

NORQUEST COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flow

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Auditor's Report

To the Board of Governors of NorQuest College

I have audited the consolidated statement of financial position of NorQuest College as at June 30, 2007 and the consolidated statements of operations, changes in net assets, and cash flow for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

“Original Signed by Fred J. Dunn”, FCA
Auditor General

Edmonton, Alberta
September 21, 2007

“The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.”

NORQUEST COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2007

	2007	2006
<u>ASSETS</u>		
Current:		
Cash and cash equivalents (Note 3)	\$ 4,898,171	\$ 2,905,389
Accounts receivable	2,886,380	1,450,149
Inventories	161,811	171,338
Prepaid expenses	324,723	166,217
	8,271,085	4,693,093
Non-current cash and cash equivalents (Note 3)	5,268,233	3,121,828
Investments (Note 4)	4,730,730	6,220,311
Capital assets (Note 5)	27,777,229	26,868,241
	\$ 46,047,277	\$ 40,903,473
<u>LIABILITIES AND NET ASSETS</u>		
Current:		
Accounts payable and accrued liabilities	\$ 2,839,867	\$ 2,415,485
Accrued vacation pay	3,091,674	2,670,053
Unearned revenue (Note 6)	1,178,566	1,030,599
Current portion of lease inducement (Note 7)	56,434	-
Deferred contributions (Note 8)	1,852,988	729,938
	9,019,529	6,846,075
Deferred lease inducement (Note 7)	319,795	-
Deferred capital contributions (Note 9)	1,730,960	655,243
Unamortized deferred capital contributions (Note 11)	16,021,542	15,352,825
	27,091,826	22,854,143
Net Assets:		
Unrestricted	1,731,064	1,135,783
Internally restricted (Note 12)	4,582,232	4,721,666
Invested in capital assets	11,755,687	11,515,416
	18,068,983	17,372,865
Endowments (Note 13)	886,468	676,465
	18,955,451	18,049,330
	\$ 46,047,277	\$ 40,903,473

The accompanying notes are an integral part of these financial statements.

NORQUEST COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>2007</u>		<u>2006</u>
	<u>Budget</u> <u>(Note 23)</u>	<u>Actual</u>	<u>Actual</u>
Revenue:			
Grants and other provincial government contributions (Note 14)	\$ 28,154,548	\$ 28,887,569	\$ 25,182,391
Tuition and related fees	11,860,118	9,624,209	9,940,120
Entrepreneurial grants and contracts (Note 15)	5,017,960	5,713,588	4,579,510
Other sales, services and rental income	2,022,117	2,066,769	1,893,979
Amortization of deferred capital contributions (Note 11)	950,000	823,020	891,964
Interest income (Note 17)	400,000	654,518	515,497
Donations and contributions	239,923	326,002	187,531
	<u>48,644,666</u>	<u>48,095,675</u>	<u>43,190,992</u>
Expense (Note 18):			
Salaries, wages and benefits (Note 19)	37,797,707	34,933,102	31,666,975
Supplies and services (Note 20)	7,248,256	9,175,567	7,589,501
Amortization and loss/gain on disposal	2,250,000	2,370,459	2,253,307
Utilities	564,488	579,801	582,389
Professional development	406,308	340,628	352,416
	<u>48,266,759</u>	<u>47,399,557</u>	<u>42,444,588</u>
Excess of revenue over expense	<u>\$ 377,907</u>	<u>\$ 696,118</u>	<u>\$ 746,404</u>

NORQUEST COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>2007</u>				<u>2006</u>	
	<u>Unrestricted</u>	<u>Internally Restricted (Note 12)</u>	<u>Invested in Capital Assets</u>	<u>Endowments (Note 13)</u>	<u>Total</u>	<u>Total</u>
Excess of revenue over expense	\$ 696,118	\$ -	\$ -	\$ -	\$ 696,118	\$ 746,404
Endowment contributions	-	-	-	210,003	210,003	268,754
Transfers for:						
Acquisition of internally funded capital assets	(1,797,451)	-	1,797,451	-	-	-
Net book value of capital assets disposed	27,344	-	(27,344)	-	-	-
Amortization of internally funded capital assets	1,529,836	-	(1,529,836)	-	-	-
Board appropriations (Note 12)	(1,866,450)	1,866,450	-	-	-	-
Amount expended (Note 12)	2,005,884	(2,005,884)	-	-	-	-
Increase (Decrease) in net assets	595,281	(139,434)	240,271	210,003	906,121	1,015,158
Net assets, beginning of year	<u>1,135,783</u>	<u>4,721,666</u>	<u>11,515,416</u>	<u>676,465</u>	<u>18,049,330</u>	<u>17,034,172</u>
Net assets, end of year	<u>\$ 1,731,064</u>	<u>\$ 4,582,232</u>	<u>\$ 11,755,687</u>	<u>\$ 886,468</u>	<u>\$ 18,955,451</u>	<u>\$ 18,049,330</u>

