

**H. LAVITY STOUTT
COMMUNITY COLLEGE**

Audited Financial Statements

For the year ended December 31, 2011 and 2010



H. LAVITY STOUTT COMMUNITY COLLEGE

Financial Statements
For the year ended December 31, 2011

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H. LAVITY STOUTT COMMUNITY COLLEGE

**College Directory
At December 31, 2011**

Board of Governors

| | |
|-----------------------------|------------------------|
| Dr. Charles H. Wheatley | <i>(Chairman)</i> |
| Mrs. Eileene L. Parsons | <i>(Deputy Chair)</i> |
| Dr. Karl Dawson | <i>(President)</i> |
| Mr. Joseph S. Archibald, QC | <i>(Legal Counsel)</i> |
| Honorable Andrew Fahie | |
| Dr. Henry Jarecki | |
| Dr. Joel Stevens | |
| Mr. Carvin Malone | |
| Mr. Cromwell Smith | |
| Mr. Derek Dunlop | |
| Mr. Jamal S. Smith | |
| Mr. Lester Hyman | |
| Mr. Robert Mathavious | |
| Mr. Roy Barry | |
| Mrs. Connie George | |

Bursar

Ms. Ursula Y. Moore, C.P.A. (Appointed January 4, 2011)

Assistant Bursar

Mrs. Elenore Rowland-George

Registered Office

P.O. Box 3097
Road Town, Tortola VG 1110
British Virgin Islands

Development Committee

Mr. Roy Barry
Mr. Derek Dunlop
Mr. Jamal S. Smith
Mr. Carvin Malone
Dr. Henry Jarecki
Honorable Andrew Fahie

Finance Committee

Mr. Derek Dunlop
Mr. Carvin Malone
Mr. Roy Barry
Mr. Robert Mathavious
Dr. Joel Stevens

Academic Committee

Mr. Cromwell Smith
Mrs. Connie George
Mr. Lester Hyman
Honorable Andrew Fahie
Mr. Robert Mathavious

Human Resource Committee

Mr. Cromwell Smith
Mr. Jamal S. Smith
Mrs. Connie George
Mrs. Eileene L. Parsons
Dr. Joel Stevens
Mr. Lester Hyman



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Sea Meadow House
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Tortola VG1110
British Virgin Islands

Independent Auditor's Report

To The Board of Governors Of
H. Lavity Stoutt Community College
Tortola, British Virgin Islands

We have audited the accompanying statement of financial position of H. Lavity Stoutt Community College (the "College"), as of December 31, 2011 and 2010, and the related statements of activities, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our qualified opinion.

Our qualified opinion is based on the inability to satisfy ourselves as to the valuation of fixed assets. At December 31, 2011 and 2010 the College had not maintained complete records for its fixed assets. While there was a fixed asset count conducted on March 18, 2011 and on December 8, 2011, the necessary changes to the fixed asset listing have not been completed and it was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the valuation of the fixed assets, stated in the financial statements at net book value of \$12,565,381 and \$13,490,915 as at December 31, 2011 and 2010 respectively.

In our opinion, except for the effect of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the valuation of fixed assets, the financial statements present fairly, in all material respects, the financial position of the College as of December 31, 2011 and 2010 and its financial performance for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO Limited

Tortola, British Virgin Islands
December 24, 2012

H. LAVITY STOUTT COMMUNITY COLLEGE

Statement of Financial Position

At December 31, 2011 and 2010

Expressed in U.S. Dollars

| | Note | 2011 | | | Total | 2010 |
|---------------------------------|------|----------------------|------------------|---------------------|----------------------|----------------------|
| | | Capital fund | Restricted | Unrestricted | | |
| Assets | | | | | | |
| Cash and cash equivalents | | 250,560 | — | 558,415 | 808,975 | 2,190,587 |
| Receivables and prepayments | 5,12 | — | — | 5,828,690 | 5,828,690 | 2,683,617 |
| Due from other College funds | | — | — | 905,671 | 905,671 | 654,928 |
| Inventory | | — | — | 504,750 | 504,750 | 550,505 |
| Investments | 6 | — | 22,675 | — | 22,675 | 21,989 |
| Capital assets | 8 | 12,565,381 | — | — | 12,565,381 | 13,490,915 |
| Total assets | | 12,815,941 | 22,675 | 7,797,526 | 20,636,142 | 19,592,541 |
| Liabilities | | | | | | |
| Cash and cash equivalents | | — | — | — | — | — |
| Payables | 7 | — | — | 1,831,240 | 1,831,240 | 1,751,847 |
| Deferred revenue | | — | — | 73,869 | 73,869 | — |
| Due to other College funds | | 905,671 | — | — | 905,671 | 654,928 |
| Total liabilities | | 905,671 | — | 1,905,109 | 2,810,780 | 2,406,775 |
| Net assets/(liabilities) | | \$ 11,910,270 | \$ 22,675 | \$ 5,892,417 | \$ 17,825,362 | \$ 17,185,766 |

