H. LAVITY STOUTT
COMMUNITY COLLEGE

Audited Financial Statements

For the year ended December 31, 2014 and 2013

H. LAVITY STOUTT COMMUNITY COLLEGE

Financial Statements
For the year ended December 31, 2014

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At December 31, 2014

Board of Governors & Committees

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Mrs. Eileene L. Parsons	(Deputy Chair)
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Dr. Henry Jarecki	
Mr. Carvin Malone	
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. Italia Penn, CPA, CGMA (Appointed April 1, 2013)

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)

ACADEMIC COMMITTEE

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- Mr. Carvin Malone, Chair
- Ms. Amberly Crabbe
- Mr. Wendell Gaskin
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- Ms. Italia Penn, Bursar (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)

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, 2014 and 2013. 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

Operational Overview

In 2014, HLSCC remained true to its mission of "providing 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." While the College was able to regularly meet financial obligations during 2014, it was only possible by foregoing necessary activities. Issues such as maintenance, adjustment in remuneration of employees, and funds to ensure innovation in the curriculum and improved organizational processes remain significant ones that were neglected or insufficiently addressed. The Government's subvention to the College continues to decline. If changes are not made in the funds available to the College, through subvention, alternative revenue or cost savings, a decision would have to be made about the programmes and services offered by the institution if a reasonable level of quality is to be maintained.

Revenue Generation

Efforts are under way to press the Virgin Islands Government for the payment of past due Tuition Assistance Plan revenue which would help the cash flow situation. It is clear, however, that during the current year we must find additional means to trim the budget. The non-payment of the Tuition Assistance Programme by Government also raises the question if we should continue to carry this accounts receivable in the accounting records, if there is no reasonable expectation that this amount will ever be paid. This is an issue that must be addressed in the coming periods.

A review of the plan may result in a focus on recent high-school leavers as opposed to the current broad category of "all British Virgin Islanders". The College will continue to seek the revision of that plan to ensure that as we pursue a more mature clientele for particular courses and programmes, that the revenue gained from that group will go directly to the institution

Within the last two years, there have been two efforts to reallocate staff in order to focus more attention on revenue generation in fundraising and grants. Both are still in infancy and greater return is expected later more so than sooner, particularly in the case of fundraising. This initiative has been slowed by the need to focus much of the attention of one officer on other administrative matters and the decision to grant leave to the officer to attend a year-long training programme in fundraising.

In fundraising, an event-driven effort featuring a dinner sponsored by a former Board Member who decided to use the occasion of his 70th birthday to raise funds for the College, is being planned for next year. While the activity is expected to yield a relatively modest amount (approx. $15k), it will help to develop the College's capacity to stage such events and also position the College on the local philanthropic giving landscape.

There has not been significant movement in what may be considered traditional grants but there have been some initiatives that bear mention. The College is part of the Organization of Eastern Caribbean States (OECS) Network of Excellence in Hospitality and Tourism Training and Education. HLSCC's involvement in this project should yield support for IT development, expansion of markets for its products and financial support for students from other Eastern Caribbean islands seeking to access courses at HLSCC. In 2015, the College is expected to complete arrangements for the offering of short courses in marine studies that will result in the first of two $100k payments by a local organization in the marine industry. Furthermore, the College is in talks with a regional insurance agency about possible support for the disaster management programme as a regional online offering.

The efforts mentioned in the preceding paragraphs are necessary but it must still be determined how the institution will earn more revenue for its core educational product – whether from traditional credit courses or from professional development or certification courses.

Controlling Expenses

During the last quarter of 2014, and as a recommendation from the Self-study process, a committee was established to monitor utilities usage and cost and to recommend and implement strategies to manage the same. It is hoped that the committee would be helpful in helping the institution control costs in this area and that other committees for monitoring others costs and revenue may be established in the future. The work of these committees must be fueled by the availability of relevant data needed to determine the status of any strategy implemented. Such data may range from utility bills, financial statements, to productivity measures.

The issue of reduced funding for higher education is not unique to HLSCC as many institutions in various countries are also wrestling with this new reality. The question of the efficiency in the delivery of the educational experience must be a central part of conversations this year as we must pursue innovative approaches that do not compromise student learning outcomes. Like the rest of the higher education sector, we must deeply question the status quo.

