

Financial Statements of

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Year ended March 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors

We have audited the accompanying financial statements of Justice Institute of British Columbia, which comprise the statement of financial position as at March 31, 2011, the statements of operations and changes in net assets and cash flows for the year then ended, 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 and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Justice Institute of British Columbia as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

May 26, 2011
Vancouver, Canada

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Financial Position

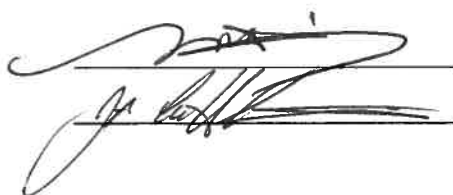
March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,074,648	\$ 1,559,031
Short-term investments	-	3,795,604
Accounts receivable and prepaids	3,894,414	3,035,172
	<u>8,969,062</u>	<u>8,389,807</u>
Capital assets (note 3)	<u>42,025,919</u>	<u>42,552,822</u>
	<u>\$ 50,994,981</u>	<u>\$ 50,942,629</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,395,504	\$ 2,930,689
Employee benefits payable (note 4)	994,883	909,701
Deferred revenue	4,647,314	4,198,969
	<u>9,037,701</u>	<u>8,039,359</u>
Deferred lease costs (note 5)	465,751	7,009
Deferred contributions (note 6)	26,028,723	27,781,226
	<u>35,532,175</u>	<u>35,827,594</u>
Net assets	<u>15,462,806</u>	<u>15,115,035</u>
	<u>\$ 50,994,981</u>	<u>\$ 50,942,629</u>

Commitments (note 7)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Governor

Governor

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Operations and Net Assets and Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Province of British Columbia:		
Grants	\$ 11,243,755	\$ 10,811,025
One-time funding	350,000	-
Contracts	6,469,125	6,113,490
Tuition (note 9)	9,697,699	9,974,255
Contract services (note 9)	11,734,609	10,985,618
Interest	35,569	22,814
Other	1,813,169	1,587,614
Amortization of deferred capital contributions (note 6)	1,620,048	1,458,446
	<u>42,963,974</u>	<u>40,953,262</u>
Expenses:		
Advertising and promotion	459,311	520,528
Contract instruction and program development	4,532,453	4,542,492
Facilities and equipment	4,312,969	4,192,099
Professional services	1,378,766	1,336,884
Salaries and employee benefits	26,019,693	25,089,401
Staff travel	851,625	942,496
Student travel and activities	721,783	979,298
Supplies - instructional	949,341	1,183,822
Supplies - office	335,812	500,052
Other	611,332	454,548
Amortization of capital assets	2,443,118	2,371,153
	<u>42,616,203</u>	<u>42,112,773</u>
Excess (deficiency) of revenue over expenses	347,771	(1,159,511)
Net assets, beginning of year	<u>15,115,035</u>	<u>16,274,546</u>
Net assets, end of year	<u>\$ 15,462,806</u>	<u>\$ 15,115,035</u>

See accompanying notes to financial statements.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 347,771	\$ (1,159,511)
Items not involving cash:		
Amortization of capital assets	2,443,118	2,371,153
Amortization of deferred lease costs	(24,260)	(32,358)
Amortization of deferred capital contributions	(1,620,048)	(1,458,446)
Contributions spent and recognized as revenue	(987,568)	(420,127)
	159,013	(699,289)
Change in non-cash operating accounts:		
Accounts receivable and prepaids	(859,242)	1,602,642
Accounts payable and accrued liabilities	464,815	(311,570)
Employee benefits payable	85,182	(29,449)
Deferred revenue	448,345	(1,084,521)
	298,113	(522,187)
Investments:		
Purchase of capital assets	(1,916,214)	(4,396,513)
Short-term investments	3,795,604	(12,842)
	1,879,390	(4,409,355)
Financing:		
Deferred lease inducement received	483,001	-
Deferred contributions received	855,113	2,287,301
	1,338,114	2,287,301
Increase (decrease) in cash and cash equivalents	3,515,617	(2,644,241)
Cash and cash equivalents, beginning of year	1,559,031	4,203,272
Cash and cash equivalents, end of year	\$ 5,074,648	\$ 1,559,031

Cash and cash equivalents consist of cash and short-term investments with a maturity date of less than ninety days from acquisition.