NORQUEST COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2007

	<u>2007</u>	<u>2006</u>
Cash generated from:		
Operating activities:		
Excess of revenue over expense	\$ 696,118	\$ 746,404
Non-cash transactions:		
Amortization of capital assets	2,346,287	2,252,698
Amortization of deferred capital contributions (Note 11)	(823,020)	(891,964)
Loss on disposal of capital assets	24,172	609
	<u>2,243,557</u>	<u>2,107,747</u>
Changes in working capital:		
Accounts receivable	(1,436,231)	264,663
Inventories	9,527	(12,088)
Prepaid expenses	(158,506)	83,322
Accounts payable and accrued liabilities	424,382	106,152
Accrued vacation pay	421,621	127,747
Unearned revenue	147,967	(518,275)
Leasehold inducement	376,229	-
Deferred contributions	1,123,050	349,394
	<u>908,039</u>	<u>400,915</u>
Cash provided by operating activities	<u>3,151,596</u>	<u>2,508,662</u>
Investing activities:		
Proceeds on disposal of capital assets	9,741	5,184
Decrease (increase) in non-current cash	(2,146,405)	99,921
Decrease in investments	1,489,581	1,948,128
Acquisition of capital assets - internally funded	(1,797,451)	(2,855,945)
Acquisition of capital assets - externally funded	(1,491,737)	(1,213,516)
Cash applied to investing activities	<u>(3,936,271)</u>	<u>(2,016,228)</u>
Financing activities:		
Deferred capital contributions received (Note 9)	1,642,510	1,984,050
Deferred capital contributions used for operating	(166,304)	(191,113)
Endowment contributions	210,003	268,754
Donated equipment (Note 11)	1,091,248	8,266
Cash generated from financing activities	<u>2,777,457</u>	<u>2,069,957</u>
Increase in cash and cash equivalents	1,992,782	2,562,391
Cash and cash equivalents, beginning of year	<u>2,905,389</u>	<u>342,998</u>
Cash and cash equivalents, end of year	<u>\$ 4,898,171</u>	<u>\$ 2,905,389</u>

NORQUEST COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

Note 1 Authority and Purpose

NorQuest College (the "College") operates under the authority of *the Post-Secondary Learning Act, Chapter P-19.5, Statutes of Alberta, 2003*.

Serving primarily communities in central Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, trades, technical and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the College and the NorQuest College Foundation.

In preparing the College's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period.

The fair value of donated equipment of \$1,036,260, included in computer software, is the most significant item based on an estimate. The actual fair value could differ from the estimate made by management in these financial statements, and this difference could be significant.

(b) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted grants and contributions received primarily for non capital purposes are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted contributions received primarily for capital purposes are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to Unamortized Deferred Capital Contributions. Unamortized Deferred Capital Contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases in net assets Invested in Capital Assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

(iii) Investment Income

Unrestricted investment income is recognized in the year it is earned. Investment income subject to external restrictions is deferred and recognized as revenue in the period the related expenses are incurred.

(iv) Donations

Donations and contributions in kind are recorded at fair value.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

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

(c) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(d) Capital Assets

Capital assets are recorded at cost, except donated assets, which are recorded at fair value.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings, site and leasehold improvements	7 - 40 years
Furniture, equipment and vehicles	10 years
Library collection	10 years
Curriculum	10 years
Computer hardware	5 years
Computer software	5 years
Rental books	5 years

(e) Employee Future Benefits

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. These pension plans are multi-employer defined benefit pension plans, that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the cost of employer contributions, for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(f) Full Cost

The College accounts for all significant costs and revenues related to the services it delivers. The fair value of services provided by the Alberta Government is recorded, with a corresponding amount in grants and other provincial government contributions. This consists of an estimate of the fair value of the lease payments for buildings which are leased by the College at a discounted or nominal cost, an estimate of the fair value of internet services, and an estimate of the fair value of courier services.