On the issue of cost containment, the most challenging decisions will have to deal with the reorganization of units or elimination of particular services or programmes offered by the College. Simply put, we must decide what we can deliver at an acceptable level with the resources available. These conversations will take place at senior levels within the organization and at the Board and must be evidence-driven and with due care to managing the impact on individual employees, which in some cases will be unavoidable.

Resource Allocation

The College's implementation of a Resource Allocation Plan (RAP) continues to be an almost paradoxical learning experience. On the one hand, the current lack of resources have hampered the implementation of related plans where available but on the other end a resource allocation plan is aimed at prioritizing the use of resources, particularly in times of scarcity. A resource allocation plan aids an organization in determining the use of its resources by ensuring that such use is guided by carefully developed plans such as strategic plans, campus master plans, fixed asset acquisition and disposal plans, academic plans and technology plans. Rather than developing the aforementioned feeder plans to guide the development of the Resource Allocation Plan, some of these plans were being developed at the same time and hence could not fully contribute to the development of the RAP. Currently all the plans are either completed or nearing completion. The completion of these plans is critical to allocation of resources based on strategic direction and anticipated needs.

An area specifically impacted by the funding challenges is the physical plant and some aspects of maintenance and replacement of assets. In 2014, the issue of air quality remained though various steps have been taken to ameliorate the problem. A significant initiative was the purchase of two chillers for the air-conditioning system which replaced two existing that were non-functional. As the chillers were installed towards the end of year, it was too soon to determine their impact on cooling in the College's Main Building and the possible resulting impact on air quality in general.

Decline in enrollment

At the close of 2014, the College has seen a continuation of the decline in enrollment. Some reports illuminating the possible causes of this trend have been produced and discussed and more data is forthcoming as we seek to arrest this trend. Preliminary analysis seems to show that retention is a factor as admission have, for the most part, been holding steady. We must determine if economic conditions (cost of living) are forcing students into the workplace before completion of their chosen College programmes. We must also determine if this trend should have any impact on any of the College's operations. Conversations have begun at the level of the President's Cabinet and the Board on this issue and further discussion is planned for other groups in the College community before recommendations are made to the Board on this issue.

HLSCC continues to be at a critical juncture where changes have to be made in order to ensure the institution's sustainability.

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, 2014 the College's assets exceeded its liabilities by $14,620,097 (net assets). Of this amount, $5,550,234 is classified as unrestricted net assets. These unrestricted net assets may be used to meet the College's ongoing obligations. The largest component ($10,856,075) 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, 2014, operating revenues was $12,724,777. This included Government grants for $9,510,900 or 75% of total operating revenues. Total operating expenses was $15,202,219.

Analysis of Net Assets as of December 31, 2014

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:

	2014
Assets	
Current assets	$ 5,550,234
Noncurrent assets	10,880,539
Total assets	$ 16,430,773
Liabilities	
Current liabilities	$ 1,810,676
Noncurrent liabilities	-
Total liabilities	$ 1,810,676
Net Assets	
Invested in capital assets, net of related debt	10,856,075
Restricted	24,464
Unrestricted	5,550,234
Total net assets	14,620,097
Total liabilities and net assets	$ 16,430,773

At December 31, 2014, the College owned $16,430,773in total assets. Current assets included cash and investments for $3.23 million; Receivables and prepayments for $1.90 million; and other assets for $0.39 million.

The College's largest noncurrent asset is its investment in capital assets (land, buildings, furniture and equipment), net of accumulated depreciation for $10.86 million, and used to provide students services.

Current liabilities at December 31, 2014 was $1,810,676 and included payroll liabilities of $1.05 million; trade and other payables of .33 million and deferred revenue of .42 million. The College's total current assets of $5,550,234 were sufficient to cover the current liabilities of $1,810,676. This represents a current ratio of 3.07 and is considered financially healthy and capable of paying off its current obligations.

Net Assets represents the residual interest in HLSCC’s assets after liabilities are deducted. Net Assets at December 31, 2014 was $14,620,097 and includes the "investment in capital assets, net of accumulated depreciation and related debt" of $10,856,075; Restricted Assets of $24,464 are subjected to externally imposed restrictions governing their use. Unrestricted Assets of $5,550,234 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, 2014

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:

	2014
Total operating revenues	$ 12,724,777
Total operating expenses	15,202,219
Net operating Income	(2,477,442)
Non-operating revenues	-
Non-operating expenses (depreciation)	(995,802)
Net non-operating income	(3,473,244)
Capital contributions	-
Total decrease in net assets	(3,473,244)
Net assets, beginning of year	18,093,341
Net assets, end of year	$ 14,620,097

Revenues:

The largest sources of operating revenue for the College is provided by government grants of $9,510,900 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 $3,213,876 or 25%. Tuition and fees was $1,856,331 and was slightly below 2013 levels. 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, Food Services, and Performing Arts and are intended to be self-supporting. Revenues from Auxiliary enterprises are included in other income.

