H. LAVITY STOUTT
COMMUNITY COLLEGE

Audited Financial Statements

For the year ended December 31, 2012 and 2011

BDO

H. LAVITY STOUTT COMMUNITY COLLEGE

Financial Statements
For the year ended December 31, 2012

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H. LAVITY STOUTT COMMUNITY COLLEGE

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At December 31, 2012

Board of Governors & Committees

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Mrs. Eileene L. Parsons	(Deputy Chair)
Dr. Karl Dawson	(Ex- Officio President)
Ms. Melissa Amey	
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Mr. Wendell M. Gaskin	
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Dr. Marcia Potter	
Dr. Lydia Pickering	
Mrs. Jennifer Potter-Questelles	
Mr. Cromwell Smith	
Mrs. Erlin Vanterpool	

Legal Counsel

Dr. Joseph S. Archibald, QC

Bursar

Ms. Ursula Y. Moore, CPA (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. Derek Dunlop, Chair
- Mr. Wendell Gaskin
- Mr. Lester Hyman
- Dr. Henry Jarecki
- Mr. Carvin Malone
- Ms. Amberly Crabbe
- Dr. Karl Dawson, President (College Liaison)

FINANCE COMMITTEE

- Mr. Carvin Malone, Chair
- Ms. Amberly Crabbe
- Mr. Wendell Gaskin
- Dr. Marcia Potter
- Mrs. Jennifer Potter-Questelles
- Ms. Ursula Moore, Bursar (College Liaison)

ACADEMIC COMMITTEE

- Dr. Lydia Pickering, Chair
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- Dr. Marcia Potter
- Mr. Cromwell Smith
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- Dr. Bryan Penn, Vice President (College Liaison)

HUMAN RESOURCES COMMITTEE

- Mrs. Eileene L. Parsons, Chair
- Dr. Lydia Pickering
- Mrs. Jennifer Potter-Questelles
- Mr. Cromwell Smith
- Dr. Christine D. Hodge, Associate Vice President of Operations, Quality Assurance and Human Resources (College Liaison)

H. LAVITY STOUTT COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

This section of H. Lavity Stoutt Community College's (HLSCC) annual financial report provides an overview and analysis of the College's financial performance during the fiscal year ended December 31, 2011 and 2012. This overview has been prepared by management, along with the financial statements and related footnote disclosures, and should be read in conjunction with them. The financial statements, footnotes and this discussion are the responsibility of management.

President's Message

During 2012 considerable effort was made on the development of a 5-year strategic plan that would guide the institution into the future. Internal and external constituents of the College gave input during the process. Work on the plan continues but the first output related to the plan has been the designation of new vision and mission statements for HLSCC.

Vision Statement

H. Lavity Stoutt Community College will be a regional college of choice for higher education and lifelong learning. It will aid in the improvement of life, a vibrant economy, and nation building.

Mission Statement

H. Lavity Stoutt Community College provides quality higher education and lifelong learning that is responsive to changing community needs, the global economy, and evolving technology. The offerings promote individual growth, economic, social, and cultural development.

Efforts were made to ensure that resource allocation for the institution must be guided by the greater aims and goals for the College. Planning and budgeting must be clearly and closely aligned to ensure that the HLSCC's resources are put to use in support of stated mission and goals. The processes of planning and resource allocation have become very integrated at the institution with the aim of better institutional results for funds expended. Great effort was made to revise the budget process at the College resulting firstly in a name change that more concisely represents the activity (Resource Allocation Planning), and in a document that is more comprehensive yet useful to users of this information at all levels.

Successful implementation of this Resource Allocation Plan depends not only on securing commitment to funds via the Virgin Islands Government budgetary allocation process but on the actual timely transfer of those funds to the institution. In recent years, and 2012 was no different, lack of steady cash flow has resulted in poor execution of approved budgets. Priority is given to coverage of payroll in order to retain staff and for other critical operating expenses. Unfortunately, that leaves little room for dealing proactively with maintenance issues, development of other facilities for students, adequate professional development for faculty and staff, or for greater programme innovation to meet emerging needs in the community. The need to address issues related to the physical plant grows increasingly urgent each year as certain maintenance is deferred and needed upgrades are not undertaken.