See accompanying notes to financial statements.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2011

1. Purpose of the Institute:

The Justice Institute of British Columbia (the "Institute") is a post-secondary educational institution established in 1978 by the Province of British Columbia (the "Province") under the provisions of the College and Institute Act. The Institute is exempt from income tax under the Income Tax Act. The mission of the Institute is to provide learning opportunities for practitioners and the public that lead to improved justice and public safety services, and safer communities.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(b) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Any unamortized balance is written off when the asset is disposed of or no longer used by the Institute. Amortization is provided on a straight-line basis over the useful lives of the assets as follows:

<u>Asset</u>	<u>Period</u>
Site improvements	10 years
Buildings	40 years
Furniture, equipment and vehicles (including computer equipment)	3 to 5 years
Personal computer equipment and peripherals	3 years
Leasehold improvements	lease term

(c) Revenue recognition:

The Institute follows the deferral method of accounting for contributions.

Contributions from the Province are recognized as follows:

- "Base" funding contributions are recognized as revenue in the year in which the contributions are received or receivable.
- "Other" funding contributions are recognized as revenue in the year in which the related expenses are incurred.

Tuition fees are recognized as revenue in the period the course is conducted. Fees received prior to the year end where the course is delivered subsequent to the year end are recorded as deferred revenue.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2011

2. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Contract revenues are recognized in the period in which the related activities are performed. The zero profit margin method is used when a contract's financial outcome is not reasonably determinable. This method of accounting requires that equal amounts of revenue and expense be recognized until the financial outcome of a contract can be reasonably estimated. Provision for anticipated losses is made in the period in which they become evident.

Contributions received for capital asset acquisitions are recorded as deferred capital contributions and recognized as revenue on the same basis as the related capital assets are depreciated. Contributions of or relating to the acquisition of non-depreciable assets are recognized as direct increases in net assets when received.

Contributions, tuition fees and contract services are recognized as revenue in accordance with the applicable recognition criteria above when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Areas of significant estimates include useful lives of capital assets for amortization, accrued losses on contracts and employee benefits payable. Actual results could differ from these estimates.

(e) Financial instruments:

The Institute accounts for its financial instruments in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, and as permitted for not-for-profit organizations, CICA Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*.

All financial instruments are measured at the balance sheet date at fair value except for loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost.

The Institute classifies its cash and cash equivalents, and short-term investments as held to maturity. These financial instruments are initially measured at fair value and subsequently accounted for at amortized cost. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and employee benefits payable are classified as other financial liabilities, which are measured at amortized cost.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2011

2. Significant accounting policies (continued):

(f) Related party transactions:

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

(g) Future accounting policies:

Changes in accounting framework:

Effective April 1, 2012, the Institute will be transitioning to Public Sector Accounting Standards (PSAB) on a retroactive basis. The Institute is reviewing the impact of this change on the financial statements.

3. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 10,416,476	\$ -	\$ 10,416,476	\$ 10,416,476
Buildings	39,498,166	11,827,100	27,671,066	27,327,971
Buildings – work in process	3,322	-	3,322	922,401
Furniture, equipment and vehicles	4,109,589	2,185,183	1,924,406	1,871,621
Personal computer equipment and peripherals	644,036	386,586	257,450	226,843
Leasehold Improvements	1,321,723	725,004	596,719	364,767
Site improvements	2,809,003	1,652,523	1,156,480	1,422,743
	<u>\$ 58,802,315</u>	<u>\$ 16,776,396</u>	<u>\$ 42,025,919</u>	<u>\$ 42,552,822</u>

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2011

4. Employee future benefits:

(a) Pensions:

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has approximately 12,000 active members from college senior administration and instructional staff and approximately 4,500 retired members. The Municipal Pension Plan has about 163,000 active members, with approximately 5,600 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plans and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2009 indicated an unfunded liability of \$28 million for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent valuation for the Municipal Pension Plan as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013.

The actuary does not attribute portions of the unfunded liability to individual employers.

The Institute records pension expense as cash contributions to the plans are made. During the year, the Institute contributed \$1,511,614 (2010 - \$1,375,020) to the above plans.

