	3,775,393
<b>Unamortized deferred capital contributions</b> (Note 8)	27,731,839	28,101,695
	<u>32,644,231</u>	<u>33,065,342</u>
<b>Net Assets:</b>		
Unrestricted	2,331,713	763,250
Internally restricted (Note 9)	2,940,800	4,044,800
Invested in capital assets (Note 10)	11,245,484	8,911,414
	<u>16,517,997</u>	<u>13,719,464</u>
Endowments (Note 11)	2,631,644	2,592,967
	<u>19,149,641</u>	<u>16,312,431</u>
	\$ 55,577,462	\$ 53,768,176
	<u><u>55,577,462</u></u>	<u><u>53,768,176</u></u>

The accompanying notes are part of these financial statements.

**MEDICINE HAT COLLEGE**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>2005</b>		<b>2004</b>
	<u>Budget</u> (Note 20)	<u>Actual</u>	<u>Actual</u>
<b>Revenue:</b>			
Grants (Note 13)	\$ 18,146,000	\$ 19,128,875	\$ 18,189,331
Tuition and related fees	9,894,700	9,331,269	8,610,506
Sales, rentals and services	3,754,500	3,458,392	3,351,433
Donations (Note 6)	229,700	134,603	124,488
Investment income (Note 14)	450,000	529,376	664,322
Amortization of deferred capital contributions	1,163,000	1,227,829	1,169,791
	<u>33,637,900</u>	<u>33,810,344</u>	<u>32,109,871</u>
<b>Expense:</b> (Note 15)			
Salaries and benefits (Note 18)	20,935,300	20,470,852	19,254,495
Supplies and services	7,412,800	6,631,951	6,788,193
Utilities	797,800	834,702	792,350
Scholarships and bursaries	360,000	234,314	269,002
Cost of goods sold	1,324,000	1,108,840	1,055,601
Interest on long term debt	241,000	240,111	244,833
Amortization of capital assets	2,417,000	2,400,077	2,317,150
	<u>33,487,900</u>	<u>31,920,847</u>	<u>30,721,624</u>
<b>Excess of revenue over expense before under-noted item</b>	\$ 150,000	\$ 1,889,497	\$ 1,388,247
Gain on disposal of investment portfolio (note 3)	-	909,036	-
<b>Excess of revenue over expense</b>	<u>\$ 150,000</u>	<u>\$ 2,798,533</u>	<u>\$ 1,388,247</u>

The accompanying notes are part of these financial statements.

**MEDICINE HAT COLLEGE**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>2005</b>				<b>2004</b>	
	Unrestricted	Internally Restricted (Note 9)	Invested in Capital Assets (Note 10)	Endowments (Note 11)	Total	Total
<b>Excess of revenue over expense</b>	\$ 2,798,533	\$ -	\$ -	\$ -	\$ 2,798,533	\$ 1,388,247
<b>Transfers for:</b>						
Acquisition of capital assets	(3,426,868)	-	3,426,868	-	-	-
Amortization of capital assets	1,172,248	-	(1,172,248)	-	-	-
Repayment of long term debt	(79,450)	-	79,450	-	-	-
Internal restrictions - net	1,104,000	(1,104,000)	-	-	-	-
<b>Endowment contributions</b>	-	-	-	38,677	38,677	40,929
<b>Increase (decrease) in Net Assets</b>	1,568,463	(1,104,000)	2,334,070	38,677	2,837,210	1,429,176
<b>Net Assets, beginning of year</b>	763,250	4,044,800	8,911,414	2,592,967	16,312,431	14,883,255
<b>Net Assets, end of year</b>	\$ 2,331,713	\$ 2,940,800	\$11,245,484	\$ 2,631,644	\$19,149,641	\$16,312,431

The accompanying notes are part of these financial statements.