Expenses:

The College expended $15,202,219 on Operating Expenses including salaries and benefits, materials and services, and utilities. Institutional support represents the largest percentage of total operating expenses at 35%, or $5,247,806. Academic service represent 32% of total operating expenses, or $4,793,869. Non-Operating Expenses totaled $995,802.

Analysis of the Statement of Cash Flows for the Year Ended December 31, 2014.

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.

	2014
Cash Provided By (Used In):	
Operating Activities	$ (622,988)
Noncapital Financing Activities	-
Capital Financing Activities	-
Investing Activities	(683,120)
Net decrease in cash	(1,306,108)
Cash – Beginning of year	4,537,404
Cash – End of year	$ 3,231,294

The primary uses of cash from operating activities were from increases in accounts receivable, and increases in trades and other payables. Cash acquisition of capital assets was the primary use of cash from capital financing activities.

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 2014 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:

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British Virgin Islands

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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, 2014 and 2013, 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 existence and valuation of fixed assets and inventory. At December 31, 2014 the College had not maintained complete records for its fixed assets and inventory. While there were fixed asset and inventory counts conducted during the year, we were unable to satisfy ourselves that the necessary changes to the fixed asset and inventory listings were completed and it was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the existence and valuation of the fixed assets at net book value of $10,856,075, inventory of $393,280, and the accuracy of depreciation of $995,802, stated in the financial statements as at December 31, 2014.

In our opinion, except for the effect of such adjustments, 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 inventory, and accuracy of depreciation, the financial statements present fairly, in all material respects, the net assets of the College as of December 31, 2014 and 2013, 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
October 7, 2015

H. LAVITY STOUTT COMMUNITY COLLEGE

Statement of Net Assets
At December 31, 2014 and 2013
Expressed in U.S. Dollars

	Note	2014				2013
		Capital	Current funds			
		fund	Restricted	Unrestricted	Total	Total
Assets						
Current Assets						
Cash and cash equivalents		—	—	3,231,296	3,231,296	4,537,404
Receivables and prepayments	5,10,12	—	—	1,925,658	1,925,658	3,986,077
Inventory		—	—	393,280	393,280	419,621
		—	—	5,550,234	5,550,234	8,943,102
Non Current Assets						
Investments	6	—	24,464	—	24,464	23,918
Capital assets	8	10,856,075	—	—	10,856,075	11,168,759
		10,856,075	24,464	—	10,880,539	11,192,677
Total assets		10,856,075	24,464	5,550,234	16,430,773	20,135,779
Liabilities						
Current Liabilities						
Accounts Payable and accrued liabilities	7	—	—	1,387,970	1,387,970	1,591,767
Deferred revenue		—	—	422,706	422,706	449,905
		—	—	1,810,676	1,810,676	2,041,672
Total liabilities		—	—	1,810,676	1,810,676	2,041,672
Net assets/(liabilities)		$ 10,856,075	$ 24,464	$ 3,739,558	$ 14,620,097	$ 18,094,107

Approved on behalf of the Board of Governors on October 7, 2015

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, 2014 and 2013
Expressed in U.S. Dollars

	Notes	2014				2013
		Capital	Current funds			
		fund	Restricted	Unrestricted	Total	Total
Operating revenues						
Government grants	10	—	—	9,510,900	9,510,900	10,306,767
Tuition and fees		—	—	1,856,331	1,856,331	1,893,176
Other gifts and grants		—	—	288,613	288,613	168,900
Other income		—	546	1,068,387	1,068,933	1,563,549
Total operating revenues		—	546	12,724,231	12,724,777	13,932,392
Operating expenses						
Academic expenses		—	—	4,793,869	4,793,869	4,951,441
Allowance for doubtful debts	5	—	—	2,878,829	2,878,829	156,757
Auxiliary expenses		—	—	1,108,165	1,108,165	1,506,981
Institutional support		—	—	5,247,806	5,247,806	4,855,913
Library costs		—	—	244,151	244,151	257,846
Repairs and maintenance		—	—	929,399	929,399	997,824
Total operating expenses		—	—	15,202,219	15,202,219	12,726,762
Non-operating expenses						
Depreciation	8	995,802	—	—	995,802	1,054,573
Total non-operating expenses		995,802	—	—	995,802	1,054,573
Change in net assets		(995,802)	546	(2,477,988)	(3,473,244)	151,057
Opening net assets/(liabilities)		11,168,759	23,918	6,901,430	18,093,341	17,943,050
Closing net assets/(liabilities)		$ 10,172,957	$ 24,464	$ 4,423,442	$ 14,620,097	$ 18,094,107