Approved on behalf of the Board of Governors
on December 24, 2012


President


Bursar

The accompanying notes form an integral part of these financial statements

H. LAVITY STOUTT COMMUNITY COLLEGE

Statement of Activities
For the year ended December 31, 2011 and 2010
Expressed in U.S. Dollars

| | Notes | 2011 | | 2010 | |
|---|-------|---------------|---|---------------|---------------|
| | | Capital fund | Current funds Restricted Unrestricted | Total | Total |
| Operating revenues | | | | | |
| Government grants | | — | 11,373,890 | 11,373,890 | 11,346,333 |
| Other gifts and grants | | — | 191,074 | 191,074 | 161,238 |
| Tuition and fees | | — | 1,524,647 | 1,524,647 | 1,529,975 |
| Other income | | 1,735 | 2,379,503 | 2,381,923 | 2,530,662 |
| Total operating revenues | | 1,735 | 15,469,114 | 15,471,534 | 15,568,208 |
| Operating expenses | | | | | |
| Academic expenses | | — | 2,995,035 | 2,995,035 | 3,337,266 |
| Allowance for doubtful debts | 5 | — | 256,303 | 256,303 | 849,205 |
| Auxiliary expenses | | — | 1,078,470 | 1,078,470 | 1,076,835 |
| Institutional support | | — | 7,909,711 | 7,909,711 | 7,962,726 |
| Library costs | | — | 49,110 | 49,110 | 50,246 |
| Repairs and maintenance | | — | 1,473,939 | 1,473,939 | 1,501,972 |
| Total operating expenses | | — | 13,762,568 | 13,762,568 | 14,778,250 |
| Non-operating revenues | | | | | |
| Other income | | — | — | — | — |
| Total non-operating revenues | | — | — | — | — |
| Non-operating expenses | | | | | |
| Depreciation | 8 | 1,069,370 | — | 1,069,370 | 1,252,845 |
| Total non-operating expenses | | 1,069,370 | — | 1,069,370 | 1,252,845 |
| Change in net assets | | (1,067,635) | 685 | 639,596 | (462,887) |
| Opening net assets/(liabilities) | | 12,977,905 | 21,989 | 17,185,766 | 17,648,653 |
| Closing net assets/(liabilities) | | \$ 11,910,270 | \$ 22,674 | \$ 17,825,362 | \$ 17,185,766 |

The accompanying notes form an integral part of these financial statements

H. LAVITY STOUTT COMMUNITY COLLEGE

Statements of Cash Flows
For the year ended December 31, 2011 and 2010
Expressed in U.S. Dollars

| | 2011 | | | Total |
|---|--------------|------------|--------------|--------------|
| | Capital fund | Restricted | Unrestricted | |
| | | | | 2010 |
| Cash flows from operating activities: | | | | |
| Change in net assets | (1,067,635) | 685 | 1,706,546 | 639,596 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | (462,887) |
| Depreciation | 1,069,370 | — | — | 1,069,370 |
| Change in operating assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | — | — | (3,145,074) | 193,690 |
| Increase in due from other College funds | — | — | (250,743) | (385,219) |
| Increase in inventory | — | 45,755 | 45,755 | (22,152) |
| Increase in investments | — | (685) | — | (771) |
| Increase in due to other College funds | 250,743 | — | — | 250,743 |
| Increase in deferred revenue | — | — | 73,869 | 385,218 |
| Increase in accounts payable | — | — | 79,393 | — |
| Net cash provided by operating activities | 252,478 | — | (1,490,254) | 106,547 |
| | | | | 1,067,271 |
| Cash flows from investing activities: | | | | |
| Purchase of capital assets | (143,836) | — | — | (143,836) |
| Net cash used in investing activities | (143,836) | — | — | (143,836) |
| Net increase/(decrease) in cash and cash equivalents | 108,642 | — | (1,490,254) | 682,053 |
| Cash and cash equivalents at beginning of year | 141,918 | — | 2,048,669 | 1,508,534 |
| Cash and cash equivalents at end of year | \$ 250,560 | \$ — | \$ 558,415 | \$ 2,190,587 |