**MEDICINE HAT COLLEGE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>2005</b>		<b>2004</b>
	Budget (Note 20)	Actual	Actual
<b>Operating activities:</b>			
Excess of revenue over expense	\$ 150,000	\$ 2,798,533	\$ 1,388,247
Non-cash transactions:			
Amortization of capital assets	2,417,000	2,400,077	2,317,150
Amortization of deferred capital contributions	(1,163,000)	(1,227,829)	(1,169,791)
	1,404,000	3,970,781	2,535,606
Net changes in non-cash working capital (Note 19)	59,000	(836,509)	1,283,504
Cash generated through operating activities	1,463,000	3,134,272	3,819,110
<b>Investing activities:</b>			
Acquisition of capital assets	(4,374,500)	(4,284,841)	(6,223,573)
Redemption (purchase) of long-term investments	1,177,000	(1,339,754)	(54,560)
Cash used in investing activities	(3,197,500)	(5,624,595)	(6,278,133)
<b>Financing activities:</b>			
Capital contributions	400,000	711,928	718,431
Construction payables	(273,000)	179,205	768,718
Repayment of long term debt	(79,400)	(79,450)	(74,778)
Endowment contributions	200,000	38,677	40,929
Cash generated through financing activities	247,600	850,360	1,453,300
<b>Decrease in cash and short-term investments</b>	(1,486,900)	(1,639,963)	(1,005,723)
Cash and short-term investments, beginning of year	4,294,612	3,913,277	4,919,000
<b>Cash and short-term investments, end of year</b>	\$ 2,807,712	\$ 2,273,314	\$ 3,913,277

The accompanying notes are part of these financial statements.

# MEDICINE HAT COLLEGE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**JUNE 30, 2005**

### **Note 1 Authority and Purpose**

Medicine Hat College (the "College") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, Chapter P-19.5. The College is exempt from payment of Income Tax under section 149 of the Income Tax Act.

The College provides broadly based educational and training programs and services to students and local communities.

### **Note 2 Summary of Significant Accounting Policies and Reporting Practices**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

#### (a) Consolidated Statements

These consolidated financial statements include the accounts of the Medicine Hat College Foundation, which operates under part 9 of the Companies Act of Alberta. The Foundation is a registered charity and is exempt from payment of income tax.

#### (b) Revenue Recognition

Unrestricted contributions are recognized as revenue in the period they are receivable.

Amounts received for tuition fees, and sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor.

**Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)**

(b) Revenue Recognition (continued)

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested in capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are taken into income, as amortization of deferred capital contributions, in the periods that the related funded capital asset is amortized.

Externally restricted contributions containing stipulations that the amounts should be retained as net assets, or that the contributions should not be expended, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Contributions of materials and services that would otherwise have been purchased are recorded at fair market value when a fair market value can be reasonably determined.

Revenue from long-term education contracts is determined on the percentage of completion method. Provisions are made for all anticipated losses as soon as they become evident.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors to be used for designated purposes.

(d) Investments

Investments are recorded at cost or amortized cost. Gains and losses on investments are recognized when securities are liquidated, or when there is an other than temporary decline in the value of an investment. Amortization of discount or premium is on a straight-line basis over the life of the investment.

(e) Inventories

Inventories held for resale are valued at the lower of cost or net realizable value, with cost determined on a first-in-first-out basis.

(f) Capital Assets

Land transferred to the College from the City of Medicine Hat, and donated land, are recorded at fair market value at the date of transfer.

**Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)**

(f) Capital Assets (continued)

Buildings and renovations are recorded at June 30, 1989 amortized replacement cost as determined by an independent appraisal, with subsequent additions at cost.

Site improvements are recorded at January 1, 1983 replacement cost as determined by an independent appraisal, with subsequent additions at cost.

Furnishings and equipment are recorded at cost except for items acquired prior to July 1, 1984, which are recorded at estimated cost as determined by the College. Donated assets are recorded at fair market value at the time of donation.

Library acquisitions are recorded at cost and are comprised of books, audiovisual software and periodicals.

Construction in progress includes direct construction, architectural and engineering costs. Construction in progress is not amortized until construction is completed and the assets are ready for productive use.

Amortization is recorded on a straight-line basis over the assets' useful lives, which are as follows:

Buildings and renovations	40 years
Site improvements	25 years
Furniture and equipment	5 to 25 years
Library acquisitions	10 years
Systems planning and development	10 years

(g) Future Employee Benefits

The College participates in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit plan that provides pensions for the College's participating employees, based upon years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the LAPP pension plan. The College does not record the College's portion of the pension plan's deficit or surplus.

**Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)**

(h) Financial Instruments

The College's financial instruments consist of cash and short-term investments, accounts receivable, investments, accounts payable and accrued liabilities, accrued vacation pay, construction payables, and long-term debt.

The College is exposed to currency risk (the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates); interest rate risk (the risk that the value of a financial instrument will fluctuate due to changes in market interest rates); and market risk (the risk that the value of a financial instrument will fluctuate as a result of changes in market prices).

It is management's opinion that the College is not exposed to significant currency, interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

**Note 3 Cash and Investments**

	2005				2004	
	Cash and Short-term Investments	Long-term Investments	Total Cost	Market Value	Total Cost	Market Value
Cash on hand	\$ 8,300	\$ -	\$ 8,300	\$ 8,300	\$ 8,041	\$ 8,041
Bank balances	365,014	1,889	366,903	366,903	1,052,410	1,052,410
Term deposits	1,900,000	-	1,900,000	1,900,000	3,000,000	3,000,000
Bonds	-	-	-	-	6,218,956	6,482,019
Bond fund	-	6,784,268	6,784,268	6,921,829	-	-
Canadian equities	-	-	-	-	858,250	1,151,326
Canadian equity fund	-	1,445,200	1,445,200	1,527,973	-	-
Foreign equities	-	-	-	-	405,506	448,270
Foreign equity fund	-	738,283	738,283	732,600	-	-
	<u>\$ 2,273,314</u>	<u>\$ 8,969,640</u>	<u>\$ 11,242,954</u>	<u>\$ 11,457,605</u>	<u>\$ 11,543,163</u>	<u>\$ 12,142,066</u>

The Board of Governors has an approved investment policy covering both short and long-term investments of the College. The primary investment objectives, in order of priority, are as follows:

- a) Preservation of invested capital amounts.
- b) Provision of stable and predictable returns.
- c) Maximization of return on invested capital amounts.

**Note 3 Cash and Investments** (continued)

The investment policy requires the following:

- a) That the external investment manager must be appointed by the Board of Governors.
- b) Investments in equities or corporate fixed income securities must be managed by the external investment manager of record.
- c) Investments in cash equivalent securities must have a rating equal to or higher than “R1” or “A1”
- d) Investments in fixed income securities must have a rating equal to or higher than “R1” or “A1”, with the exception that up to 20% of the fixed income securities can be invested in “BBB-rated” bonds or “R1 low” rated paper.
- e) Investment in corporate fixed income securities cannot exceed 50% of the externally managed portfolio.
- f) Investment in any single corporate fixed income security cannot exceed 10% of the value of all corporate fixed income security holdings.
- g) Investment in any single fixed income security cannot exceed 10% of the value of all investment funds, unless the security is issued or secured by the Government of Canada or a province of Canada.
- h) Investment in equities cannot exceed 30% of the externally managed portfolio.
- i) Investment in a single equity holding cannot exceed 10% of the value of all equity holdings.
- j) Investment is not allowed in equities classified as small cap (i.e. market value of common stock of less than \$600,000).
- k) Except as noted above, all investments must be issued or fully secured by a chartered bank of Canada, by the Treasury Branch of Alberta, by an Alberta credit union backed by the Province of Alberta, or by the Federal Government or by any Provincial government of Canada.

The above policy was approved by the Board of Governors in January 2005, to allow for a higher equity content (increased from 20% to 30%), as well as other minor changes. In addition the College moved from an externally managed portfolio of direct holdings of bond and equity investments, to a portfolio of mutual and pooled trust funds. As a result of the portfolio conversion a gain on disposal of \$909,036 was realized and is separately disclosed on the Consolidated Statement of Operations.

The effective annual rate of earnings on long-term fixed income investments owned by the College at June 30, 2005 was 5.40% (2004 – 5.58%) determined on a weighted average basis. Short-term deposits held at June 30, 2005 were earning 2.62% (2004 – 2.20%). Securities classified as cash and short-term investments will mature in less than one year.

