

**H. LAVITY STOUTT COMMUNITY COLLEGE**

**Financial Statements  
For the year ended July 31 2022**

**(expressed in United States dollars)**

# **H. LAVITY STOUTT COMMUNITY COLLEGE**

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**For the year ended July 31, 2022**

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# **H. Lavity Soult Community College**

## **College Directory**

**July 31 2022**

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### **Board of Governors**

Prof. Emeritus Arthur Richardson (Chairman)  
Dr. L. Sauda Smith (Deputy Chairman)  
Dr. Richard Georges (President, College  
Liaison)  
Mr. Kenneth Baker  
Ms. Adenike Sicard-Flax  
Mrs. Shanica Maduro Christopher  
Mr. Derek Dunlop  
Ms. Lynette Harrigan  
Mr. Hakim Creque  
Mr. Colin O'Neal  
Dr. Anthony Layne  
Dr. Paula Trotman-Hastings  
Ms. Deann Parsons  
Mr. John Williams

### **Business Development Committee**

Mr. John Williams, (Chairman)  
Mr. Colin O'Neal  
Mr. Derek Dunlop  
Ms. Lynette Harrigan  
Dr. Richard Georges, President (College Liaison)  
Ms. Yvonne Crabbe, ( Director  
Institutional Advancement)

### **Finance Committee**

Mr. Kenneth Baker, (Chairman)  
Ms. Lynette Harrigan  
Mr. John Williams  
Dr. Richard Georges, (President)  
Mrs. Elenore George, Bursar (College  
Liaison)

### **Legal Counsel**

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

### **Academic Committee**

Dr. L. Sauda Smith, (Chairman)  
Prof. Emeritus Arthur Richardson  
Dr. Anthony Layne  
Ms. Deann Parsons  
Dr. Arlene Smith-Thompson, (Vice President-  
Academic Affairs, College Liaison)

### **Bursar**

Mrs. Elenore Rowland-George

### **Human Resources**

Mrs. Adenike Sicard-Flax (Chairman)  
Mr. Hakim Creque  
Mrs. Shanica Maduro Christopher  
Mr. Kenneth Baker  
Dr. Richard Georges, (President,  
College Liaison)  
Ms. Alesia Hamm, (Human  
Resources Manager)

### **Assistant Bursar**

Ms. Nyo Maduro

### **Registered Office**

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

### **Quality Assurance and Compliance Committee**

Dr. Paula Trotman-Hastings (Chairman)  
Ms. Deann Parsons  
Dr. Anthony Layne  
Mr. Hakim Creque  
Dr. Luverne Vanterpool-Baptiste, (Vice President  
Operations, College Liaison)

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

Management's Discussion and Analysis  
**For the year ended July 31, 2022**

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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, 2022 and July 31, 2021. 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 sole 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 present 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 Equity present the College's operating results for the year. Revenues and expenses are 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 facility rental.

The Statements of Cash Flows present 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, 2022, the College's assets exceeded its liabilities by \$34,126,069 (net assets). Of this amount, \$2,048,557 is classified as unrestricted current funds. These unrestricted current funds may be used to meet the College's ongoing obligations. The largest component (\$30,260,304) of Equity is the College's investment in Property, Plant and Equipment, 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, 2022, operating revenues were \$10,564,833. This included Government grants for \$8,573,663 or 81% of total operating revenues. Total operating expenses (excluding depreciation) were \$9,943,730.