The accompanying notes form an integral part of these financial statements

H. LAVITY STOUTT COMMUNITY COLLEGE

Notes to and forming part of the Financial Statements For the year ended December 31, 2011 and 2010

Expressed in U.S. Dollars

1. GENERAL INFORMATION

H. Lavity Stouutt Community College (the "College") is a body corporate established in the British Virgin Islands under the British Virgin Islands Community College Act 1990, as amended. The principal objective of the College, which began its first academic year on January 14, 1990, is to provide a comprehensive education program that includes education and training, which link economic, and human resources development.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the College's financial statements are set out below.

(a) Basis of preparation

The financial statements present the financial position, results of activities and changes in net assets of the College. They have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

The College follows the "business-type" activities requirements of GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which provides that the following sections be included in the College's annual financial report:

- Management's discussion and analysis;
- Basic financial statements including statements of net assets, statements of activities, and changes in net assets and statements of cash flows for the College;
- Notes to and forming part of the financial statements.

The accompanying financial statements have been prepared using the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they are incurred.

Operating revenues of the College consist of tuition and fees, grants and contracts, departmental activities, auxiliary activities and other miscellaneous revenues. Transactions related to capital financing activities, non-capital financing activities, investing activities and appropriation from the Government of the British Virgin Islands are components of non-operating income or expenses. When an expense is incurred for which both restricted and unrestricted net assets are available, the College applies the restricted or unrestricted resources at its discretion provided all terms of the restriction have been followed.

H. LAVITY STOUTT COMMUNITY COLLEGE

Notes to and forming part of the Financial Statements For the year ended December 31, 2011 and 2010 *Expressed in U.S. Dollars*

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Use of estimates

The preparation of financial statements in conformity with accounting standards generally accepted in the United States of America as prescribed by GASB requires management to make estimates and assumptions relating to 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 expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation of allowances for receivables and inventories. Actual results could differ from those estimates.

(c) Net assets

(i) *Unrestricted net assets*

Unrestricted net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by actions of the Board of Governors and may include, but are not exclusive to, education and general institutional support. Contributions, gains and other income, whose restrictions are met in the same reporting period, are reported as unrestricted support.

(ii) *Restricted net assets*

Restricted net assets include gifts and pledges which require that the corpus be made available for spending in accordance with donor restrictions.

(iii) *Capital net assets*

Capital net asset activities reflect transactions of a capital nature including contributions to be used for facilities and equipment.

Cash is transferred among the College's funds as required for the performance of the College funds' stated purposes.

(d) Cash and cash equivalents

The College considers cash on hand, cash in banks, net of overdrafts, and investments with original maturities of ninety days or less when purchased, as cash and cash equivalents. Cash and cash equivalents held in the capital fund represents funds held by the College for transactions of a long-term investment or capital nature.

(e) Accounts receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the statement of cash flows. The allowance for doubtful accounts is the College's best estimate of the amount of probable credit losses in the College's existing accounts receivable. The College determines the allowance based on historical write-off experience. The College reviews its allowance for doubtful accounts on a monthly basis. Account balances over 365 days are reviewed individually for collectibility. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The College does not have any off-balance-sheet credit exposure related to its customers.

(f) Inventory

Inventories are stated at the lower of cost or market value. Cost is determined using the first-in, first-out method (FIFO) for all inventory items.

H. LAVITY STOUTT COMMUNITY COLLEGE

Notes to and forming part of the Financial Statements For the year ended December 31, 2011 and 2010 *Expressed in U.S. Dollars*

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Capital assets

Property, plant and equipment are stated at cost less accumulated depreciation. A capitalization threshold of \$500 and a useful life threshold of one year or more are used for all asset categories. Maintenance and repairs are expensed as incurred and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed from the financial statements, and gains and losses are included in operations in the statement of activities and changes in net assets.

All capital expenditures for land, buildings, furniture and equipment, motor vehicles, library books and paintings and artwork are recorded as additions to the capital fund when the assets are placed in service, and carried at cost at the date of the acquisition or fair value at the date of donation.