As stewards of the organization, we are acutely aware of the need to contain costs and raise revenue from sources other than Government subvention. We continue to look for opportunities to reduce staff by attrition and to increase productivity. Various activities previously outsourced are now handled by current staff members as a result of training and utilizing existing skills of employees. We continue to monitor utility costs and to identify and implement means of reducing those expenses. Led by the Board, we are engaged in exercises concerning what functions, if any, would be better off outsourced.

A comprehensive report was presented to the Board during the year which resulted in the decision to discontinue operating the Road Town Bakery. This decision will be implemented in 2013. Savings are expected as the operation was currently showing consistent losses. The leadership of the College is also trying to ensure that scarce resources are focused on its main purpose of teaching and learning. The availability of the new culinary arts centre greatly reduced the importance of the Road Town bakery as a training venue.

In October 2012 the College opened a new culinary arts centre. The centre will offer associate degrees in culinary arts as well as short courses for professionals and novices. The building was financed by a grant from the European Union and the Government of the Virgin Islands.

A small but significant initiative was taken in 2012 when a solar array was commissioned at the Marine Centre. This effort was led by a private company Alternative Energy Systems and the newly formed Renewable Energy Club at HLSCC. The array has the capacity to power a portion of the woodwork and electricity workshop. It is hoped that this might be a test site for grid-tie in the future and is the first step towards reducing energy cost and carbon footprint for the College.

Diversification of revenue was also high on the College's agenda. A key component of that strategy in 2012 and going forward is the work of the Workforce Training Division. The College was awarded regional training contracts through Caribbean Disaster Emergency Management Agency to train individuals in disaster risk reduction and leadership. During the year more than fifty persons from the region and the territory participated in those courses. The College will have to continue to search for such opportunities. We seek to gain revenue from rental of College facilities while still being mindful of the expectation that the College be an available community resource. The institution's television, when properly financed also presents another potential source of revenue. Efforts will also continue in fundraising from private sources at the level of the College's Board, Administration, and a new volunteer group formed within the institution for this purpose. Greater emphasis will be placed on trying access available grant funding for projects and activities.

The question of funding for the institution must also include the primary beneficiaries of the institution's services - the students. Currently, whether through artificially low tuition rate and fees or through the Government's Tuition Assistance Programme, students bear little of the cost for their education. While this was by design to promote greater access, in the face of strained government revenues, the time may be now to transfer some of the burden of cost to actual users of the service. This may cause a greater demand for need-based scholarships but mechanisms can be put in place to attend to this.

The College took keen note of the Protocols for Effective Financial Management signed between the Government of the Virgin Islands and the Overseas Territories, Foreign and Commonwealth Office. The College's pursuit of accreditation has caused us to begin looking at some practices that coincide with the requirements contained therein. Various planning initiatives including this three-year budget should serve to bring HLSCC in line with expectation of the protocols. The College will seek to ensure compliance within other areas.

Overview of the Financial Statements

This presentation is designed to provide readers with a broad overview of the College's finances, in a manner similar to a private sector business. These financial statements focus on the College's overall financial condition, its results of operations and its cash flows. The entity-wide financial statements consist of:

The Statement of Net Assets, which presents the College's financial position at the end of the year, includes all assets and liabilities. The difference between total assets and total liabilities - net assets - is an indicator of the College's present financial condition. Over time, increases or decreases in the College's net assets shows whether its financial health is improving or deteriorating. Assets and liabilities are generally measured using current values; capital assets are stated at historical cost, less an allowance for depreciation.

