

## **H. LAVITY STOUTT COMMUNITY COLLEGE**

Financial Statements  
For the year ended July 31, 2020

# H. LAVITY STOUTT COMMUNITY COLLEGE

## Financial Statements For the year ended July 31, 2020

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## H. LAVITY STOUTT COMMUNITY COLLEGE

### College Directory At July 31, 2020

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#### Board of Governors and Committees

Mr. John Samuel (Chairman)  
Mrs. Fiona Forbes-Vanterpool (Deputy Chair)  
Dr. Richard Georges (Acting President)  
Mr. Kenneth Baker  
Mrs. Josephine Callwood  
Mrs. Shanica Maduro Christopher  
Mr. Derek Dunlop  
Ms. Lotoya Freeman  
Mr. Chad George  
Mr. Cecil Hodge  
Dr. Henry Jarecki  
Dr. Anthony Layne  
Prof. Emeritus Arthur Richardson  
Mr. Cromwell Smith  
Dr. L. Sauda Smith  
Mr. John Williams

#### Legal Counsel

Sabals Law  
Abbott Building  
P.O. Box 3169  
Road Town, Tortola VG 1110  
British Virgin Islands

#### Acting Bursar

Mrs. Elenore Rowland-George

#### Registered Office

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

#### Business Development Committee

Mr. John Williams, Chairman  
Mr. Derek Dunlop  
Mr. Chad George  
Mr. Cecil Hodge  
Dr. Henry Jarecki  
Dr. Richard Georges, Acting President  
(College Liaison)

#### Finance Committee

Mr. John Samuel, Chairman  
Mr. Kenneth Baker  
Mr. John Williams  
Dr. Richard Georges, Acting President  
(College Liaison)

#### Academic Committee

Prof. Emeritus Arthur Richardson, Chairman  
Mrs. Josephine Callwood  
Dr. Anthony Layne  
Mr. Cromwell Smith  
Dr. L Sauda Smith  
Dr. Richard Georges, Acting President  
(College Liaison)

#### Human Resources Committee

Mrs. Fiona Forbes-Vanterpool, Chairman  
Ms. Lotoya Freeman  
Mr. Chad George  
Mrs. Shanica Maduro Christopher  
Mr. Cromwell Smith  
Mrs. Monique John Latchman, Acting HR Manager  
(College Liaison)

#### Special Affirmation Committee

Dr. L Sauda Smith, Chairman  
Dr. Anthony Layne  
Prof. Emeritus Arthur Richardson  
Dr. LuVerne Baptiste, Associate VP  
(College Liaison)

## H. LAVITY STOUTT COMMUNITY COLLEGE

### Management's Discussion and Analysis For the year ended July 31, 2020

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This section of the annual financial report of H. Lavity Stoutt Community College ("HLSCC" or "College") provides an overview and analysis of the College's financial performance during the fiscal years ended July 31, 2020 and July 31, 2019. 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.

#### **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 Statements 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 is net assets and provides 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 Statements of Revenues, Expenses and Changes in Net Assets* presents the College's 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 other fees, and auxiliary enterprises, such as the Bookstore and Performing Arts.

*The Statements of Cash Flows* 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 fall due, and its potential need for external financing.

*The Notes to and forming part of the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

#### **Financial Highlights**

As of July 31, 2020, the College's assets exceeded its liabilities by \$12,515,384 (net assets). Of this amount, \$3,373,039 is classified as unrestricted current funds. These unrestricted current funds may be used to meet the College's ongoing obligations. The largest component (\$9,114,994) 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 July 31, 2020, operating revenues were \$11,291,672. This included Government grants for \$9,358,077 or 83% of total operating revenues. Total operating expenses (excluding depreciation) was \$9,259,033.