**Note 4 Capital Assets**

	<b>2005</b>			<b>2004</b>
	<u>Cost &amp; Appraised Value</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 1,553,000	\$ -	\$ 1,553,000	\$ 1,553,000
Buildings and renovations	57,519,638	23,491,114	34,028,524	31,753,462
Site improvements	7,553,825	6,838,003	715,822	781,095
Furniture and equipment	11,705,279	7,819,823	3,885,456	4,221,291
Library acquisitions	4,103,086	3,141,261	961,825	894,013
Systems planning and development	349,086	193,923	155,163	162,687
Construction in progress	1,452,927	-	1,452,927	1,502,405
	<u>\$ 84,236,841</u>	<u>\$ 41,484,124</u>	<u>\$ 42,752,717</u>	<u>\$ 40,867,953</u>

**Note 5 Unearned Revenue**

	<u>2005</u>	<u>2004</u>
Tuition and related fees	\$ 1,074,946	\$ 784,084
Other	12,122	11,822
	<u>\$ 1,087,068</u>	<u>\$ 795,906</u>

**Note 6      Deferred Contributions and Deferred Capital Contributions**

Deferred contributions represent amounts received that have not been spent and are externally restricted. The balance will be recognized as revenue in future periods.

	<u>2005</u>	<u>2004</u>
Contributions received and receivable:		
Grants	\$ 2,562,785	\$ 4,268,902
Donations	417,842	177,941
Third Party contributions	-	134,367
Investment income on endowments (note 14)	<u>105,915</u>	<u>132,090</u>
	<u>3,086,542</u>	<u>4,713,300</u>
Transferred to revenue:		
Grants	(2,879,030)	(2,740,633)
Donations	(134,603)	(124,488)
Investment income (note 14)	<u>(105,915)</u>	<u>(132,090)</u>
	<u>(3,119,548)</u>	<u>(2,997,211)</u>
Transferred to:		
Unamortized deferred capital contributions (note 8)	<u>(857,973)</u>	<u>(3,527,183)</u>
(Decrease) during the year	(890,979)	(1,811,094)
Deferred Contributions and Deferred Capital Contributions, beginning of year	<u>1,891,208</u>	<u>3,702,302</u>
Deferred Contributions and Deferred Capital Contributions, end of year	<u>\$ 1,000,229</u>	<u>\$ 1,891,208</u>
The balance consists of funds restricted for:		
Deferred Contributions:		
Program delivery	\$ 392,869	\$ 1,015,782
Maintenance and repairs	-	375,000
Scholarships	313,381	313,838
Other designated purposes	<u>293,979</u>	<u>40,543</u>
	<u>1,000,229</u>	<u>1,745,163</u>
Deferred Capital Contributions:		
Infrastructure	<u>-</u>	<u>146,045</u>
Deferred Contributions and Deferred Capital Contributions, end of year	<u>\$ 1,000,229</u>	<u>\$ 1,891,208</u>

**Note 7 Long Term Debt**

Pursuant to a security agreement entered into with the Alberta Capital Finance Authority (formerly known as Alberta Municipal Financing Corporation) on May 1, 2002, the College borrowed \$4,000,000. The funds were used to finance the construction of new student housing at both the Medicine Hat and Brooks campuses. The borrowing of these funds was approved through an “Order In Council” by the Lieutenant Governor on February 6, 2002.

The debenture bears interest at 6.25% per annum, it is to be repaid in twenty-five (25) consecutive annual installments of \$320,378, principal and interest, commencing May 1, 2003 and maturing on May 1, 2027. The debenture is secured by a security interest in certain specific property.

	<u>2005</u>	<u>2004</u>
Debenture Payable		
Current Portion	\$ 84,416	\$ 79,451
Non-current Portion	<u>3,690,978</u>	<u>3,775,393</u>
	<u>\$ 3,775,394</u>	<u>\$ 3,854,844</u>

Principal payments due during the next five fiscal years are as follows:

2005 - 2006	\$ 84,416
2006 - 2007	89,692
2007 - 2008	95,298
2008 - 2009	101,254
2009 - 2010	107,583
Thereafter	<u>3,297,151</u>
	<u>\$ 3,775,394</u>

**Note 8 Unamortized Deferred Capital Contributions**

Unamortized deferred capital contributions represent the external funding of capital assets, which will be recognized in revenue, as amortization of deferred capital contributions, in future periods as the related funded assets are amortized.