(b) Other employee benefits:

The Institute accrues vacation and retirement entitlements for employees as earned. However, funding for these is not accrued, as the Province does not provide special funding for vacations and retiring allowances. As the majority of employees are paid salaries, management anticipates that vacation accruals will be reversed when these employees take their standard vacations and that no additional funding will be required above authorized salaries.

Employees who are members of the BC Government and Services Employees' Union are entitled to earned benefits related to retirement allowances. The liability and expense for these post-employment benefits is recognized in the financial statements in the period in which employees render services and on the basis that the benefits are expected to be provided when the employees are no longer providing active service.

In 2009, the Institute engaged the services of an actuarial firm to evaluate its employee future benefits plans. As a result of this estimate, an increase of employee future benefit liability relating to retirement allowances of \$23,000 (2010 - \$49,000 reduction) has been recorded in the year.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2011

4. Employee future benefits (continued):

(b) Other employee benefits (continued):

The Institute has accrued future obligations for all post-employment benefits using the projected benefits method prorated on service. The retirement allowance benefits are unfunded.

The Institute records actuarial gains and losses in the period they arise.

The liabilities reported in 2011 are based on an actuarial valuation as at March 31, 2009, updated to March 31, 2011, using the following valuation assumptions:

	2011	2010
Discount rate	5.8%	5.8%
Inflation rate	2.0	2.0
Rate of compensation increase	2.75	2.75

Employee benefits payable as at March 31, 2011 are as follows:

	2011	2010
Retirement allowances	\$ 197,000	\$ 174,000
Vacation, including benefits	797,883	735,701
	<u>\$ 994,883</u>	<u>\$ 909,701</u>

5. Deferred lease costs:

Total payments under an operating lease for the premises at 810 Fort Street, Victoria are recorded as an expense on a straight-line basis over the term of the lease. As part of this lease, an inducement of \$483,001 was received during fiscal 2011. The amount of the inducement has been recorded as deferred lease costs and is being credited to the statement of operations on a straight-line basis over the term of the lease, being seven years.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2011

6. Deferred contributions:

	2011	2010
Balance, beginning of year	\$ 27,781,226	\$ 27,372,498
Contributions received during the year	855,113	2,287,301
	28,636,339	29,659,799
Less:		
Amortization of deferred capital contributions	1,620,048	1,458,446
Contributions spent and recognized as revenue	987,568	420,127
Balance, end of year	\$ 26,028,723	\$ 27,781,226

Included in deferred contributions at March 31, 2011 is unamortized deferred capital contributions of \$25,121,970 (2010 - \$26,102,198). The balance consists of an aggregate unspent amount of \$1,206,753 (2010 - \$2,112,198).

7. Commitments:

The Institute has operating lease commitments for facilities, computer and office equipment and vehicles as follows:

2012	\$ 583,602
2013	433,842
2014	299,739
2015	249,331
2016	256,248
	1,822,762
Thereafter	441,120
	\$ 2,263,882

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2011

8. Related organization:

The Institute has an economic interest in the Justice Institute of British Columbia Foundation (the "Foundation"). The Foundation was formed to raise funds for furthering the interests of the Institute. The net assets and results of operations of the Foundation have not been included in these financial statements.

The balance due from the Foundation, included in accounts receivable and prepaids, at March 31, 2011 is \$25,888 (2010 - \$105,226). The balance arose from expenditures the Institute paid on behalf of the Foundation.

During 2011, the Foundation contributed \$1,229,810 (2010 - \$999,106) in training equipment and student / applied research awards to the Institute. Administrative services, including salary costs, amounting to approximately \$293,748 (2010 - \$213,895) were provided to the Foundation by the Institute on a no charge basis.

The following is a summary of financial statements of the Foundation for the year ended December 31, 2010 and 2009:

	2010	2009
Total assets	\$ 1,832,136	\$2,236,699
Total liabilities	35,515	57,513
Net assets	\$ 1,796,621	\$2,179,186
Total revenues	\$ 965,832	\$1,054,037
Total expenses	1,348,397	930,660

9. Capital disclosures:

The Institute receives its principal source of capital through government grants, contributions from the Justice Institute Foundation and general donations. The Institute defines capital to be net assets, which includes amounts held in the operating and capital funds. In carrying out its purpose, the Institute strives to maintain a sufficient capital base to support the programs, operations and activities of the Institute.

The Institute is not subject to any other external capital requirements or restrictions.