## H. LAVITY STOUTT COMMUNITY COLLEGE

### Management's Discussion and Analysis For the year ended July 31, 2020

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#### Analysis of Net Assets as of July 31, 2020

The Statements of Net Assets include 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:

	2020
<b>Assets</b>	
Current assets	4,314,447
Non-current assets	<u>9,142,345</u>
<b>Total assets</b>	<b>\$ <u>13,456,792</u></b>
<b>Liabilities</b>	
Current liabilities	941,408
Non-current liabilities	<u>—</u>
<b>Total liabilities</b>	<b>\$ <u>941,408</u></b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	9,114,994
Restricted	27,351
Unrestricted	<u>3,373,039</u>
<b>Total net assets</b>	<b>\$ <u>12,515,384</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>13,456,792</u></b>

At July 31, 2020, the College owned \$13,456,792 in total assets. Current assets included cash and cash equivalents of \$3.239 million; receivables and prepayments of \$1.067 million; and other assets of \$0.009 million.

The College's largest non-current asset is its investment in capital assets (land, buildings, furniture and equipment), net of accumulated depreciation of \$9.115 million, which is used to provide student services.

Current liabilities at July 31, 2020 were \$941,408 and included payroll liabilities of \$0.588 million; and trade and other payables of \$0.339 million. The College's total current assets of \$4,314,447 were sufficient to cover the current liabilities of \$941,408. This represents a current ratio of 4.58 and the College is considered financially healthy and capable of paying off its current obligations.

Net Assets represent the residual interest in HLSCC's assets after liabilities are deducted. Net Assets at July 31, 2020 were \$12,515,384 and included the "investment in capital assets, net of accumulated depreciation and related debt" of \$9,114,994; restricted assets of \$27,351 were subject to externally imposed restrictions governing their use. Unrestricted net assets of \$3,373,039 were not subject to external restrictions governing their use and were used primarily for general operations.

## H. LAVITY STOUTT COMMUNITY COLLEGE

### Management's Discussion and Analysis For the year ended July 31, 2020

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#### Analysis of Revenues, Expenses and Changes in Net Assets for the year ended July 31, 2020

The Statements of Revenues, Expenses 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:

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<b>2020</b>	
Total operating revenues	11,291,672
Total operating expenses (excluding depreciation)	<u>(9,259,033)</u>
<b>Net operating surplus</b>	<b>\$ 2,032,639</b>
Non-operating revenues	—
Non-operating expenses	<u>1,119,367</u>
<b>Net surplus</b>	<b>\$ 913,272</b>
Total increase in net assets	913,272
<b>Net assets, beginning of year</b>	<u>11,602,112</u>
<b>Net assets, ending of year</b>	<b>\$ <u>12,515,384</u></b>

#### Revenues:

The largest source of operating revenues for the College for the year ended July 31, 2020 was Government grants which totalled \$9,358,077 or 83% of total operating revenues. Government subvention is used primarily to fund current operations and free tuition. Other operating income totalled \$1,933,595 or 17% and includes tuition and other fees of \$1,505,631 or 13%.

#### Expenses:

The College incurred \$9,259,033 of operating expenses, including salaries and benefits, materials and services, and utilities. Academic expenses represent 41%, or \$3,814,737. Institutional Support represents 47% of total operating expenses, or \$4,336,914. Non-operating expenses (depreciation) totalled \$1,119,367.

## H. LAVITY STOUTT COMMUNITY COLLEGE

### Management's Discussion and Analysis For the year ended July 31, 2020

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#### Analysis of the Statements of Cash Flows for the year ended July 31, 2020

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.

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2020

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#### Cash provided by/(used in):

Operating activities	2,167,906
Capital financing activities	<u>(1,430,368)</u>
Net increase in cash	\$ 737,538
<b>Cash, beginning of year</b>	<u>2,501,644</u>
<b>Cash, ending of year</b>	<u>\$ 3,239,182</u>

The primary uses of cash from operating activities were from decreases in accounts receivable and increases in accounts payable. 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 strive 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.