The Statement of Revenue, Expense and Changes in Net Assets, which presents the College operating results for the year. Revenues and expenses are generally reported using the accrual method of accounting, which records transactions as soon as they occur, regardless of when cash is exchanged. Usage of capital assets is reported as depreciation expense, which amortizes the cost of assets over their estimated useful lives. Revenues and expenses are reported as either operating or non-operating. Operating revenues are derived primarily from government grants, tuition and fees, and auxiliary enterprises, such as the Cafeteria and Bookstore.

The Statement of Cash Flows, which presents information about cash receipts and cash payments during the year. This statement also assists users in assessing the College's ability to generate net cash flows, its ability to meet its obligations as they come due, and its potential need for external financing.

The Notes to the Basis Financial Statements, which provides additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

Financial Highlights

As of December 31, 2012 the College's assets exceeded its liabilities by $17,943,051(net assets). Of this amount, $5,786,631 is classified as unrestricted net assets. These unrestricted net assets may be used to meet the College's ongoing obligations. The largest component ($11,879,350) of net assets is the College's investment in capital assets, which represents its land, buildings, furniture and equipment, and other assets net of accumulated depreciation. The College uses these capital assets to provide educational services to its students. As of December 31, 2012, operating revenues was $15,246,149. This included Government grants for $11,487,147 or 76% of total operating revenues. Total operating expenses was $14,159,402.

Analysis of Net Assets as of December 31, 2012

The Statement of Net Assets includes all of the assets and liabilities of the College using the previously-described accrual method of accounting, which is similar to the accounting presentation used by businesses. Net Assets is a measure of the College's financial condition. In summary form, Net Assets consisted of:

	2012
Assets	
Current assets	$ 7,955,288
Noncurrent assets	11,902,689
Total assets	$ 19,857,977
Liabilities	
Current liabilities	$ 1,914,927
Noncurrent liabilities	-
Total liabilities	1,914,927
Net Assets	
Invested in capital assets, net of related debt	12,133,081
Restricted	23,339
Unrestricted	5,786,630
Total net assets	17,943,050
Total liabilities and net assets	$ 19,857,977

At December 31, 2012, the College owned $19,857,978 in total assets. Current assets included cash and investments for $2.2million; Receivables and prepayments for $5.3 million; and other assets for $0.5 million. The College's largest noncurrent asset is its investment in capital assets (land, buildings, furniture and equipment), net of accumulated depreciation for $11.8 million, and used to provide services to students.

Current liabilities at December 31, 2012 were $1,914,927 and consisted primarily of payroll and trade payables for $1.6 million. The College's total current assets of $7,955,289 were sufficient to cover the current liabilities of $1,914,927. This represents a current ratio of 4.2 and is on the higher end of the acceptable range considered as a healthy business.

Net Assets represents the residual interest in HLSCC's assets after liabilities are deducted. Net Assets at December 31, 2012 was $17,943,050 and includes the "invested in capital assets, net of accumulated depreciation and related debt" of $12,133,081; Restricted Assets of $23,339 are subjected to externally imposed restrictions governing their use. Unrestricted Assets of $5,786,630 are not subject to external restrictions governing their use and are used primarily for general operations.

Analysis of Revenue, Expense and changes in Net Assets for the Year Ended December 31, 2012

The Statement of Revenue, Expense and Changes in Net Assets represent the College's operating results, as well as its non-operating revenues and expenses, and reconciles the changes in Net Assets (discussed above). In summary form, the year's results were:

	2012
Total operating revenues	$ 15,246,148
Total operating expenses	14,159,401
Net operating Income	1,086,747
Non-operating revenues	-
Non-operating expenses (depreciation)	(969,059)
Net non-operating income	(969,059)
Capital contributions	-
Total increase in net assets	117,688
Net assets, beginning of year	17,825,362
Net assets, end of year	$17,943,050

Revenues:

The largest sources of operating revenue for the College is provided by government grants of $11,487,147 or 75% of total operating revenues and is used primarily to fund current operations. Other operating income included tuition and fees, auxiliary enterprises and other income for a total of $3,759,001 or 25%. Tuition and fees increased for the year by 10%, to $1,678,916. Auxiliary enterprise activities are College operations that provide goods and services to students, faculty, staff or the general public, and charge fees directly related to the cost of these goods and services. They include the Bookstore, and Food Services, and are intended to be self-supporting. Auxiliary enterprises are included in other income.