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, 2014 and 2013
Expressed in U.S. Dollars

	2014				2013
	Capital fund	Current funds Restricted	Current funds Unrestricted	Total	Total
Cash flows from operating activities:					
Change in net assets	(995,802)	546	(2,477,988)	(3,473,244)	151,057
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	995,802	—	—	995,802	1,054,573
Change in operating assets and liabilities:					
Decrease in accounts receivable	—	—	2,059,653	2,059,653	1,311,910
Decrease in inventory	—	—	26,341	26,341	73,611
Increase in investments	—	(546)	—	(546)	(579)
(Decrease) increase in deferred revenue	—	—	(27,199)	(27,199)	170,270
Decrease in accounts payable	—	—	(203,795)	(203,795)	(43,525)
Net cash provided by operating activities	—	—	(622,988)	(622,988)	2,717,317
Cash flows from investing activities:					
Purchase of capital assets	(683,120)	—	—	(683,120)	(309,501)
Sale of capital assets	—	—	—	—	(34,481)
Net cash used in investing activities	(683,120)	—	—	(683,120)	(343,982)
Net increase/(decrease) in cash and cash equivalents	(683,120)	—	(622,988)	(1,306,108)	2,373,335
Cash and cash equivalents at beginning of year	683,120	—	3,854,284	4,537,404	2,164,069
Cash and cash equivalents at end of year	$ —	$ —	$ 3,231,296	$ 3,231,296	$ 4,537,404

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 fund

Capital fund 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 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 revenue, expense and changes in net assets.

Prior to 2001 retirement benefits payable were calculated for eligible employees and recorded on the statement of net assets 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, 2014 and 2013, the impact on the College's statement of revenue, expense and changes in net assets would be insignificant.

Expressed in U.S. Dollars

3. CONCENTRATION OF RISK (Cont'd)

(b) Market risk

(i) 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.

(ii) Foreign currency risk. At December 31, 2014, and 2013, the College has no significant financial assets and financial liabilities denominated in currencies other than the US dollar. As a result, the College is not exposed to significant 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 accounts payable and accrued liabilities 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.

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

	2014	**2013**
Student receivables	7,233,730	6,363,151
Less: Allowance for doubtful debts	(5,785,250)	(2,906,421)
	1,448,480	3,456,730
General receivables	473,972	492,864
Less: Allowance for doubtful debts	(74,490)	(74,490)
	399,482	418,374
Total	1,847,962	3,875,104
Prepayments and other receivables	77,696	110,973
	$ 1,925,658	3,986,077

Expressed in U.S. Dollars

5. RECEIVABLES AND PREPAYMENTS (Cont'd)

Student receivables - Allowance for doubtful debts	**2014**	**2013**
Balance at beginning of year	2,906,421	2,775,139
Bad debt expense	2,978,828	131,282
Balance at end of year	5,785,250	2,906,421

General receivables - Allowance for doubtful debts	**2014**	**2013**
Balance at beginning of year	74,490	75,429
Reversal of allowance	-	(939)
Balance at end of year	74,490	74,490
Direct write-offs		
Bad debt expense	-	3,853

6. INVESTMENTS

	2014	**2013**
Residential Accredit Loans Inc. Series 2002-QS10 Class 1A3 R/MD 6.50% 10/25/2032	24,464	23,918

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	**2013**
Trade payables	255,610	196,462
Personnel costs	1,055,002	1,038,698
Other payables	77,358	356,607
	$ 1,387,970	$ 1,591,767