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 28,101,695	\$ 25,744,303
Add amount transferred from deferred capital contributions (note 6)	857,973	3,527,183
Less amount amortized to revenue	<u>(1,227,829)</u>	<u>(1,169,791)</u>
Balance, end of year	<u>\$ 27,731,839</u>	<u>\$ 28,101,695</u>

**Note 9 Net Assets Internally Restricted**

Internally restricted net assets represent amounts set aside by the College Board of Governors to be used for the following purposes. These amounts are not available for other purposes without the approval of the Board.

	<u>2005</u>	<u>2004</u>
Operating:		
Working Capital	\$ 1,000,000	\$ 1,000,000
Capital:		
Campus Renewal & Expansion	250,800	1,504,800
Computers and Technology	500,000	500,000
Ancillary Services - Student Residence and related parking	600,000	550,000
Ancillary Services - Parking	590,000	490,000
	<u>1,940,800</u>	<u>3,044,800</u>
	<u>\$ 2,940,800</u>	<u>\$ 4,044,800</u>

**Note 10 Net Assets Invested in Capital Assets**

	<u>2005</u>	<u>2004</u>
Investment in capital assets	\$ 42,752,717	\$ 40,867,953
Outstanding capital financing	(3,775,394)	(3,854,844)
Unamortized deferred capital contributions	(27,731,839)	(28,101,695)
	<u>\$ 11,245,484</u>	<u>\$ 8,911,414</u>

**Note 11 Endowments**

Endowments consist of externally restricted donations to the College, the principal of which is required to be maintained intact in perpetuity. The investment income generated from the endowments must be used in accordance with the various purposes established by the donors.

**Note 12 Ancillary Services**

	<u>2005</u>			<u>2004</u>
	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>	<u>Net</u>
Bookstore	\$ 1,493,611	\$ 1,308,926	\$ 184,685	\$ 149,746
Cafeteria	104,430	33,071	71,359	72,208
Student residence	1,131,288	1,110,025	21,263	(19,682)
Parking	182,673	59,302	123,371	111,486
	<u>\$ 2,912,002</u>	<u>\$ 2,511,324</u>	<u>\$ 400,678</u>	<u>\$ 313,758</u>

Expense includes direct costs only.

**Note 13 Related Parties**

All members of the Medicine Hat College Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education.

Transactions in the current period between the College and the Province were as follows:

	<b>2005</b>		<b>2004</b>	
	Received and Receivable	Deferred Contributions and UDCC <sup>(1)</sup>	Revenue	Revenue
<b>Grants from Related Parties</b>				
Alberta Advanced Education	\$ 17,645,803	\$ 358,856	\$ 18,004,659	\$ 16,945,632
Alberta Infrastructure	93,000	(93,000)	-	-
Other Alberta Government Departments	<u>308,610</u>	<u>48,677</u>	357,287	<u>290,742</u>
	18,047,413	314,533	18,361,946	17,236,374
<b>Grants from Other Sources</b>	<u>765,217</u>	<u>1,712</u>	766,929	<u>952,957</u>
<b>Total Grants</b>	<u>\$ 18,812,630</u>	<u>\$ 316,245</u>	<u>\$ 19,128,875</u>	<u>\$ 18,189,331</u>

(1) UDCC refers to Unamortized Deferred Capital Contributions.

As at June 30, 2005, the accounts receivable balance included an amount due from related parties of \$442,887 (2004 - \$256,362). As at June 30, 2005, the accounts payable balance did not include any amount due to related parties (2004 - \$40,600).

During the year, the College conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations, but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

**Note 14 Investment Income**

	<b>2005</b>	<b>2004</b>
Investment income on endowments	\$ 105,915	\$ 132,090
Investment income on other sources	<u>423,461</u>	<u>532,232</u>
<b>Total investment income recognized as revenue</b>	<u>\$ 529,376</u>	<u>\$ 664,322</u>

**Note 15 Expense by Function**

	<u>2005</u>	<u>2004</u>
Instruction	\$ 15,137,706	\$ 14,691,032
Academic support	2,642,524	2,304,939
Student services	2,916,360	2,690,594
Institutional support	2,580,907	2,339,414
Facility operations & maintenance	5,284,296	5,369,527
Ancillary services	2,511,324	2,369,961
Computing services	<u>847,730</u>	<u>956,157</u>
	<u>\$ 31,920,847</u>	<u>\$ 30,721,624</u>

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audiovisual services. Student services include all activities or services to the student body of the institution. Institutional support includes all activities that provide institution wide support to other programs.