Expenses:

The College expended $14,159,401 on salaries and benefits, materials and services, utilities, and depreciation. Institutional support represents the largest percentage of total operating expenses at 48%, or $6,759,660. Academic services represent 26% of total operating expenses, or $3,663,993.

Analysis of the Statement of Cash Flows for the Year Ended December 31, 2012.

This statement provides a measurement of the College's financial health by supplying information about cash receipts and cash payments during the year. It also assists users in assessing the College's ability to generate net cash flows, its ability to meet its obligations as they come due, and its potential need for external financing. GASB principles promulgate four major sources of cash flows: Cash flows from operating Activities, cash flows from non-capital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities.

	2012
Cash Provided By (Used In):	
Operating Activities	$1,638,122
Noncapital Financing Activities	-
Capital Financing Activities	-
Investing Activities	(283,028)
Net increase in cash	1,355,094
Cash - Beginning of year	808,975
Cash - End of year	$2,164,069

The primary sources of cash from operating activities were from reductions in accounts receivable. Cash payments for the acquisition of capital assets are the primary uses of capital financing cash.

Economic Factors and Next Year's Budget

The next few years will be very challenging for the College. HLSCC must continue to find the proper balance between affordability for its students and the accessibility and quality of its instructional programs and services. It is evident that the College cannot rely solely upon the Government for additional resources, but must continue to align its expenses with available resources. Some of the factors that will financially affect the College during fiscal year 2013 include: The outcome of Tuition Assistant Program which allows free tuition to all BV Islanders and the impact on the College as a result of being unable to collect outstanding and future payments.

Contacting the College's Financial Management

This financial report is designed to provide our stakeholders, taxpayers and creditors with a general overview of the College's finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to:

H. Lavity Stoutt Community College
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British Virgin Islands

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PO Box 34
Sea Meadow House
Tobacco Wharf
Road Town
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 net assets of H. Lavity Stoutt Community College (the "College"), as of December 31, 2012 and 2011, and the related statements of revenue, expenses and changes in net assets, cash flows for the years then ended, 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 and the standards applicable to financial audits contained in Government Auditing Standards. 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, 2012 and 2011 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 and the accuracy of depreciation, stated in the financial statements at net book value of $11,879,349 and $12,565,381 as at December 31, 2012 and 2011 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 and accuracy of depreciation, the financial statements present fairly, in all material respects, the net assets of the College as of December 31, 2012 and 2011 and its financial performance for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BDO Limited

Tortola, British Virgin Islands
December 12, 2014

H. LAVITY STOUTT COMMUNITY COLLEGE

Statement of Net Assets
At December 31, 2012 and 2011
Expressed in U.S. Dollars

	Note	2012				2011
		Capital fund	Current funds Restricted	Current funds Unrestricted	Total	Total
Assets						
Current Assets						
Cash and cash equivalents		253,731	—	1,910,338	2,164,069	808,975
Receivables and prepayments	5,10,1[illegible]	—	—	5,297,987	5,297,987	5,828,690
Inventory		—	—	493,232	493,232	504,750
		253,731	—	7,701,557	7,955,288	7,142,415
Non Current Assets						
Investments	6	—	23,339	—	23,339	22,675
Capital assets	8	11,879,350	—	—	11,879,350	12,565,381
		11,879,350	23,339	-	11,902,689	12,588,056
Total assets		12,133,081	23,339	7,701,557	19,857,977	19,730,471
Liabilities						
Current Liabilities					—	—
Accounts Payable and accrued liabilities	7	—	—	1,635,292	1,635,292	1,831,240
Deferred revenue		—	—	279,635	279,635	73,869
		—	—	1,914,927	1,914,927	1,905,109
Total liabilities		—	—	1,914,927	1,914,927	1,905,109
Net assets/(liabilities)		$ 12,133,081	$ 23,339	$ 5,786,630	$ 17,943,050	$ 17,825,362

