

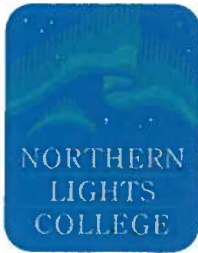


NORTHERN LIGHTS COLLEGE FINANCIAL STATEMENTS

For the Year Ended March 31, 2014

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B.C.'s Energy College™

NORTHERN LIGHTS COLLEGE REGIONAL ADMINISTRATION

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1.

MANAGEMENT'S REPORT

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with section 23.1 of the Budget Transparency and Accountability Act, which requires Canadian public sector accounting standards (PSAS) modified by B.C. Regulation 198/2011, "Restricted Contributions Regulation" and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Governors are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises these responsibilities through regular board meetings. The Board of Governors review the Executive Limitation – 4, Financial Condition and Activities report on a quarterly basis and external audited financial statements yearly.

The external auditors, Sander Rose Bone Grindle LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Northern Lights College and meet when required.

On behalf of the Northern Lights College

Laurie Rancourt
President and CEO

Karen Simpson
Chair

CHARTERED ACCOUNTANTS

Partners

- * Ben Sander, B. Comm., CPA, FCA
- * Dale J. Rose, CPA, CA
- * Alan Bone, B. Comm., CPA, CA
- * Jason Grindle, B. Comm., CPA, CA
- * Donald G. Smith, CPA, CA (Retired)

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2.

Independent Auditor's Report

To the Board of Governors of the Northern Lights College and the Minister of Advanced Education of British Columbia

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Lights College, which comprise the statement of financial position as at March 31, 2014 and the statements of operations and accumulated surplus, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with section 23.1 of the Budget Transparency and Accountability Act, which requires Canadian public sector accounting standards (PSAS) modified by B.C. Regulation 198/2011, "Restricted Contributions Regulation", 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.

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 Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 present fairly, in all material respects, the financial position of Northern Lights College as at March 31, 2014 and its results of operations and its cash flows for the year then ended in accordance with section 23.1 of the Budget Transparency and Accountability Act, which requires Canadian public sector accounting standards (PSAS) modified by B.C. Regulation 198/2011, "Restricted Contributions Regulation".

(continues)



Independent Auditor's Report (continued)**Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describe the basis of accounting and the significant differences between such basis of accounting and Canadian Public Sector Accounting Standards. Note 17 to the financial statements discloses the impact of these differences.

Dawson Creek, BC
May 13, 2014

Sander Rose Bone Grindle LLP
Chartered Accountants

NORTHERN LIGHTS COLLEGE
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014

4.

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash	\$ 5,301,699	\$ 5,456,234
Accounts receivable (Note 3)	1,848,399	2,087,989
Inventory for resale and other assets held for sale (Note 4)	511,610	515,921
	<u>7,661,708</u>	<u>8,060,144</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	3,114,221	4,162,570
Employee future benefits (Note 6)	351,000	383,000
Deferred revenue (Note 7)	3,376,377	3,246,008
Deferred contributions (Note 8)	90,317	87,437
Deferred capital contributions (Note 9)	45,091,033	46,337,908
Long term debt (Note 10)	3,705,000	3,875,000
	<u>55,727,948</u>	<u>58,091,923</u>
NET DEBT	<u>(48,066,240)</u>	<u>(50,031,779)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	52,385,221	54,420,278
Prepaid expenses	239,170	131,384
	<u>52,624,391</u>	<u>54,551,662</u>
ACCUMULATED SURPLUS (Note 13)	<u>\$ 4,558,151</u>	<u>\$ 4,519,883</u>

See accompanying notes to the financial statements



Board Chair



President and CEO

**NORTHERN LIGHTS COLLEGE
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FISCAL YEAR ENDED MARCH 31, 2014**

5.