**Note 16 Pension Costs**

The College participates in a multiemployer pension plan – Local Authorities Pension Plan (LAPP). The pension expense recorded in these financial statements is equivalent to the College’s annual contributions payable to the plan of \$969,986 for the year ended June 30, 2005 (2004 - \$782,323).

At December 31, 2004, the LAPP reported a deficiency of \$1,288,924,000 (2003 – deficiency of \$1,453,487,000). Effective January 1, 2004 the employers’ contribution rates were increased by 1.077%. Rates were increased further on January 1, 2005 by approximately 1%.

**Note 17 Funds Held on Behalf of Others**

The College holds certain funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements. At June 30, the respective funds held on behalf of others were as follows:

	<u>2005</u>	<u>2004</u>
Further Education Council	\$ 61,280	\$ 52,429
Students' Association	233,857	230,934
Faculty Association	6,610	6,713
Conservatory Groups	35,336	31,590
Homestay fees from international students	258,000	144,000
	<u>\$ 595,083</u>	<u>\$ 465,666</u>

**Note 18 Salaries and Benefits**

The Treasury Board's Salary and Benefits Disclosure Directive requires the College to disclose certain salaries and benefits. Those salaries and benefits are as follows:

	<u>2005</u>			<u>2004</u>	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-cash Benefits <sup>(3)</sup>	Total	Total
Chairman of Board	\$ -	\$ 3,150	\$ 128	\$ 3,278	\$ 5,325
Board (10 members)	-	15,825	396	16,221	17,606
President	159,600	-	22,319	181,919	173,767
Vice-President					
Academic	116,390	-	16,712	133,102	125,958
Vice-President					
Corporate Services	103,979	-	15,301	119,280	-
Dean, Science	92,322	-	15,155	107,477	101,641
Dean, Student Services	92,322	-	16,554	108,876	101,641

(1) Base Salary includes pensionable base pay.

(2) Other Cash Benefits include bonuses, overtime, lump sum payments and honoraria where applicable.

(3) Other Non-cash Benefits include the employer's share of all other employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, group life insurance, employment insurance, vacation payouts, remission of tuition fees and car allowances.

**Note 19 Changes in Non-Cash Working Capital**

	<u>2005</u>	<u>2004</u>
Accounts receivable	\$ (258,442)	\$ 116,978
Inventories	97,813	(85,650)
Prepaid expenses	(64,102)	(75,766)
Accounts payable and accrued liabilities	(236,803)	37,553
Accrued vacation pay	78,797	2,050
Unearned revenue	291,162	290,681
Deferred contributions	(744,934)	997,658
	<u>\$ (836,509)</u>	<u>\$ 1,283,504</u>

**Note 20 Budget**

The original budget was approved by the College's Board of Governors at their regular meeting on [April 20, 2004](#).

**Note 21 Commitments and Contingencies**

- (a) During the [2005](#) fiscal year the College completed Phase Two of the centre core renovations including the new front entrance. Projects started during the year included a significant Heating, Ventilation and Air Conditioning (HVAC) system renewal project, as well as renovations to the S Wing and L Wing.

In relation to the above projects, as at June 30, [2005](#), the College had contractual commitments of [\\$635,000 \(2004 - \\$ 2,247,000\)](#). This amount has not been recorded in the financial statements.

- (b) The College, in the conduct of its normal activities, is a defendant in one legal proceeding. While the ultimate outcome of this proceeding cannot be predicted at this time, it is the opinion of the College's administration that the resolution of the proceeding will not have a material effect on the financial position of the College. No provision for any related loss has been reflected in these statements.

**Note 22 Comparative Figures**

Certain June 30, [2004](#) figures have been reclassified to conform to the current year presentation.

**Note 24 Approval of Financial Statements**

These financial statements were approved by the Board of Governors.