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

Management's Discussion and Analysis

**For the year ended July 31, 2022**

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### **Analysis of Revenues, Expenses and Changes in Equity for the year ended July 31, 2022**

The Statements of Revenues, Expenses and Changes in Equity represent the College's operating results, as well as its non-operating revenues and expenses, and reconciles the changes in Equity (discussed above). In summary form, the year's results were:

	<b>2022</b>
Total operating revenues	10,564,833
Total operating expenses (excluding depreciation)	<u>(9,943,730)</u>
<b>Net operating surplus</b>	\$ 621,103
Non-operating revenues	—
Non-operating expenses	<u>1,016,221</u>
<b>Net loss</b>	<u>\$ (395,118)</u>
Total decrease in net assets	(395,118)
<b>Revaluation of Property, Plant and Equipment (Land and buildings)</b>	22,157,434
<b>Equity, beginning of year</b>	<u>12,363,753</u>
<b>Equity, ending of year</b>	<u>\$ 34,126,069</u>

#### **Revenues:**

The largest source of operating revenues for the College for the year ended July 31, 2022, was Government grants which totaled \$8,573,663 or 81% of total operating revenues. Government subvention is used primarily to fund current operations and free tuition. Other operating income totaled \$1,991,170 or 19% and includes tuition and other fees of \$1,551,920 or 15%.

#### **Expenses:**

The College incurred \$9,943,730 of operating expenses, including salaries and benefits, materials and services, and utilities. Academic expenses represent 46%, or \$4,620,803. Institutional Support represents 42% of total operating expenses, or \$4,205,784. Non-operating expenses (depreciation) totaled \$1,016,221.

# **H. LAVITY STOUTT COMMUNITY COLLEGE**

Management's Discussion and Analysis

**For the year ended July 31, 2022**

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## **Analysis of the Statements of Cash Flows for the year ended July 31, 2022**

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. International Reporting Standards for Small and Medium Size Entities ("SME's") 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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2022

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

Operating activities	1,878,006
Capital financing activities	<u>(612,745)</u>
Net increase in cash	\$ 1,263,261

<b>Cash, beginning of year</b>	<u>4,210,192</u>
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<b>Cash, ending of year</b>	<u>\$ 5,473,453</u>
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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

**INDEPENDENT AUDITOR'S REPORT****To the Auditor General, Government of the British Virgin Islands****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of **H. Lavity Stoutt Community College** ("the College") which comprise the statement of financial position as at July 31, 2022, the statements of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these accompanying financial statements present fairly, in all material respects, the financial position of the College as of July 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the College in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the College's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Name of Engagement Partner:** Meade Malone

**Signature:**



**Date of report:** October 28, 2022

**H. Lavity Stoutt Community College**  
**Statement of Financial Position**  
**As at July 31, 2022**

(expressed in United States dollars)

	Notes	2022	2021
		Total	Total
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		5,473,453	4,210,192
Receivables and prepayments	5	262,503	1,312,267
Inventory		12,947	11,429
<b>Total Current assets</b>		<b>5,748,903</b>	<b>5,533,888</b>
<b>Non-current assets</b>			
Investments	6	34,091	27,437
Property, Plant and Equipment	11	30,260,304	8,734,720
<b>Total non-current assets</b>		<b>30,294,395</b>	<b>8,762,157</b>
<b>Total assets</b>		<b>36,043,298</b>	<b>14,296,045</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	7	827,240	1,118,035
Deferred income	8	405,186	488,823
<b>Total current liabilities</b>		<b>1,232,426</b>	<b>1,606,858</b>
<b>Non-current liabilities</b>			
Pension liability	12	684,803	325,434
<b>Total non-current liabilities</b>		<b>684,803</b>	<b>325,434</b>
<b>Total liabilities</b>		<b>1,917,229</b>	<b>1,932,292</b>
<b>Equity</b>	13	<b>\$34,126,069</b>	<b>\$12,363,753</b>

Approved on behalf of the Board of Governors on October 28, 2022

  
 President

  
 Chairman

**H. Lavity Stoutt Community College**

## Statement of Comprehensive Income

**For the year ended July 31 2022**

(expressed in United States dollars)