Depreciation is computed on a straight-line basis over the estimated useful lives of assets as follows:

| | |
|-------------------------|-----------------|
| Land | Not depreciated |
| Buildings | 3 - 5% |
| Capital improvements | 5 - 20% |
| Furniture and equipment | 10 - 50% |
| Motor vehicles | 20% |
| Library books | 10 - 20% |
| Paintings and artwork | 10% |

(h) Investments

All investments are measured at fair value with changes in their fair value recognized in the statement of revenue, expenses and changes in net assets, except that any financial instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost less impairment losses (refer to accounting policy m). If a reliable measurement subsequently becomes available, the instrument is measured at fair value.

(i) Revenue recognition

Government grants, donations, other grants and investment income relating to unrestricted contributions are recognized as operating revenues in the statement of activities and changes in net assets as received.

Restricted contributions and investment income are recognized as non-operating revenues in the year in which the related expenses are incurred.

Contributions restricted for the purchase of capital assets are recognized as non-operating revenues and are amortized at a rate corresponding with the depreciation rate for the related capital assets.

(j) Expenditure recognition

Expenses are recognized on an accrual basis.

(k) Employee benefits

The College established a contributory, defined-contribution pension scheme effective March 1, 2001 to grant pensions, gratuities or retiring allowances to its officers and employees (the "Pension Fund"). The Pension Fund is currently being funded by the College at 8% of gross salaries per annum whilst employees contribute at a minimum rate of 4%. Contributions payable by the College during the year are charged to the statement of activities and changes in net assets.

H. LAVITY STOUTT COMMUNITY COLLEGE

Notes to and forming part of the Financial Statements For the year ended December 31, 2011 and 2010

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Operating lease payments

Payments made under operating leases are recognized in the statement of activities and changes in net assets on a straight-line basis over the term of the lease.

(m) Impairment

The carrying amounts of the College's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is estimated as the greater of an asset's net selling price and value in use. An impairment loss is recognised in the statement of activities and changes in net assets whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of activities and changes in net assets.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. CONCENTRATION OF RISK

(a) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted.

Financial instruments that subject the College to credit risk consist principally of student receivables. To reduce exposure to credit risk on student receivables, the College has implemented a credit policy to ensure that credit-worthy students are granted credit. Students are required to pay their balances in full prior to final examinations. The Government of the British Virgin Islands (the "BVI Government") also implemented a Tuition Assistance Program that covers the tuition fees of qualifying students.

The College is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but management does not expect any significant counterparty to fail to meet its obligations. The College invests available cash with various reputable banks.

The College is exposed to credit-related losses in the event of non-performance by such counterparties to financial instruments, but management does not expect any banking institution to fail to meet its obligations. The extent of the College's exposure to credit risk in respect to these financial assets approximate their carrying values as recorded in the statement of financial position.

H. LAVITY STOUTT COMMUNITY COLLEGE

Notes to and forming part of the Financial Statements For the year ended December 31, 2011 and 2010

Expressed in U.S. Dollars

3. CONCENTRATION OF RISK (Cont'd)

(b) Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (price risk), interest rates (interest rate risk) and foreign exchange rates (foreign currency risk).

- (i) Price risk. The financial instruments exposed to price risk comprise investments. As these are carried at fair value with fair value changes recognized in the statement of activities, all changes in market conditions will directly affect net income. At December 31, 2011, the impact on the College's change in net assets would be insignificant.
- (ii) Interest rate risk. The financial instruments exposed to interest rate risk comprise cash and cash equivalents and investments. The College is exposed to fair value interest rate risk on investments to the extent that prevailing interest rates may fluctuate from the fixed interest rate stated in Note 6. There is an inherent risk that during the period to maturity these rates may be lower than the prevailing market rates.
- (iii) Foreign currency risk. At December 31, 2011, the College has no financial assets and financial liabilities denominated in currencies other than the US dollar. As a result, the College is not exposed to foreign currency risk.

(c) Liquidity risk

Liquidity risk is the risk that the College may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The College is exposed to liquidity risk from its financial liabilities represented by payables which are due within one year. The cash and cash equivalents are considered to be on demand apart from the small amount restricted. Net receivables are deemed to be fully collectible.

H. LAVITY STOUTT COMMUNITY COLLEGE

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011 and 2010

Expressed in U.S. Dollars

4. TAXATION

The College is an "educational institution" within the meaning of section 8(d) of the Income Tax Act (Cap. 206) of the British Virgin Islands and is deemed to be exempt from income taxes.

Effective January 1, 2005, the BVI Government, by virtue of the introduction of the Payroll Taxes Act, 2004, effectively abolished both personal and corporate income tax in the Territory. Further, beginning January 1, 2005, the College became subject to a payroll tax equating to 6% of all salaries, wages and benefits paid to employees.