#### Contacting the College's Financial Management

This financial report is designed to provide our stakeholders, 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:

The Bursar  
H. Lavity Stoutt Community College  
P.O. Box 3097  
Road Town, Tortola VG 1110  
British Virgin Islands

Chartered Accountants

PO Box 650  
Tropic Isle Building  
Nibbs Street  
Road Town, Tortola VG 1110  
British Virgin Islands

**T:** +1 284 494 5800

**F:** +1 284 494 6565

info@bakertilly.vg

**www.bakertilly.vg**

## **INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL, GOVERNMENT OF THE BRITISH VIRGIN ISLANDS**

### ***Report on the Financial Statements***

We have audited the financial statements of H. Lavity Stoutt Community College (the "College"), which comprise the statements of net assets as at July 31, 2020 and July 31, 2019, and the statements of revenues, expenses and changes in net assets and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 22.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of July 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-5 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 of America, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

*Baker Tilly (BVI) Limited*

**Chartered Accountants  
Tortola, British Virgin Islands  
March 16, 2021**

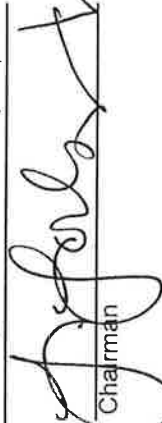
H. LAVITY STOUTT COMMUNITY COLLEGE

Statements of Net Assets  
At July 31, 2020  
Expressed in U.S. Dollars

	Note	2020		2019	
		Capital fund	Current funds Restricted      Unrestricted	Total	Total
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		—	3,239,182	3,239,182	2,501,644
Receivables and prepayments	5	—	1,066,609	1,066,609	337,624
Due from other College funds		—	—	—	—
Inventory		—	8,656	8,656	7,999
<b>Total current assets</b>		—	4,314,447	4,314,447	2,847,267
<b>Non-current assets</b>					
Investments	6	—	27,351	27,351	26,844
Capital assets	11	9,114,994	—	9,114,994	9,464,728
Total non-current assets		9,114,994	27,351	9,142,345	9,491,572
<b>Total assets</b>		9,114,994	4,314,447	13,456,792	12,338,839
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expenses	7	—	927,842	927,842	723,807
Deferred income		—	13,566	13,566	12,920
Due to College funds		—	—	—	—
<b>Total liabilities</b>		—	941,408	941,408	736,727
<b>Net assets</b>		\$ 9,114,994	\$ 3,373,039	\$ 12,515,384	\$ 11,602,112

Approved on behalf of the Board of Governors on March 16, 2021

  
President

  
Chairman

H. LAVITY STOUTT COMMUNITY COLLEGE

Statements of Revenues, Expenses and Changes in Net Assets  
For the year ended July 31, 2020  
Expressed in U.S. Dollars

	Note	2020		2019	
		Capital fund	Current funds Restricted      Unrestricted	Total	Total
<b>Operating revenues</b>					
Government grants		—	9,358,077	9,358,077	8,585,500
Tuition and other fees		—	1,505,631	1,505,631	588,049
Other gifts and grants		—	257,115	257,115	27,901
Other income		—	170,342	170,849	145,466
<b>Total operating revenues</b>		—	11,291,165	11,291,672	9,346,916
<b>Operating expenses</b>					
Academic expenses		—	3,814,737	3,814,737	3,464,043
Allowance for doubtful debts	5	—	122,485	122,485	66,044
Auxiliary expenses		—	21,466	21,466	120,201
Institutional support		—	4,336,914	4,336,914	3,592,535
Library costs		—	214,062	214,062	232,126
Fundraising		—	100,178	100,178	82,432
Repairs and maintenance		—	649,191	649,191	678,540
<b>Total operating expenses</b>		—	9,259,033	9,259,033	8,235,921
<b>Non-operating expenses</b>					
Depreciation	11	1,119,367	—	1,119,367	1,117,880
<b>Total non-operating expenses</b>		1,119,367	—	1,119,367	1,117,880
<b>Change in net assets</b>		(1,119,367)	507	913,272	(6,885)
<b>Opening net assets</b>		10,234,361	26,844	11,602,112	11,608,997
<b>Closing net assets</b>		\$ 9,114,994	\$ 27,351	\$ 12,515,384	\$ 11,602,112

H. LAVITY STOUTT COMMUNITY COLLEGE

Statements of Cash Flows  
For the year ended July 31, 2020  
Expressed in U.S. Dollars