	Notes	2022 Total	2021 Total
<b>Operating revenue</b>			
Government grants		8,573,663	8,944,521
Tuition and other fees		1,551,920	2,197,658
Other gifts and grants		186,860	366,570
Other income		252,390	110,399
<b>Total operating funds</b>		<b>10,564,833</b>	<b>11,619,148</b>
<b>Operating expenses</b>			
Academic expenses		4,620,803	4,788,262
Allowance for doubtful debts		80,992	52,223
Auxiliary expenses		19,808	26,618
Institutional support		4,205,784	4,640,178
Library costs		175,797	234,898
Fundraising		154,140	115,415
Repairs and maintenance		686,406	701,506
<b>Total operating expenses</b>		<b>9,943,730</b>	<b>10,559,100</b>
<b>Non-operating expenses</b>			
Depreciation		1,016,221	1,211,679
<b>Total expenses</b>		<b>10,959,951</b>	<b>11,770,779</b>
<b>Net comprehensive income for year</b>		<b>(395,118)</b>	<b>(151,631)</b>

The accompanying notes form an integral part of these financial statements

**H. Lavity Stoutt Community College**

## Statement of Changes in Equity

**For the year ended July 31 2022**

(expressed in United States dollars)

	<b>Revaluation Reserve</b> \$	<b>Retained Earnings</b> \$	<b>Total</b> \$
Balance at July 31, 2020	—	12,515,384	12,515,384
Total comprehensive income for the year	—	(151,631)	(151,631)
Balance at July 31, 2021	—	12,363,753	12,363,753
Revaluation of land and building	22,157,434	—	22,157,434
Total comprehensive income for the year	—	(395,118)	(395,118)
<b>Balance at July 31, 2022</b>	<b>22,157,434</b>	<b>11,968,635</b>	<b>34,126,069</b>

The accompanying notes form an integral part of these financial statements

**H. Lavity Stoutt Community College**

## Statement of Cash Flows

For the year ended July 31 2022

	2022 Total	2021 Total
Comprehensive income for the year	(395,118)	(151,631)
Adjustments to reconcile change in net income to net cash provided by operating activities		
Depreciation	1,016,221	1,211,679
Loss on disposal of fixed assets	228,374	46,664
Change in operating assets and liabilities		
Decrease(increase) in accounts receivables	1,049,764	(245,658)
Increase in inventory	(1,518)	(2,773)
Increase in investments	(6,654)	(86)
(Decrease)/increase in deferred income	(83,637)	475,257
(Decrease)/increase in accounts payable	68,574	515,627
Net cash provided by operating activities	<b>1,876,006</b>	1,849,079
Net cashflow from investing activities		
Purchases of capital assets	(612,745)	(878,069)
Net cash used in investing activities	<b>(612,645)</b>	(878,069)
	1,263,261	971,010
Cash and cash equivalents at the beginning of year	<b>4,210,192</b>	3,239,182
Cash and cash equivalents at end of year	<b>5,473,453</b>	\$4,210,192

The accompanying notes form an integral part of these financial statements

## **H. Lavity Stoutt Community College**

Notes to the Financial Statements

**For the year ended July 31, 2022**

(Expressed in United States dollars)

### **1) CORPORATE 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**

These financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities issued by the International Accounting Standards Board.

The financial statements have been prepared on the historical cost basis, except for land and buildings measured at fair value using the revaluation model as described below, and incorporate the principal policies set out below.

These financial statements are presented in United States Dollars.

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 the Financial Statements

**For the year ended July 31, 2022**

(Expressed in United States dollars)

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### **2) SIGNIFICANT ACCOUNTING POLICIES ...continued**

#### **b) Use of estimates**

The preparation of financial statements in conformity with International Financial Reporting Standard for Small and Medium-sized Entities, 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) Equity**

##### **i) Unrestricted Equity**

Unrestricted equity is free of donor-imposed restrictions. Unrestricted equity 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 Equity**

Restricted equity includes gifts and pledges which require that it associated assets 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 Stout Community College**

Notes to the Financial Statements

**For the year ended July 31, 2022**

(Expressed in United States dollars)

### **2) SIGNIFICANT ACCOUNTING POLICIES ...continued**

#### **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) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, except for land and buildings which are stated at revalued amounts. The revalued amount is the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year.