(g) Financial Instruments

The carrying value of cash, receivables, payables and accruals approximate their fair values due to the relatively short periods of maturity of the instruments.

The Canadian Institute of Chartered Accountants (CICA) has issued new accounting standards for Financial Instruments. These standards are effective for the entity beginning July 1, 2007. The principal impacts of the standard are as follows:

Financial assets can be classified as available for sale, held to maturity, trading or loans and receivables. Financial liabilities can be classified as trading or other. All entity financial assets and liabilities will be recorded on the statement of financial position at fair value. All financial investments will be classified as available for sale and will be accounted for at fair value with unrealized gains and losses reported as an adjustment to unrestricted net assets.

The opening change on adopting this new basis of accounting on July 1, 2007 will be an increase in the net assets of the entity by \$120,142.

Note 3 Cash and cash equivalents (current and non-current)

	2007		2006	
	Book Value	Market Value	Book Value	Market Value
Cash - operating	\$ 493,516	\$ 493,516	\$ 300,457	\$ 300,457
Cash - investment fund	<u>9,672,888</u>	<u>9,672,888</u>	<u>5,726,760</u>	<u>5,726,760</u>
Total cash and cash equivalents	10,166,404	<u>10,166,404</u>	6,027,217	<u>6,027,217</u>
Less non-current portion	<u>(5,268,233)</u>		<u>(3,121,828)</u>	
Cash and cash equivalents - current	<u>\$ 4,898,171</u>		<u>\$ 2,905,389</u>	

Non-current cash and investments are comprised of:

	2007	2006
Internally restricted for capital purposes (Note 12)	\$ 2,650,805	\$ 1,790,120
Externally restricted for capital purposes	1,730,960	655,243
Endowments	<u>886,468</u>	<u>676,465</u>
	<u>\$ 5,268,233</u>	<u>\$ 3,121,828</u>

Note 4 Investments

	2007		2006	
	Book Value	Market Value	Book Value	Market Value
Government of Canada bonds	\$ 3,736,148	\$ 3,845,221	\$ 3,729,405	\$ 3,875,898
Provincial bonds	<u>994,582</u>	<u>1,005,651</u>	<u>2,490,906</u>	<u>2,532,454</u>
Total investments	<u>\$ 4,730,730</u>	<u>\$ 4,850,872</u>	<u>\$ 6,220,311</u>	<u>\$ 6,408,352</u>

Investments by range of maturity date are as follows:

	2007		
	Book Value	Market Value	Effective Yield to Maturity
Maturity less than one year	\$ 749,263	\$ 760,813	4.97%
Maturity 1 - 5 years, bonds	<u>3,981,467</u>	<u>4,090,059</u>	5.15%
	<u>\$ 4,730,730</u>	<u>\$ 4,850,872</u>	

The market value of investments may fluctuate with changes in current interest rates. Market values may decrease if interest rates increase and may increase if interest rates decrease.

Term to maturity of investments is based upon the contractual maturity of the security.

Note 5 Capital Assets

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 5,171,165	\$ -	\$ 5,171,165	\$ 5,171,165
Buildings, site and leasehold improvements	20,303,680	4,236,075	16,067,605	16,156,808
Computer hardware	6,249,487	4,073,370	2,176,117	2,203,751
Computer software	3,737,144	1,771,464	1,965,680	926,620
Rental books	1,126,383	1,107,937	18,446	102,389
Furniture, equipment and vehicles	2,382,193	1,019,488	1,362,705	1,303,923
Library collection	982,446	541,462	440,984	407,426
Curriculum	878,755	304,228	574,527	596,159
	<u>\$ 40,831,253</u>	<u>\$ 13,054,024</u>	<u>\$ 27,777,229</u>	<u>\$ 26,868,241</u>

Buildings include \$1,509,744 (2006 - \$1,509,744) of the Learning Center project functionality design cost, amortization of which is deferred until the completion of the project. Computer software includes \$1,036,260 (2006 - \$0) of donated equipment.