Approved on behalf of the Board of Governors on December 12, 2014

President

Bursar

The accompanying notes form an integral part of these financial statements

H. LAVITY STOUTT COMMUNITY COLLEGE

Statement of Revenue, Expense and Changes in Net Assets
For the year ended December 31, 2012 and 2011
Expressed in U.S. Dollars

	Notes	2012				2011
		Capital	Current funds			
		fund	Restricted	Unrestricted	Total	Total
Operating revenues						
Government grants	10	–	–	11,487,147	11,487,147	11,373,890
Tuition and fees		–	–	1,678,916	1,678,916	1,524,647
Other gifts and grants		–	–	197,228	197,228	191,074
Other income		1,485	665	1,880,707	1,882,857	2,381,923
Total operating revenues		1,485	665	15,243,998	15,246,148	15,471,534
Operating expenses						
Academic expenses		–	–	3,663,993	3,663,993	2,995,035
Allowance for doubtful debts	5	–	–	888,423	888,423	256,303
Auxiliary expenses		–	–	2,545,820	2,545,820	1,078,470
Institutional support		–	–	6,759,660	6,759,660	7,909,711
Library costs		–	–	18,165	18,165	49,110
Repairs and maintenance		–	–	283,340	283,340	1,473,939
Total operating expenses		–	–	14,159,401	14,159,401	13,762,568
Non-operating expenses						
Depreciation	8	684,345	–	284,714	969,059	1,069,370
Total non-operating expenses		684,345	–	284,714	969,059	1,069,370
Change in net assets		(682,860)	665	799,883	117,688	639,596
Opening net assets/(liabilities)		12,815,941	22,674	4,986,747	17,825,362	17,185,766
Closing net assets/(liabilities)		$ 12,133,081	$ 23,339	$ 5,786,630	$ 17,943,050	$ 17,825,362

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, 2012 and 2011
Expressed in U.S. Dollars

	2012				2011
	Capital	Current funds			
	fund	Restricted	Unrestricted	Total	Total
Cash flows from operating activities:					
Change in net assets	(682,860)	665	799,883	117,688	639,596
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	684,345	–	284,714	969,059	1,069,370
Change in operating assets and liabilities:					
(Increase) decrease in accounts receivable	–	–	530,704	530,704	(3,145,074)
Increase in inventory	–	–	11,518	11,518	45,755
Increase in investments	–	(665)	–	(665)	(685)
Increase in deferred revenue	–	–	205,766	205,766	73,869
Increase in accounts payable	–	–	(195,948)	(195,948)	79,393
Net cash provided by operating activities	1,485	–	1,636,637	1,638,122	(1,237,776)
Cash flows from investing activities:					
Purchase of capital assets	1,686	–	(284,714)	(283,028)	(143,836)
Net cash used in investing activities	1,686	–	(284,714)	(283,028)	(143,836)
Net increase/(decrease) in cash and cash equivalents	3,171	–	1,351,923	1,355,094	(1,381,612)
Cash and cash equivalents at beginning of year	250,560	–	558,415	808,975	2,190,587
Cash and cash equivalents at end of year	$ 253,731	$ –	$ 1,910,338	$ 2,164,069	$ 808,975

The accompanying notes form an integral part of these financial statements

1. GENERAL INFORMATION

H. Lavity Stoutt 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 accompanying financial statements 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 statement of net assets, statement of revenue, expense and changes in net assets and statement 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.

(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) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) 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.

(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 quarterly basis. Account balances over 365 days are reviewed individually for collectability. 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.