When land and buildings are revalued, the gross carrying amount is adjusted consistently with the revaluation of the carrying amount. The accumulated depreciation at that date is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Any increase or decreases in an asset's carrying amount, as a result of revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity.

The revaluation reserve related to land and buildings is transferred directly to retained income when the asset is derecognised.

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

# **H. Lavity Stoutt Community College**

Notes to the Financial Statements

**For the year ended July 31, 2022**

(Expressed in United States dollars)

## **2) SIGNIFICANT ACCOUNTING POLICIES ...continued**

### **g) Plant, Property and Equipment (Cont'd)**

financial statements, and gains and losses are included in operations in the statements of revenues, expenses and changes in net asset.

All capital expenditure 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	10% - 17%
Library books	10%-20%
Paintings and artwork	10%

### **h) Investments**

All investments are measured at fair value with changes in their fair value recognized in the 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 with the related revenues and 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.

## **H. Lavity Stoutt Community College**

Notes to the Financial Statements

**For the year ended July 31, 2022**

(Expressed in United States dollars)

### **2) SIGNIFICANT ACCOUNTING POLICIES ...continued**

#### **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 was 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.

#### **m) Operating lease**

Payments made under operating leases are recognized in the statement of revenues, expenses and statement of comprehensive income 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 amortization, if no impairment loss had been recognised.

## **H. Lavity Stoutt Community College**

Notes to the Financial Statements

**For the year ended July 31, 2022**

(Expressed in United States dollars)

### **2) SIGNIFICANT ACCOUNTING POLICIES ...continued**

#### **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.

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.

## **H. Lavity Stoutt Community College**

Notes to the Financial Statements

**For the year ended July 31, 2022**

(Expressed in United States dollars)

### **3) CONCENTRATION OF RISK...continued**

#### **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 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, 2022 and July 31, 2021, 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 abilities 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**

Effective January 1, 2005, the BVI Government, by virtue of the introduction of the Payroll Taxes Act, 2004, which reduced the rate of income tax to zero, 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.

**H. Lavity Stoutt Community College**

Notes to the Financial Statements

**For the year ended July 31, 2022**

(Expressed in United States dollars)

**5) RECEIVABLE AND PREPAYMENTS**

	<b>2022</b>	<b>2021</b>
	\$	\$
Student receivables	<b>210,983</b>	567,028
Less: Allowance for doubtful debts	<b>(105,409)</b>	<b>(212,549)</b>
	<b>105,574</b>	345,470
General receivables	<b>112,050</b>	880,548
Less: Allowance for doubtful debts	<b>(39,747)</b>	<b>(45,249)</b>
	<b>72,303</b>	835,299
Prepayments and other receivables	<b>84,626</b>	135,072
	<b>262,503</b>	1,312,267
<b>Student receivables – Allowance for bad debts</b>		
Balance at beginning of year	212,549	158,129
Bad debt expense	80,992	52,223
Bad debts written off during year	<b>(188,132)</b>	-
Recovery of bad debts	-	2,197
	<b>105,409</b>	212,549
<b>General receivables</b>		
Balance at beginning of year	42,843	45,249
Write off bad debts	<b>(3,096)</b>	<b>(2,406)</b>
	<b>39,747</b>	42,843

**6) INVESTMENTS**

	<b>2022</b>	<b>2021</b>
	\$	\$
Residential Accredit Loans Inc. Series 2002-QS10 Class 1A3 R/MD 6.5% 10/25/2032	<b>34,091</b>	27,437

**7) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2022</b>	<b>2021</b>
	\$	\$
Trade payables and accrued expenses	136,422	516,179
Personnel costs	680,453	579,094
Other payables	<b>10,365</b>	22,762
	<b>827,240</b>	1,118,035