Note 6 Unearned Revenue

	2007	2006
Tuition fees	\$ 759,996	\$ 739,430
Entrepreneurial contract programs	399,363	254,703
Ancillary services and other	19,207	36,466
	<u>\$ 1,178,566</u>	<u>\$ 1,030,599</u>

Note 7 Deferred Lease Inducement

The College received a lease inducement under an agreement for leased premises in 2007. The inducement has been deferred and is being applied as a reduction of lease expense over the term of the lease (March 1, 2007 to February 28, 2014) on a straight-line basis as follows:

2008	\$ 56,434
2009	56,434
2010	56,434
2011	56,434
2012	56,434
subsequent	94,059
Total unamortized deferred lease inducement	<u>376,229</u>
Less: current portion	(56,434)
Long term portion of deferred lease inducement	<u>\$ 319,795</u>

Note 8 Deferred Contributions

	<u>2007</u>	<u>2006</u>
Restricted donations and contributions received during the year:		
Conditional grants	\$ 5,769,709	\$ 4,468,292
Donations and contributions	915,631	594,602
Interest income (Note 17)	67,368	31,781
	<u>6,752,708</u>	<u>5,094,675</u>
Transferred to revenue:		
Conditional grants, Alberta Advanced Education (Note 14)	(3,356,845)	(3,238,984)
Conditional grants, Government of Canada	(1,796,998)	(1,218,205)
Donations and contributions	(326,002)	(187,531)
Interest income (Note 17)	(15,973)	(12,587)
	<u>(5,495,818)</u>	<u>(4,657,307)</u>
Transferred to deferred capital contributions (Note 9)	(66,510)	-
Transferred to endowments	<u>(67,330)</u>	<u>(87,974)</u>
Increase during the year	1,123,050	349,394
Balance at beginning of year	<u>729,938</u>	<u>380,544</u>
Balance at end of year	<u><u>\$ 1,852,988</u></u>	<u><u>\$ 729,938</u></u>
The balance consists of funds restricted for:		
E-campus Development	\$ 8,506	\$ 10,000
Smoking Cessation Program	24,414	22,082
Enrollment Envelope	461,250	-
High Speed Network	70,701	-
International Education Program	20,000	-
Training/Learner Project	75,959	73,399
Scholarships, bursaries and special projects	1,192,158	624,457
	<u><u>\$ 1,852,988</u></u>	<u><u>\$ 729,938</u></u>

Note 9 Deferred Capital Contributions

	<u>2007</u>	<u>2006</u>
Conditional grants:		
Alberta Infrastructure and Transportation	\$ 476,000	\$ 1,238,000
Alberta Advanced Education	1,100,000	746,050
Transferred from deferred contributions (Note 8)	<u>66,510</u>	<u>-</u>
	1,642,510	1,984,050
Transferred to grant revenue:		
Alberta Infrastructure and Transportation (Note 14)	(136,192)	(147,882)
Alberta Advanced Education (Note 14)	(30,112)	(43,231)
Transferred to unamortized deferred capital contributions (Note 11)	<u>(400,489)</u>	<u>(1,205,249)</u>
	1,075,717	587,688
Balance at beginning of year	<u>655,243</u>	<u>67,555</u>
Balance at end of year	<u><u>\$ 1,730,960</u></u>	<u><u>\$ 655,243</u></u>

The balance consists of funds restricted for:

Alberta Advanced Education - HVAC System Renewal	\$ 635,103	\$ 650,000
Alberta Advanced Education - Health Careers Expansion	-	5,243
Access to the Future	857,857	-
Alberta Infrastructure and Transportation - Infrastructure Maintenance Program	<u>238,000</u>	<u>-</u>
	<u><u>\$ 1,730,960</u></u>	<u><u>\$ 655,243</u></u>

Note 10 Employee Future Benefits

At July 1, 2002, the College established a self-insured long term disability plan for its term employees. Employee and employer contributions are based on a percentage of the monthly salary of each term employee. This percentage is reviewed each year in conjunction with a review of the actual benefits paid out during the year. Employee and employer contributions for the year ended June 30, 2007 were \$36,186 (2006 - \$52,035) and \$4,044 (2006 - \$4,852) respectively. Funds disbursed included \$96,430 (2006 - \$49,666) for claims, \$3,816 (2006 - \$3,852) for administration costs, and leaving plan assets of \$57,139 (2006 - \$117,155).

The total accrued benefit obligation at June 30, 2007 is \$67,240 (2006 - \$112,282). This is comprised of an open and reported claims liability estimate of \$37,067 (2006 - \$69,616), determined based on a gross monthly benefit and no other discounts for interest, CPP offsets, death or recovery, and a further liability of \$30,172 (2006 - \$42,666) estimated for incurred but not reported claims (established based on 75% of annual paid claims). The College recognized an expense of \$14,973 (2006 - \$21,402).