	2020		2019
	Capital fund	Current funds Restricted      Unrestricted	Total
<b>Cash flows from operating activities:</b>			
Change in net assets	(1,119,367)	507      2,032,132	913,272      (6,885)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	1,119,367	—	1,119,367
Loss on disposal of fixed assets	660,735	—	660,735
Change in operating assets and liabilities:			
(Increase)/decrease in accounts receivable	—	(728,985)	(728,985)
(Increase)/decrease in inventory	—	(657)	(657)
Increase in investments	—	(507)	(507)
Increase/(decrease) in deferred income	—	646	646
Increase/(decrease) in accounts payable	—	204,035	204,035
Net cash provided by operating activities	660,735	—      1,507,171	2,167,906      572,394
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(1,430,368)	—	(1,430,368)
Net cash used in capital and related financing activities	(1,430,368)	—	(1,430,368)
<b>Net increase/(decrease) in cash and cash equivalents</b>	(769,633)	—      1,507,171	737,538      (1,317,860)
<b>Cash and cash equivalents at beginning of year</b>	(2,611,710)	—	2,501,644
<b>Cash and cash equivalents at end of year</b>	\$ (3,381,343)	\$ —      \$ 6,620,525	\$ 3,239,182      \$ 2,501,644

## H. LAVITY STOUTT COMMUNITY COLLEGE

### Notes to and forming part of the Financial Statements For the year ended July 31, 2020

*Expressed in U.S. Dollars*

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#### 1. GENERAL INFORMATION

H. Lavity Stoutt Community College (the "College" or "HLSCC") is a body corporate established in the British Virgin Islands (the "Territory") 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 educational 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 are 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" activity requirements of GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which provides that the following sections be included in the College's annual financial report:

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

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

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

## H. LAVITY STOUTT COMMUNITY COLLEGE

### Notes to and forming part of the Financial Statements For the year ended July 31, 2020

*Expressed in U.S. Dollars*

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

##### b) Use of estimates

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

##### c) 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 represent funds held by the College for transactions of a long-term investment or capital nature.

##### 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.

## H. LAVITY STOUTT COMMUNITY COLLEGE

### Notes to and forming part of the Financial Statements For the year ended July 31, 2020

*Expressed in U. S. Dollars*

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

##### 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 statements 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 \$1,000 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 statements of revenues, expenses and changes in net assets.

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

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

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

## H. LAVITY STOUTT COMMUNITY COLLEGE

### Notes to and forming part of the Financial Statements For the year ended July 31, 2020

*Expressed in U.S. Dollars*

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

##### h) Investments

All investments are measured at fair value with changes in their fair value recognized in the statements of revenues, 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 revenues, expenses and changes in net assets as received.

Tuition revenue is recognized in the fiscal year in which the revenue is earned. Financial aid amounts provided through the Tuition Assistance Program are recognised and paid from the government subvention grant.

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 Fall 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 statements of revenues, expenses and changes in net assets.

##### k) Expenditure recognition

All expenses are recognised on the 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 statements of revenues, expenses and changes in net assets.

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



## H. LAVITY STOUTT COMMUNITY COLLEGE

### Notes to and forming part of the Financial Statements For the year ended July 31, 2020

*Expressed in U.S. Dollars*

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

##### m) Operating lease payments

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

##### 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 statements of revenues, expenses 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 statements of revenues, expenses and changes in net assets.

An impairment loss 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.

##### o) Contingent liabilities

Certain conditions may exist as of the reporting date, which may result in a loss to the College but which will only be resolved when one or more future events occur or fail to occur. The College assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the College or unasserted claims that may result in such proceedings, the College evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that there is a present obligation as a result of a past event, that it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated, then the estimated liability is accrued in the College's financial statements. If the assessment indicates that there is a possible obligation, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, is disclosed.

Loss contingencies considered remote are generally not disclosed.

#### 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.

## H. LAVITY STOUTT COMMUNITY COLLEGE

### Notes to and forming part of the Financial Statements For the year ended July 31, 2020

*Expressed in U.S. Dollars*

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#### 3. CONCENTRATION OF RISK (Cont'd)

##### a) Credit risk (Cont'd)

Financial instruments that subject the College to credit risk consist principally of cash and cash equivalents and receivables, 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 approximates their carrying values as recorded in the statements of net assets.