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, 2014	2,935,810	15,395,899	1,727,887	7,327,263	193,284	99,774	23,688	27,703,605
Additions	—	—	75,721	637,840	—	—	4,800	718,361
Disposals	—	—	—	—	—	—	—	—
Reclass & Adjustments	—	—	(32,869)	(2,374)	—	—	—	(35,243)
At December 31, 2014	2,935,810	15,395,899	1,770,739	7,962,729	193,284	99,774	28,488	28,386,723
Accumulated depreciation:								
At January 1, 2014	—	8,063,741	1,363,813	6,881,939	107,607	97,954	19,792	16,534,846
Charge for the year	—	711,168	44,120	224,216	13,980	1,030	1,288	995,802
Sale of Fixed Assets	—	—	—	—	—	—	—	—
Reclass & Adjustments	—	—	—	—	—	—	—	—
At December 31, 2014	—	8,774,909	1,407,933	7,106,155	121,587	98,984	21,080	17,530,648
Net book value:								
At December 31, 2014	$ 2,935,810	$ 6,620,990	$ 362,806	$ 856,574	$ 71,697	$ 790	$ 7,408	$ 10,856,075
At December 31, 2013	$ 2,935,810	$ 7,332,158	$ 364,074	$ 445,324	$ 85,677	$ 1,820	$ 3,896	$ 11,168,759

H. LAVITY STOUTT COMMUNITY COLLEGE

Notes to and forming part of the the Financial Statements

At December 31, 2014 and 2013

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, 2013	2,935,810	15,423,891	1,645,303	7,108,924	158,399	100,180	21,597	27,394,104
Additions	—	—	85,544	224,235	56,515	—	2,091	368,385
Disposals	—	—	—	—	(21,630)	—	—	(21,630)
Reclassifications	—	(27,992)	(2,960)	(5,896)	—	(406)	—	(37,254)
At December 31, 2013	2,935,810	15,395,899	1,727,887	7,327,263	193,284	99,774	23,688	27,703,605
Accumulated depreciation:								
At January 1, 2013	—	7,380,565	1,320,465	6,593,770	104,892	96,924	18,138	15,514,754
Charge for the year	—	711,168	43,348	288,169	9,204	1,030	1,654	1,054,573
Sale of fixed Assets	—	—	—	—	(6,489)	—	—	(6,489)
Reclass & Adjustments	—	(27,992)	—	—	—	—	—	(27,992)
At December 31, 2013	—	8,063,741	1,363,813	6,881,939	107,607	97,954	19,792	16,534,846
Net book value:								
At December 31, 2013	$ 2,935,810	$ 7,332,158	$ 364,074	$ 445,324	$ 85,677	$ 1,820	$ 3,896	$ 11,168,759

Expressed in U.S. Dollars

9. RETIREMENT BENEFITS SCHEME

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

For the years ended December 31, 2014 and 2013, the College contributes at a rate of 8.0% of the gross salary of participating employees to the scheme. Employees are required to contribute towards the scheme at a minimum rate of 4.0% for December 31, 2014 and 2013.

Zurich International Life Limited administers the Funds contributed. Contributions by the College for the years ended December 31, 2014 and 2013 were $193,591 and $187,607, respectively.

10. RELATED PARTY TRANSACTIONS

BVI Government Grant:

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, 2014 and 2013, HLSCC received a total of $9,510,900 and $10,306,767, respectively.

Payments to Board of Governor:

For the years ended December 31, 2014 and 2013, HLSCC paid stipends to the Board of Governors in the amount of $52,800 and $54,150, respectively.

In addition, contractual arrangement to members of the Board of Governors amounted to $54,000 for December 31, 2014 and December 31, 2013. These contractual arrangements are at market rates

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 summer classes taken, pays for all tuition costs for applicable students.

At December 31, 2014 and 2013, a total of $5,735,249 and $5,012,135, respectively, was receivable with regard to the Tuition Assistance Programme (TAP). The College has provided for $3,134,340 and $2,521,547 as at December 31, 2014 and 2013, respectively, for the balance from the Government relating to TAP which the College deems collection doubtful.

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, 2011 and expiring March 31, 2014 and another commencing April 1, 2014 and expiring March 31, 2017.

Future minimum lease payments as at December 31, 2014 are as follows:

	Virgin Gorda	Road Town	Total
One year	72,000	-	72,000
Two to three years	144,000	-	144,000
	$216,000	$ -	$216,000

13. SUBSEQUENT EVENTS

No events have occurred subsequent to December 31, 2014 and before the date of the report that would have a significant effect on the financial statements.

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