The plan deficit is \$11,333 (2006 - surplus of \$3,640). The plan assets are included in the College's cash and investments and the accrued benefit obligation is included in the College's accounts payable and accrued liabilities.

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions of \$2,108,011 for the year ended June 30, 2007 (2006 - \$1,829,830).

At December 31, 2006, the Management Employees Pension Plan reported a deficiency of \$6,765,000 (2005- \$165,895,000) and the Public Service Pension Plan reported a surplus of \$153,024,000 (2005 deficiency of \$187,704,000).

Note 11 Unamortized Deferred Capital Contributions

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	\$ 15,352,825	\$ 15,031,274
Amortization of deferred capital contributions	(823,020)	(891,964)
Transferred from deferred capital contributions (Note 9)	400,489	1,205,249
Donated equipment	1,091,248	8,266
Balance at end of year	<u>\$ 16,021,542</u>	<u>\$ 15,352,825</u>

Note 12 Internally Restricted Net Assets

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

	<u>2007</u>			
	<u>Opening</u>	<u>Appropriations and Transfers</u>	<u>Expended</u>	<u>Closing</u>
Capital:				
Downtown Campus				
Development	\$ 1,432,728	\$ -	\$ (94,201)	\$ 1,338,527
Information Management				
Project	-	1,869,845	(664,916)	1,204,929
Physical Assets	357,392	306,980	(557,023)	107,349
	<u>1,790,120</u>	<u>2,176,825</u>	<u>(1,316,140)</u>	<u>2,650,805</u>
Operating:				
Information and Technology	745,214	21,261	(364,182)	402,293
Organizational Development	518,278	-	(84,171)	434,107
Educational Resources	691,676	109,547	(200,091)	601,132
Health Careers Expansion	330,534	-	(33,170)	297,364
Business Development	619,596	(449,461)	-	170,135
Scholarships	26,248	8,278	(8,130)	26,396
	<u>\$ 4,721,666</u>	<u>\$ 1,866,450</u>	<u>\$ (2,005,884)</u>	<u>\$ 4,582,232</u>

Note 13 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is not to be spent. Investment earnings on externally restricted endowments are recorded as deferred contributions until spent, at which time they are recorded as revenue. Investment earnings on internally restricted endowments are recorded as revenue and transferred to internally restricted net assets until spent. The investment income generated from endowments must be used in accordance with the purposes established by the donors or the Board of Governors. Endowments comprise the following:

	<u>2007</u>	<u>2006</u>
Externally restricted for scholarships and bursaries	\$ 719,040	\$ 535,005
Internally restricted:		
Scholarships and bursaries	129,631	104,000
Literacy	22,797	22,460
Career training	5,000	5,000
Graduation	<u>10,000</u>	<u>10,000</u>
	<u>167,428</u>	<u>141,460</u>
	<u>\$ 886,468</u>	<u>\$ 676,465</u>

Note 14 Grants and Other Provincial Government Contributions

	<u>2007</u>	<u>2006</u>
Alberta Advanced Education:		
General operating grant	\$ 24,837,427	\$ 21,152,829
Performance envelope	311,900	284,357
Conditional grants (Note 8)	3,356,845	3,238,984
Conditional capital grants (Note 9)	30,112	43,231
Other Alberta Government:		
Contributions in kind (Note 22)	215,093	315,108
Conditional capital grants (Note 9)	<u>136,192</u>	<u>147,882</u>
	<u>\$ 28,887,569</u>	<u>\$ 25,182,391</u>

Note 15 Entrepreneurial grants and contracts

	<u>2007</u>	<u>2006</u>
Government of Canada - Language Instruction for Newcomers	<u>\$ 1,974,291</u>	<u>\$ 1,391,226</u>
Consortia Contracts	<u>718,170</u>	<u>686,719</u>
Alberta Human Resources and Employment:		
Alberta Workforce Essentials	3,782	27,897
Living Allowance Direct Debit Project	25,000	25,000
Client Advisory and Information Services	641,425	730,800
Disability Related Employment Support	779,126	752,184
Call Centre Training Program	73,690	-
PN Diploma for Internationally Educated Nurses	50,486	-
From Immersion to Integration	88,535	-
Moving and Logistics Program	26,400	-
ESL Support for Welcoming Canadians	42,115	-
Exit Test Template for CLB	23,940	-
	<u>1,754,499</u>	<u>1,535,881</u>
Other contracts	<u>1,266,628</u>	<u>965,684</u>
	<u><u>\$ 5,713,588</u></u>	<u><u>\$ 4,579,510</u></u>