##### b) Market risk

Market risk arises from the use of interest bearing, tradeable 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) 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 July 31, 2020 and July 31, 2019, the College had no significant financial assets and financial liabilities denominated in currencies other than the U.S. 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.

## H. LAVITY STOUTT COMMUNITY COLLEGE

### Notes to and forming part of the Financial Statements For the year ended July 31, 2020

Expressed in U.S. Dollars

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#### 4. TAXATION

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, the College is an "educational institution" within the meaning of section 8(2) of the Payroll Taxes Act, 2004, of the British Virgin Islands and is deemed to be exempt from payroll tax. The College confirmed its exempt status with the BVI Inland Revenue Department and effective April 2020, the College ceased to pay employer payroll tax.

#### 5. RECEIVABLES AND PREPAYMENTS

	2020	2019
Student receivables	323,708	273,232
Less: Allowance for doubtful debts	<u>(158,129)</u>	<u>(78,214)</u>
	<u>165,579</u>	<u>195,018</u>
General receivables	880,548	108,261
Less: Allowance for doubtful debts	<u>(45,249)</u>	<u>(2,919)</u>
	<u>835,299</u>	<u>105,342</u>
Prepayments and other receivables	<u>65,731</u>	<u>37,264</u>
	\$ <u>1,066,609</u>	\$ <u>337,624</u>
<b>Student receivables - allowance for doubtful debts</b>		
Balance at beginning of year	78,214	20,465
Bad debt expense	79,915	66,044
Write off bad debts	<u>—</u>	<u>(8,295)</u>
Balance at end of year	\$ <u>158,129</u>	\$ <u>78,214</u>
<b>General receivables - allowance for doubtful debts</b>		
Balance at beginning of year	2,919	2,919
Bad debt expense	42,570	—
Write off bad debts	<u>(240)</u>	<u>—</u>
Balance at end of year	\$ <u>45,249</u>	\$ <u>2,919</u>

**H. LAVITY STOUTT COMMUNITY COLLEGE**

**Notes to and forming part of the Financial Statements**

For the year ended July 31, 2020

Expressed in U.S. Dollars

**11. CAPITAL ASSETS**

	Land	Buildings	Capital improvements	Furniture and equipment	Motor vehicles	Library books	Paintings and artwork	Total
<b>Cost:</b>								
At July 31, 2019	2,935,810	16,703,252	1,188,256	3,148,294	95,215	644	19,192	24,090,663
Additions	—	—	985,408	441,645	—	—	3,315	1,430,368
Disposals	—	—	—	(167,438)	(20,420)	—	—	(187,858)
Transfers, reclass and adjustments	—	—	(664,702)	13,626	—	—	—	(651,076)
At July 31, 2020	2,935,810	16,703,252	1,508,962	3,436,127	74,795	644	22,507	24,682,097
<b>Accumulated depreciation:</b>								
At July 31, 2019	—	11,625,745	749,544	2,183,286	50,764	547	16,049	14,625,935
Charge for the year	—	739,869	58,140	311,458	8,921	97	882	1,119,367
Disposals/sale of fixed assets	—	—	—	(166,112)	(12,087)	—	—	(178,199)
Transfers, reclass and adjustments	—	—	—	—	—	—	—	—
At July 31, 2020	—	12,365,614	807,684	2,328,632	47,598	644	16,931	15,567,103
<b>Net book value:</b>								
At July 31, 2020	\$ 2,935,810	\$ 4,337,638	\$ 701,278	\$ 1,107,495	\$ 27,197	\$ —	\$ 5,576	\$ 9,114,994
At July 31, 2019	\$ 2,935,810	\$ 5,077,507	\$ 438,712	\$ 965,008	\$ 44,451	\$ 97	\$ 3,143	\$ 9,464,728

H. LAVITY STOUTT COMMUNITY COLLEGE

Notes to and forming part of the Financial Statements  
For the year ended July 31, 2020  
Expressed in U.S. Dollars