(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 revenue, expense 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%

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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 n). If a reliable measurement subsequently becomes available, the instrument is measured at fair value.

(i) Revenue recognition

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

Tuition revenue is recognized in the fiscal year in which the portion of the educational term occurs. Financial aid amounts provided through the Tuition Assistance Program are reflected separately as part of tuition revenue.

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

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) Deferred revenue

Deferred revenue results when tuition payments are received in advance for the spring semester of the following calendar year. These payments are recorded as a liability until the tuition is earned. Once earned, the liability is reduced and revenue is recognized in the statement of revenue, expense and changes in net assets.

(k) Expenditure recognition

Expenses are recognized on an accrual basis.

(l) Employee benefits

The College established a contributory, defined-contribution pension scheme effective March 1, 2001 to grant pensions to its officers and employees (the "Pension Fund"). The Pension Fund is currently being funded by the College at 6.5% of gross salaries per annum whilst employees contribute at a minimum rate of 3.5%. Contributions payable by the College during the year are charged to the statement of revenue, expense and changes in net assets.

Prior to 2001 retirement benefits payable were calculated for eligible employees and recorded on the balance sheet as a liability and as an expense on the statement of revenue, expense and changes in net assets. Upon retirement balances are paid to applicable employees.

(m) Operating lease payments

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) 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 revenue, expense 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 cash and cash equivalents and, receivables and prepayments, which includes 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. 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 net assets.

(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 revenue, expense and changes in net assets, all changes in market conditions will directly affect net income. At December 31, 2012 and 2011, the impact on the College's statement of revenue, expense and changes in net assets would be insignificant.

Notes to and forming part of the the Financial Statements

At December 31, 2012 and 2011

Expressed in U.S. Dollars

8. CAPITAL ASSETS

	Land	Buildings	Capital improvements	Furniture and equipment	Motor vehicles	Library books	Paintings and artwork	Total
Cost:								
At January 1, 2012	2,935,810	15,420,574	1,593,836	6,880,680	158,399	100,180	21,597	27,111,076
Additions	–	3,317	18,174	261,537	–	–	–	283,028
Reclassifications	–		33,293	(33,293)	–	–	–	–
At December 31, 2012	2,935,810	15,423,891	1,645,303	7,108,924	158,399	100,180	21,597	27,394,104
Accumulated depreciation:								
At January 1, 2012	–	6,668,955	1,304,456	6,362,386	96,563	95,894	17,441	14,545,695
Charge for the year	–	711,610	16,009	231,384	8,329	1,030	697	969,059
At December 31, 2012	–	7,380,565	1,320,465	6,593,770	104,892	96,924	18,138	15,514,754
Net book value:								
At December 31, 2012	$ 2,935,810	$ 8,043,326	$ 324,838	$ 515,154	$ 53,507	$ 3,256	$ 3,459	$ 11,879,350
At December 31, 2011	$ 2,935,810	$ 8,751,619	$ 289,380	$ 518,294	$ 61,836	$ 4,286	$ 4,156	$ 12,565,381

Expressed in U.S. Dollars

12. MISSING DEPOSITS

The financial statements as at December 31, 2012 and 2011 included missing deposits as summarized below:

	2012	2011
Amount recorded as other receivable (missing deposits)	101,943	101,943
Amount subsequently collected	(50,479)	(50,479)
Amount subsequently written off	(32,997)	-
Amount subsequently written off	(18,467)	-
Outstanding missing deposits	$ -	$ 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 BVI 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 $18,467. Accordingly, this amount has been written off in the current year.

13. SUBSEQUENT EVENTS

As of February 28, 2013, the College ceased operations of the Road Town Bakery. The lease for the building was taken over by a third party who also purchased the bakery equipment.

On July 2, 2013 a former employee filed a claim in the BVI High Court for wrongful dismissal. As of the date of this report, while an immaterial amount has been paid to the claimant, the matter is ongoing and the College is unable to estimate any contingent liabilities related to the outcome of the matter.