Note 16 Ancillary Services

	2007			2006	
	Campus Store	Rental Books	Other Ancillary	Total	Total
Revenue	\$ 884,412	\$ 572,908	\$ 422,775	\$ 1,880,095	\$ 1,779,002
Expense (Note 18)	<u>(712,132)</u>	<u>(509,562)</u>	<u>(237,235)</u>	<u>(1,458,929)</u>	<u>(1,303,057)</u>
Net	172,280	63,346	185,540	421,166	475,945
Indirect expenses	<u>(76,921)</u>	<u>(151,289)</u>	<u>(23,045)</u>	<u>(251,255)</u>	<u>(250,370)</u>
Excess (Deficiency)	<u>\$ 95,359</u>	<u>\$ (87,943)</u>	<u>\$ 162,495</u>	<u>\$ 169,911</u>	<u>\$ 225,575</u>

Indirect expenses include estimates for the cost of use of space, facility operating costs, and institutional support. Other ancillary services include parking, car wash, and external printing services.

Note 17 Interest Income

	2007	2006
Interest earnings	\$ 705,913	\$ 534,691
Add deferred amounts expended (Note 8)	15,973	12,587
Less amounts transferred to deferred contributions for scholarships and bursaries (Note 8)	<u>(67,368)</u>	<u>(31,781)</u>
Total interest income recognized as revenue	<u>\$ 654,518</u>	<u>\$ 515,497</u>

Note 18 Expense by Function

	<u>2007</u>	<u>2006</u>
Instruction	\$ 17,361,911	\$ 16,415,736
Academic support	9,083,467	8,066,038
Facilities operations and maintenance	5,673,798	5,045,226
Student services	5,159,310	5,145,540
Institutional support	5,111,100	4,160,356
Ancillary services (Note 16)	1,458,929	1,303,057
Computing, network and communications	3,551,042	2,305,663
Special purpose and trust	-	2,972
	<u>\$ 47,399,557</u>	<u>\$ 42,444,588</u>

Instruction encompasses all formal educational and instructional program elements.

Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services.

Facilities operations and maintenance includes building maintenance, facilities administration, custodial services, utilities, repairs and renovations, capital amortization and other activities for the management of the facilities.

Student services includes all activities or services to the student body of the College.

Institutional support includes all activities that provide College-wide support to other programs and services.

Ancillary services include self supporting revenue producing services provided to students, faculty and staff.

Computing, network and communications includes activities and services that provide and support computing, networking, data communications and other information technology functions.

Special purpose and trust includes activities related to student assessment testing.

Note 19 Salaries, Wages and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98, as amended July 6, 2004, and only includes salary and benefit information for the Board and Senior Management:

	2007			2006	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-cash Benefits ⁽³⁾	Total	Total
Chairman of the Board	\$ -	\$ 5,040	\$ 76	\$ 5,116	\$ 5,116
Board Members	-	26,925	19	\$ 26,944	25,350
President	162,324	-	17,825	\$ 180,149	171,614
Vice President Corporate Services ⁽⁴⁾	149,831	-	25,951	\$ 175,782	145,695
Vice President Academic	131,724	-	26,777	\$ 158,501	137,002
Director, Information and Technology ⁽⁵⁾	119,844	-	26,305	\$ 146,149	32,312
Vice President Organizational Development ⁽⁶⁾	115,515	-	26,073	\$ 141,588	104,830
	<u>\$ 679,238</u>	<u>\$ 31,965</u>	<u>\$ 123,026</u>	<u>\$ 834,230</u>	<u>\$ 621,919</u>

- 1) Base Salary represents the actual salary expense and includes base pay and amounts deferred for future leave.
- 2) Other cash benefits include bonuses, overtime, lump sum payments and honoraria.
- 3) Other non-cash benefits include the College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, and professional memberships required for employment. Other non-cash benefits also includes accrued professional development leave for the President.
- 4) The value reported for the Vice President Corporate Services includes amounts paid to two separate individuals. For 2007, the new Vice President Corporate Services commenced employment in March 2007. For 2006, the amount includes amounts for the previous Vice President Corporate Services only.
- 5) For 2006, the Director, Information and Technology commenced employment with the College on March 10, 2006. Prior to that the position was vacant.
- 6) The Vice President Organizational Development position was partially occupied in both 2006 and 2007.