11. CAPITAL ASSETS

	Land	Buildings	Capital improvements	Furniture and equipment	Motor vehicles	Library books	Paintings and artwork	Total
<b>Cost:</b>								
At July 31, 2018	2,935,810	15,236,915	1,753,787	3,204,157	93,415	644	19,192	23,243,920
Additions	—	1,513,336	54,482	320,636	1,800	—	—	1,890,254
Disposals	—	(46,999)	(40,847)	(945,849)	—	—	—	(1,033,695)
Transfers, reclass and adjustments	—	—	(579,166)	569,350	—	—	—	(9,816)
At July 31, 2019	2,935,810	16,703,252	1,188,256	3,148,294	95,215	644	19,192	24,090,663
<b>Accumulated depreciation:</b>								
At July 31, 2018	—	10,916,155	692,920	2,797,852	41,312	419	15,360	14,464,018
Charge for the year	—	754,515	85,548	267,548	9,452	128	689	1,117,880
Disposals/sale of fixed assets	—	(44,925)	(29,677)	(881,361)	—	—	—	(955,963)
Transfers, reclass and adjustments	—	—	753	(753)	—	—	—	—
At July 31, 2019	—	11,625,745	749,544	2,183,286	50,764	547	16,049	14,625,935
<b>Net book value:</b>								
At July 31, 2019	\$ 2,935,810	\$ 5,077,507	\$ 438,712	\$ 965,008	\$ 44,451	\$ 97	\$ 3,143	\$ 9,464,728
At July 31, 2018	\$ 2,935,810	\$ 4,320,760	\$ 1,060,867	\$ 406,305	\$ 52,103	\$ 225	\$ 3,832	\$ 8,779,902

## H. LAVITY STOUTT COMMUNITY COLLEGE

### Notes to and forming part of the Financial Statements For the year ended July 31, 2020

*Expressed in U.S. Dollars*

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#### 12. CONTINGENT LIABILITY

At July 31, 2020, the College potentially has a contingent liability arising from the provision of retirement benefits for other employees not currently participants of the Pension Fund (see note 8) totaling \$1,060,216.

#### 13. COVID-19

As with the entire world, the main focus for 2020 (academic year 2019 – 2020) was on the COVID-19 pandemic and the efforts taken by Government and various institutions to ensure safety and security and business continuity. At HLSCC, once the notice was given of a lock down by Government and various curfew periods, the College moved to an Emergency Online Learning Mode whereby instruction of most of the College classes were offered in an online format. This enabled the education process to continue without exposing constituents to unnecessary risk. Some classes, primarily those requiring more hands-on instruction, were deferred to a later period where instruction could safely be offered while adhering to various Government guidelines and restrictions. Therefore, during the Spring 2020 semester, faculty and student presence on campus was extremely limited.

During this period MOODLE, an online learning platform; Cengage, which provides e-books and other support services; and EBSCOHOST from the Learning Resources Centre were key in facilitating this process. Some faculty worked from on campus due to internet connectivity issues, and some were given College computers in order to work from home. Some students who lacked the electronic capability to continue with their classes were given access to electronic devices which had been donated to the College.

Following the various protocols established by the Government, the College installed plexiglass dividers in areas of public access and within offices to create safety barriers. Sanitizing stations were set up outside each building entrance; appropriate signage and markings were posted; masks were given to employees and later made available for sale; and cleaning and security protocols were enacted. Staff returned to work with varying schedules according to health status and personal challenges which arose from school and business closures.

In July 2020, due to the postponement of some classes, the College held a drive-through graduation at both the Paraquita Bay Campus and at the Virgin Gorda Centre. At the Paraquita Bay Campus students were organized at the Marine Centre and drove up the main drive, walked up the steps to receive their diploma from the President and the Minister of Education and drove off campus. A similar event was held on Virgin Gorda, which was the first time a graduation activity had been held at the Centre. A motorcade was arranged by the students and took place immediately after the ceremony followed by a small reception.

#### 14. SUBSEQUENT EVENTS

HLSCC, like many other institutions, continues to be affected by the Corona Virus Pandemic in many ways. However, HLSCC continues to forge ahead offering courses both in Academics as well as short courses in the Workforce Training Division. These courses have assisted persons in the community to become equipped for careers that are now available. The College has embarked on various short courses which began in Spring of 2021 such as the Emergency Medical Technician course and Solar Technician Training which have approximately fifty students enrolled in both courses.