	<u>2014</u>	<u>2014</u>	<u>2013</u>
	<u>Actual</u>	<u>Budget (unaudited)</u>	<u>Actual</u>
REVENUE			
Province of British Columbia grants:			
Ministry of Advanced Education, Innovation and Technology	\$ 19,161,080	\$ 17,492,075	\$ 19,183,992
Industry Training Authority	1,957,228	1,985,857	1,835,335
Ministry of Jobs Tourism and Skills Training	1,251,105	2,246,150	2,349,188
Tuition and student fees	4,815,876	5,306,090	4,268,379
Revenue recognized from deferred capital contributions (Note 9)	2,628,423	2,056,106	2,083,959
Contract services	846,837	994,000	911,427
Sales of goods and services	2,455,529	3,070,096	2,295,496
Interest	59,092	25,371	48,646
Other	629,589	584,899	456,870
Total Revenue	<u>33,804,759</u>	<u>33,760,644</u>	<u>33,433,292</u>
EXPENDITURES (Note 18)			
Instruction	14,403,470	14,652,615	14,803,693
Academic and Student Support	4,412,631	3,946,473	4,151,858
General Administration	5,553,328	6,578,423	5,944,014
Facility Operations and Maintenance	3,745,848	3,455,646	3,387,555
Ancillary Operations	1,438,415	1,527,108	1,407,367
Amortization	4,212,799	3,600,379	3,660,567
Total Expenditures	<u>33,766,491</u>	<u>33,760,644</u>	<u>33,355,054</u>
ANNUAL SURPLUS	<u>38,268</u>	<u>-</u>	<u>78,238</u>
ACCUMULATED SURPLUS, beginning of year	<u>4,519,883</u>	<u>4,519,883</u>	<u>4,441,645</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 4,558,151</u>	<u>\$ 4,519,883</u>	<u>\$ 4,519,883</u>

See accompanying notes to the financial statements

**NORTHERN LIGHTS COLLEGE
STATEMENT OF CHANGE IN NET DEBT
FISCAL YEAR ENDED MARCH 31, 2014**

6.

	<u>2014</u>	<u>2014</u>	<u>2013</u>
	<u>Actual</u>	<u>Budget (unaudited)</u>	<u>Actual</u>
ANNUAL SURPLUS	\$ 38,268	\$ -	\$ 78,238
Acquisition of tangible capital assets	(2,177,742)	(2,134,376)	(5,498,401)
Amortization of tangible capital assets	4,212,799	3,600,379	3,660,567
	<u>2,073,325</u>	<u>1,466,003</u>	<u>(1,759,596)</u>
Acquisition of prepaids and deposits	(172,483)	-	(76,813)
Use of prepaids and deposits	64,697	-	223,936
	<u>1,965,539</u>	<u>1,466,003</u>	<u>(1,612,473)</u>
DECREASE (INCREASE) IN NET DEBT			
NET DEBT, beginning of year	<u>(50,031,779)</u>	<u>(50,031,779)</u>	<u>(48,419,306)</u>
NET DEBT, end of year	<u>\$ (48,066,240)</u>	<u>\$ (48,565,776)</u>	<u>\$ (50,031,779)</u>

See accompanying notes to the financial statements

**NORTHERN LIGHTS COLLEGE
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED MARCH 31, 2014**

7.

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 38,268	\$ 78,238
Non-cash items:		
Amortization of tangible capital assets	4,212,799	3,660,567
Revenue recognized from deferred capital contributions	(2,628,423)	(2,083,959)
Decrease in receivables	239,590	1,205,913
Decrease (Increase) in inventory for resale and other assets held for sale	4,311	(195,424)
(Increase) decrease in prepaid expenses	(107,786)	147,123
(Decrease) increase in payables and accruals	(1,080,349)	1,475,114
Increase (decrease) in deferred revenue	130,369	(228,384)
	<u>808,779</u>	<u>4,059,188</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(2,177,742)	(5,498,401)
Deferred contributions, net increase	1,384,428	3,902,543
	<u>(793,314)</u>	<u>(1,595,858)</u>
FINANCING ACTIVITIES		
Paydown on long term debt	(170,000)	(163,000)
	<u>(170,000)</u>	<u>(163,000)</u>
(DECREASE) INCREASE IN CASH	<u>(154,535)</u>	<u>2,300,330</u>
CASH, beginning of year	<u>5,456,234</u>	<u>3,155,904</u>
CASH, end of year	<u>\$ 5,301,699</u>	<u>\$ 5,456,234</u>

Supplementary cash flow information (Note 14)
See accompanying notes to the financial statements

1. PURPOSE OF ORGANIZATION

Northern Lights College is an educational, cultural, social and recreational resource for the students and communities it serves. It has special responsibility for leadership in the development, promotion and delivery of education to the people of the northern region of British Columbia. In a fiscally responsible manner, the multi-campus structure of Northern Lights College provides accessible learning opportunities within an extensive geographical environment. The College is responsive to the interests, aspirations, and needs of individuals, businesses and communities in a wide variety of ever changing social and economic conditions.