Note 20	Supplies and Services	<u>2007</u>	<u>2006</u>
	Supplies and services	\$2,779,848	\$2,681,259
	Contracted services	1,785,672	1,244,372
	Repairs and maintenance	1,156,874	1,146,204
	Purchases for resale	651,212	603,791
	Leases and rentals	1,533,800	952,275
	Marketing	853,329	645,875
	Telecommunications	281,318	204,760
	Scholarships and bursaries	133,514	110,965
		<u>\$9,175,567</u>	<u>\$7,589,501</u>

Note 21 Commitments and Contingencies

Future minimum annual lease payments under operating leases and other commitments are:

2008	\$ 2,655,271
2009	2,531,568
2010	2,282,866
2011	981,855
2012 and thereafter	2,610,003

Included in the above is a major contract to provide facility maintenance services. The contract is for the period July 1, 2007 to June 30, 2010. The total outstanding commitment at June 30, 2007 is \$3,773,160.

Note 22 Related Parties

(a) Alberta Government and Alberta Post-Secondary Education Institutions

The College is a Provincial Corporation. All of the members of the Board of Governors are appointed pursuant to the Post Secondary Learning Act by a combination of orders by the Lieutenant Governor in Council or the Minister of Advanced Education. In accordance with the accounting policy described in Note 2 (f), the College accounts for all significant costs related to the services for which it is responsible.

In the normal course of operations, the College engages in brokerage and other collaborative arrangements with other post-secondary educational institutions in Alberta. These institutions are also Provincial Corporations.

The College had the following transactions with related parties:

	Alberta Government		Post Secondary Collaboration	
	2007	2006	2007	2006
Revenues:				
Grants and other provincial government contributions	\$ 28,672,476	\$ 24,877,282	\$ -	\$ -
Contract Programs	1,791,396	1,569,999	221,872	670,415
Amortization of deferred capital contributions	798,680	886,752	-	-
Other sales, services and rental income	566	5,155	80	1,190
	<u>\$ 31,263,118</u>	<u>\$ 27,339,188</u>	<u>\$ 221,952</u>	<u>\$ 671,605</u>
Expenses	\$ 112,610	\$ 111,023	\$ 224,623	\$ 237,926
Contributions in kind (Note 14)	215,093	315,108	-	-
	<u>\$ 327,703</u>	<u>\$ 426,131</u>	<u>\$ 224,623</u>	<u>\$ 237,926</u>
Accounts receivable	\$ 575,651	\$ 377,562	\$ 166,384	\$ 179,321
Accounts payable	\$ -	\$ 13,613	\$ 12,899	\$ -
Deferred capital contributions	\$ 1,730,960	\$ 655,243	\$ -	\$ -
Unamortized deferred capital contributions	<u>\$ 14,854,218</u>	<u>\$ 15,325,488</u>	<u>\$ -</u>	<u>\$ -</u>

Contributions in kind from the Alberta Government includes an estimate of the fair value of the lease payments of the buildings leased by the College from the Alberta Government at nominal or discounted amounts, and estimates of the fair value of courier and internet services.

(b) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the establishment of a corporation, to be owned equally by Northern Lakes College, Portage College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding the jointly developed intellectual property transferred from her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Advanced Education. The fair value of the intellectual property transferred cannot be reasonably determined. As at June 30, 2007, this Corporation was not active.

Note 23 Budget

The Board of Governors approved the College's annual budget on June 12, 2006.

Note 24 Funds Held on Behalf of Others

The College provides accounting services to certain entities. The following funds, held by the College on their behalf, are not included in these financial statements:

	<u>2007</u>	<u>2006</u>
NorQuest College Faculty Association	\$ -	\$ 332,583
NorQuest College Students' Association	380,280	321,025
Deferred Salary Leave Plan	13,035	12,575
NorQuest College Staff Social Fund - Spirit Planners	5,994	2,570
NorQuest Student Art Club	12,961	8,787
Marine Biology Student Fund	-	90
	<u>\$ 412,270</u>	<u>\$ 677,630</u>

Note 25 Comparative Figures

Certain comparative amounts have been reclassified where necessary to conform to the current year's financial statement presentation.

Note 26 Approval of Financial Statements

These financial statements were approved by the Board of Governors.