5. RECEIVABLES AND PREPAYMENTS

| | 2011 | 2010 |
|------------------------------------|--------------|--------------|
| Student receivables | 4,513,671 | 3,504,101 |
| Less: allowance for doubtful debts | (1,923,916) | (1,923,916) |
| | 2,589,755 | 1,580,185 |
| General receivables | 3,189,982 | 1,007,448 |
| Less: allowance for doubtful debts | (42,082) | (139,592) |
| | 3,147,900 | 867,856 |
| Total | 5,737,655 | 2,448,041 |
| Prepayments and other receivables | 91,035 | 235,576 |
| | \$ 5,828,690 | \$ 2,683,617 |

6. INVESTMENTS

| | 2011 | 2010 |
|---|-----------|-----------|
| Residential Accredited Loans Inc. Series 2002-QS10 Class 1A3 R/MD 6.50% 10/25/2032 | \$ 22,675 | \$ 21,989 |

7. PAYABLES

| | 2011 | 2010 |
|-----------------|-------------|-------------|
| Trade payables | 480,348 | 462,287 |
| Personnel costs | 1,290,182 | 1,242,265 |
| Other payables | 60,710 | 47,295 |
| | \$1,831,240 | \$1,751,847 |

H. LAVITY STOUTT COMMUNITY COLLEGE

Notes to and forming part of the the Financial Statements

At December 31, 2011 and 2010

Expressed in U.S. Dollars

| 8. | CAPITAL ASSETS | | | | | | | | Total |
|---------------------------|----------------|--------------|--------------|--------------|---------------|----------------|----------|---------------|-------|
| | Land | Buildings | improvements | Capital | Furniture and | Motor vehicles | Library | Paintings and | |
| | | | | improvements | equipment | | books | artwork | |
| Cost: | | | | | | | | | |
| At January 1, 2011 | 2,935,810 | 15,420,574 | 1,590,796 | 6,739,884 | 158,399 | 100,180 | 21,597 | 26,967,240 | |
| Additions | — | — | 3,040 | 140,796 | — | — | — | 143,836 | |
| At December 31, 2011 | 2,935,810 | 15,420,574 | 1,593,836 | 6,880,680 | 158,399 | 100,180 | 21,597 | 27,111,076 | |
| Accumulated depreciation: | | | | | | | | | |
| At January 1, 2011 | — | 5,955,859 | 1,291,478 | 6,032,480 | 88,234 | 91,530 | 16,744 | 13,476,325 | |
| Charge for the year | — | 713,096 | 12,978 | 329,906 | 8,329 | 4,364 | 697 | 1,069,370 | |
| At December 31, 2011 | — | 6,668,955 | 1,304,456 | 6,362,386 | 96,563 | 95,894 | 17,441 | 14,545,695 | |
| Net book value: | | | | | | | | | |
| At December 31, 2011 | \$ 2,935,810 | \$ 8,751,619 | \$ 289,380 | \$ 518,294 | \$ 61,836 | \$ 4,286 | \$ 4,156 | \$ 12,565,381 | |
| At December 31, 2010 | \$ 2,935,810 | \$ 9,464,715 | \$ 299,318 | \$ 707,404 | \$ 70,165 | \$ 8,650 | \$ 4,853 | \$ 13,490,915 | |