# **H. Lavity Stoutt Community College**

Notes to the Financial Statements

**For the year ended July 31, 2022**

(Expressed in United States dollars)

## **8) 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 July 31, 2022 and July 31, 2021, the College contributed at a rate of 8.0% of the gross salary of qualifying participating employees to the scheme. Employees are required to contribute towards the scheme at a minimum rate of 4.0% for 2022 and 2021. Zurich International Life Limited administers the funds contributed. Contributions by the College for the years ended July 31, 2022 and July 31, 2021 were \$97,202.68 and \$109,896, respectively.

## **9) 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 years ended July 31, 2022 and July 31, 2021, HLSCC received a total of \$8,638,787 and \$8,944,521, respectively.

### **Payments to the Board of Governors:**

For the years ended July 31, 2022 and July 31, 2021, HLSCC paid stipends to the Board of Governors in the amount of \$54,000 and \$109,896, respectively.

## **10) OPERATING LEASES**

The College leases office space in Virgin Gorda, British Virgin Islands. The lease had a term of three years that commenced April, 2017 and expired March 31, 2020. The lease was renewed commencing July 1, 2020 with an expiration date of June 30, 2023. Future minimum lease payments as at July 31 2022 are as follows:

	<b>2022</b>	<b>2021</b>
On year	\$ 99,600	\$ 99,600
Two to three years	<u>213,990</u>	<u>190,900</u>
	<b><u>313,590</u></b>	<b><u>290,500</u></b>

**H. Lavity Stoutt Community College**  
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**11) PROPERTY, PLANT AND EQUIPMENT**

	Land \$	Buildings \$	Capital improvements \$	Furniture and equipment \$	Motor vehicles \$	Library books \$	Painting and artwork \$	Total \$
<b>Cost</b>								
At July 31, 2021	2,935,810	16,703,252	1,904,947	3,795,760	74,795	644	22,507	25,437,715
Additions	—	—	511,366	101,379	—	—	—	612,745
Revaluation	13,344,190	8,813,244	—	—	—	—	—	22,157,434
Disposals	—	—	—	(343,503)	(22,025)	—	—	(365,528)
Transfers, reclass and adjustments	—	(12,266,055)	(2,055,122)	251,981	—	—	—	(14,069,196)
At July 31, 2022	<u>16,280,000</u>	<u>13,250,441</u>	<u>361,191</u>	<u>3,805,617</u>	<u>52,770</u>	<u>644</u>	<u>22,507</u>	<u>33,773,170</u>
<b>Accumulated depreciation</b>								
At July 31, 2021	—	13,063,123	850,934	2,714,584	55,758	644	17,952	16,702,995
Charge for the year	—	501,754	104,068	402,043	7,335	—	1,021	1,016,221
Disposals	—	—	—	(341,871)	(22,025)	—	—	(363,896)
Transfers, reclass and adjustments	—	(13,010,350)	(832,204)	100	—	—	—	(13,842,454)
At July 31, 2022	—	554,527	122,798	2,774,856	41,068	644	18,973	3,512,866
<b>Net book value at July 31, 2022</b>	<b><u>16,280,000</u></b>	<b><u>12,695,912</u></b>	<b><u>238,393</u></b>	<b><u>1,030,761</u></b>	<b><u>11,702</u></b>	<b><u>—</u></b>	<b><u>3,534</u></b>	<b><u>30,260,304</u></b>
<b>Net book value at July 31, 2021</b>	<b><u>2,935,810</u></b>	<b><u>3,640,129</u></b>	<b><u>1,054,013</u></b>	<b><u>1,081,176</u></b>	<b><u>19,037</u></b>	<b><u>—</u></b>	<b><u>4,555</u></b>	<b><u>8,734,720</u></b>

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. Revaluations are performed every three years and in intervening years if the carrying amount of the land and buildings differs materially from their fair value. The fair value of the College's land and buildings are determined by an independent professionally qualified valuer.