Northern Lights College is incorporated under the College and Institute Act of British Columbia and is exempt from income tax under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting:

These financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, which are consistent with Canadian public sector accounting standards except in regard to the accounting for government transfers set out in Note 2(d).

In 2010, directive was provided by the Province of British Columbia Treasury Board (Treasury Board) through Government Organization Accounting Standards Regulation 257/2010 requiring all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sector to adopt Public Sector Accounting Board (PSAB) standards of the Canadian Institute of Chartered Accountants (CICA) without any PS4200 elections from their first fiscal year commencing after January 1, 2012.

In March 2011, PSAB released a new Public Sector Accounting Standard PS 3410 "Government Transfers". In November 2011, Treasury Board provided a directive through Restricted Contributions Regulation 198/2011 providing direction for the reporting of restricted contributions whether they are received or receivable by the Northern Lights College before or after this regulation was in effect. The Treasury Board direction on the accounting treatment of restricted contributions is as described in Note 2 (d).

b) Financial Instruments

Accounts receivables are measured at amortized cost using the effective interest method; Accounts payables and accrued liabilities are measured at amortized cost using the effective interest method.

c) Use of estimates

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. In preparing these financial statements management has made estimates and assumptions that affect the amount reported. Significant estimates include assumptions made to establish allowance for doubtful accounts, the useful life of tangible capital assets, accrued liabilities, employee future benefits, and long term debt. Actual results could differ from those estimates.

d) Revenue Recognition

The College follows the deferral method of accounting for revenues. Revenue is recognized when services are performed.

Externally and internally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to deferred capital contributions in the period the asset is acquired.

Contributions for capital assets that will not be amortized, such as land, are not transferred to deferred capital contributions or recognized as revenue, but are recorded as direct increases in net assets in the period the assets are acquired.

Deferred capital contributions are recognized as revenue in the period in which the related capital assets are amortized. Deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal if all restrictions have been complied with.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

e) Cash and Cash Equivalents

Cash and cash equivalents includes all bank accounts and does not include investments, none of the College's cash has been restricted for use.

f) Fund Accounting

To provide information on the limitations and restrictions placed on the use of resources available to the College, these resources are classified for accounting and reporting purposes into funds according to the activities or objectives specified.

These funds are:

Operating Fund

The operating fund reflects revenues and expenses relating to base-funded ongoing program delivery and administration activities.

Capital Fund

The capital fund reflects the College's investment in capital assets, related financing activities and revenues and expenses relating to capital assets.

g) Inventory for Resale and Other Assets Held for Sale

Inventories for resale are valued at the lower of cost or net realizable value.

Assets held for sale are expected to be sold within one year. They are valued at the lower of cost or expected net realizable value.

h) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i) Prepaid Expenses

Prepaid expenses consist of prepaid insurance and other operating expenses. All amounts will be expended in the following year.

ii) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is not capitalized whenever external debt is used to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over the useful life of the assets. Amortization is not taken in the year of acquisition and a full year's amortization is taken in the year of disposal. Land is not amortized as it is deemed to have a permanent value.

ii) Tangible Capital Assets (continued)

Amortization is provided as follows (in years):

Buildings - wood frame (20)	Library books (10)
Buildings - concrete/steel frame (40)	Leasehold improvements (Life of lease)
Furniture and equipment (5)	Site improvements (10)
Computer equipment (3)	Heavy Equipment (5)
Computer software (3)	

Assets under construction are not amortized until the asset is available for productive use. Works of art and historic assets are not recorded as assets in these financial statements.

i) Budget Figures

Budget figures have been provided for comparative purposes and have been derived from the Operating Budget presented to the Board of Governors of the Northern Lights College on April 17, 2013. The budget is reflected in the Statement of Operations and Accumulated Surplus.

Budget figures have not been audited, and are presented only for information purposes.

3. RECEIVABLES

	<u>2014</u>	<u>2013</u>
Receivables		
Student	\$ 596,307	\$ 600,255
Trade	1,332,602	826,983
Capital	135,000	486,909
Other	64,686	436,408
	<u>2,128,595</u>	<u>2,350,555</u>
Less: allowance for doubtful accounts	<u>(280,196)</u>	<u>(262,566)</u>
	<u>\$ 1,848,399</u>	<u>\$ 2,087,989</u>

Capital receivables includes funding from the Federal Government and Northern Development Initiative Trust for the installation of the simulated well site in Fort St. John, this year totaling \$25,000 (2013-\$214,909); and the training tower in Dawson Creek, this year totaling \$110,000 (2013-\$225,000).