H. LAVITY STOUTT COMMUNITY COLLEGE

Notes to and forming part of the the Financial Statements

At December 31, 2011 and 2010

Expressed in U.S. Dollars

| 8. | CAPITAL ASSETS (Continued) | | | | | | | | Total |
|----------------------------------|----------------------------|---------------|----------------------|-------------------------|----------------|---------------|-----------------------|--|---------------|
| | Land | Buildings | Capital improvements | Furniture and equipment | Motor vehicles | Library books | Paintings and artwork | | |
| Cost: | | | | | | | | | |
| At January 1, 2010 | 2,935,810 | 15,420,574 | 1,590,796 | 6,360,223 | 158,399 | 94,623 | 21,597 | | 26,582,022 |
| Additions | — | — | — | 379,661 | — | 5,557 | — | | 385,218 |
| At December 31, 2010 | 2,935,810 | 15,420,574 | 1,590,796 | 6,739,884 | 158,399 | 100,180 | 21,597 | | 26,967,240 |
| Accumulated depreciation: | | | | | | | | | |
| At January 1, 2010 | — | 5,244,857 | 1,245,438 | 5,549,279 | 79,905 | 87,954 | 16,047 | | 12,223,480 |
| Charge for the year | — | 711,002 | 46,040 | 483,201 | 8,329 | 3,576 | 697 | | 1,252,845 |
| At December 31, 2010 | — | 5,955,859 | 1,291,478 | 6,032,480 | 88,234 | 91,530 | 16,744 | | 13,476,325 |
| Net book value: | | | | | | | | | |
| At December 31, 2010 | \$ 2,935,810 | \$ 9,464,715 | \$ 299,318 | \$ 707,404 | \$ 70,165 | \$ 8,650 | \$ 4,853 | | \$ 13,490,915 |
| At December 31, 2009 | \$ 2,935,810 | \$ 10,175,717 | \$ 345,358 | \$ 810,944 | \$ 78,494 | \$ 6,669 | \$ 5,550 | | \$ 14,358,542 |

H. LAVITY STOUTT COMMUNITY COLLEGE

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011 and 2010

Expressed in U.S. Dollars

9. RETIREMENT BENEFITS SCHEME

Defined Contribution Retirement Benefits Scheme ("Pension Fund") was implemented under authorization of the College's Board of Governors.

The College contributes at a rate of 8% of the gross salary of participating employees to the scheme. Employees are required to contribute towards the scheme at a minimum rate of 4%.

Zurich International Life Limited administers the Funds contributed. Contributions by the College for the years ended December 31, 2011 and 2010 were \$208,689 and \$232,523 respectively.

10. RELATED PARTY TRANSACTIONS

The College receives grants from the BVI Government during its normal course of business to assist with the funding of its operations and capital expenditure projects. During the year ended December 31, 2011 a total of \$11,373,890 (2010: \$11,346,333) was granted of which \$8,539,723 (2010: \$11,279,614) was received.

The salaries of members of the Board of Governors amounted to \$267,719 in 2011 (2010: \$278,151).

Tuition Assistance Program ("TAP")

During 2006, the BVI Government announced its decision to offer free tuition to British Virgin Islanders and Belongers, in relation to courses taken at the College. This decision affects those students who registered since the fall semester of 2006 up to present. The BVI Government, with the exception of any summer classes taken, pays for all tuition costs for applicable students.

At December 31, 2011, a total of \$2,747,947 (2010: \$1,719,867) was receivable with respect to the Tuition Assistance Programme.

11. OPERATING LEASES

The College leases office space in Virgin Gorda and commercial and storage space in Road Town, British Virgin Islands. The Virgin Gorda lease has a term of three years commencing April 1, 2008 and expiring March 31, 2011. The option to renew was granted for an additional 2 years expiring March 31, 2013. The Road Town lease has a term of five years commencing January 1, 2009 and expiring December 31, 2013.

Future minimum lease payments as at December 31, 2011 are as follows:

| | Virgin Gorda | Road Town | Total |
|-------------------|------------------|-------------------|-------------------|
| One year | 62,400 | 93,000 | 155,400 |
| Two to five years | 15,600 | 93,000 | 108,600 |
| | <u>\$ 78,000</u> | <u>\$ 186,000</u> | <u>\$ 264,000</u> |

H. LAVITY STOUTT COMMUNITY COLLEGE

Notes to and forming part of the Financial Statements

For the year ended December 31, 2011 and 2010

Expressed in U.S. Dollars

12. MISSING DEPOSITS

The financial statements as at December 31, 2011 and 2010 included missing deposits as summarized below:

| | 2011 | 2010 |
|--|-----------|-----------|
| Amount recorded as other receivable (missing deposits) | 101,943 | 101,943 |
| Amount subsequently collected | (50,479) | (50,479) |
| Outstanding missing deposits | \$ 51,464 | \$ 51,464 |

During the course of the 2008 audit, the auditors became aware of a matter concerning missing deposits from two of the College's bank accounts. The matter was investigated internally by the College's Accounting Department then reported to the College's Board of Governors. The Board directed that the V.I. Government Internal Audit Department be invited to investigate the matter, which was done.

During the investigation, a confession was obtained from an employee that accounted for a portion of the missing funds. The employee has since been dismissed but through his lawyer has repaid \$50,479 of the missing funds.

The College has put measures in place to prevent the re-occurrence of such a situation.

At present there is uncertainty regarding the recovery of the outstanding missing deposits of \$51,464. Accordingly, a provision for doubtful debts has been made in respect of this amount.