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 Notes to the Financial Statements  
**For the year ended July 31, 2022**  
 (Expressed in United States dollars)

**11) PROPERTY, PLANT AND EQUIPMENT**

Cost	Land \$	Buildings \$	Capital improvements \$	Furniture and equipment \$	Motor vehicles \$	Library books \$	Painting and artwork \$		Total \$
							Painting and artwork \$	Total \$	
<i>At July 31, 2020</i>									
Additions	2,935,810	16,703,252	1,508,962	3,436,127	74,795	644	—	22,507	24,682,097
Disposals	—	4,065	505,293	368,711	—	—	—	—	878,069
Transfers, reclass and adjustments	—	—	(55,224) (54,084)	(27,972) 18,894	—	—	—	—	(83,196) (39,255)
<i>At July 31, 2021</i>									
	2,935,810	16,703,252	1,904,947	3,795,760	74,795	644	22,507	25,437,715	
<i>Accumulated depreciation</i>									
At July 31, 2020	—	12,365,614	807,684	2,328,632	47,598	644	—	16,931	15,567,103
Charge for the year	—	697,509	108,639	396,350	8,160	—	—	1,021	1,211,679
Disposals	—	—	(48,481)	(27,306)	—	—	—	—	(75,787)
Transfers, reclass and adjustments	—	—	(16,908)	16,908	—	—	—	—	—
<i>At July 31, 2021</i>									
<b>Net book value at July 31, 2021</b>	<b>2,935,810</b>	<b>3,640,129</b>	<b>1,504,013</b>	<b>1,081,176</b>	<b>19,037</b>	<b>—</b>	<b>4,555</b>	<b>8,734,720</b>	
<b>Net book value at July 31, 2020</b>	<b>2,935,810</b>	<b>4,337,638</b>	<b>701,278</b>	<b>1,107,495</b>	<b>27,197</b>	<b>—</b>	<b>5,576</b>	<b>9,114,494</b>	

## **H. Lavity Stoutt Community College**

Notes to the Financial Statements

**For the year ended July 31, 2022**

(Expressed in United States dollars)

### **12) CONTINGENT LIABILITY**

During the previous year, the College potentially had a contingent liability totaling \$1,127,885 arising from the provision of retirement benefits for employees not currently participating in the College's Pension Fund (see note 8).

During the year, the College set up a savings account for this pension liability. At July 31, 2022, this balance was \$685,803.

### **13) ASSET AND EQUITY ALLOCATION**

The College's assets, liabilities and equity as at July 31, 2022 is allocated as follow:

Assets	Capital Assets	Restricted	Unrestricted	2022 Total	2021 Total
Cash and cash equivalents		2,467,921	3,005,532	5,473,453	4,210,192
Receivables and other assets		-	275,450	275,450	1,323,696
Investments		34,091		34,091	27,437
Property, Plant and Equipment	30,260,304	-	-	30,260,304	8,734,720
<b>Total assets</b>	<b>30,260,304</b>	<b>2,502,012</b>	<b>3,280,982</b>	<b>36,043,298</b>	<b>14,296,045</b>

### **Liabilities**

#### **Current liabilities**

Payable and other liabilities	-	-	1,232,426	1,232,426	1,606,858
Pension liability	-	684,803	-	684,803	325,434
<b>Total liabilities</b>	<b>-</b>	<b>684,803</b>	<b>1,232,426</b>	<b>1,917,229</b>	<b>1,932,292</b>
<b>Equity</b>	<b>\$30,260,304</b>	<b>\$1,817,209</b>	<b>\$2,048,556</b>	<b>\$34,126,069</b>	<b>\$12,363,753</b>

### **14) COMPARATIVE INFORMATION**

Certain comparative figures have been reclassified to conform with the current year's presentation.