4. INVENTORY FOR RESALE AND OTHER ASSETS HELD FOR SALE

	<u>2014</u>	<u>2013</u>
Inventories for resale	\$ 286,346	\$ 298,204
Other assets held for sale	<u>225,264</u>	<u>217,717</u>
	<u>\$ 511,610</u>	<u>\$ 515,921</u>

Other assets held for sale comprises of the residential construction home.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
Trade - Provincial and regional governments	\$ 17,538	\$ 18,529
- General	2,011,086	3,065,319
Payroll	511,441	507,904
Overtime	42,639	37,816
Vacation	<u>531,517</u>	<u>533,002</u>
	<u>\$ 3,114,221</u>	<u>\$ 4,162,570</u>

6. EMPLOYEE FUTURE BENEFITS

a) Pension benefits

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusted pension plans. The board of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are based on a formula. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 6,000 retired members. The Municipal Pension Plan has about 179,000 active members, with approximately 5,700 from colleges.

6. EMPLOYEE FUTURE BENEFITS (continued)

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012 indicated a \$105 million funding deficit for basic pension benefits. The next valuation will be as at August 31, 2015 with results available in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

The Northern Lights College paid \$1,276,987 (2013-\$1,254,744) for employer contributions to the Plan in fiscal 2013-2014.

b) Accumulated sick leave benefit and other retirement benefit arrangements liability

Employees of Northern Lights College are entitled to sick leave in accordance with the terms and conditions of their employment contracts. Employees of Northern Lights College are not entitled to accrue their unused sick leave credits. Retirement benefit payments represent the Northern Lights College share of the cost to provide employees with various benefits upon retirement. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation completed in December 2013.

	Sick leave	Retirement Benefits Payments	2014 Total	2013
Accrued benefits obligation	<u>\$ -</u>	<u>\$ 351,000</u>	<u>\$ 351,000</u>	<u>\$ 383,000</u>

7. DEFERRED REVENUE

	<u>2014</u>	<u>2013</u>
Tuition	\$ 1,159,670	\$ 955,174
Other	<u>2,216,707</u>	<u>2,290,834</u>
	<u>\$ 3,376,377</u>	<u>\$ 3,246,008</u>

Deferred tuition relates to tuition fees that have not yet been earned. Other deferred revenue relates to continuous learning programs and other student fees.

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent externally restricted contributions that will be used in future years. Changes in deferred contributions are as follows:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 87,437	\$ 246,063
Funds received:		
Provincial and Federal capital grants	1,047,476	3,239,286
Other capital and fundraising grants	102,880	355,272
Funds used:		
Capital purchases	(662,376)	(3,380,708)
Maintenance and related expenses	(485,100)	(372,476)
Balance, end of year	<u>\$ 90,317</u>	<u>\$ 87,437</u>

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the portion of externally restricted contributions used to acquire capital assets that will be recognized as revenue in future periods over the remaining useful life of the assets. Changes in deferred capital contributions are as follows:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 46,337,908	\$ 44,360,698
Current year's acquisitions funded by provincial capital contributions	562,376	3,404,731
Current year's acquisitions funded by other capital contributions	819,172	656,438
Revenue recognized from deferred capital contributions	(2,628,423)	(2,083,959)
Balance, end of year	<u>\$ 45,091,033</u>	<u>\$ 46,337,908</u>

10. LONG TERM DEBT

In August 1999, the Ministry of Advanced Education, Training and Technology approved the request of Northern Lights College to obtain financing of up to \$4.5 million to construct the new student residence at its Dawson Creek Campus. This approval was in accordance with section 34(1) of the Colleges and Institute Act.

In September 1999, the Northern Lights College obtained a construction loan with the Royal Bank of Canada for a total commitment of \$4.5 million subject to draws based on the project monitor certificates. The construction loan of \$4.3 million was converted into a 10-year promissory note on May 31, 2000 with a fixed interest rate of 6.79%. Repayment of principal and interest will be \$32,557 per month from July 1, 2000 to June 1, 2010, for an annual commitment of \$390,684 for 10 years.

On June 1, 2010 the promissory note was increased to \$4.3 million and converted into a non-revolving term facility, by way of a five year fixed Bankers' Acceptance Loan. This is repayable by consecutive blended monthly payments of \$13,000 principle plus 3.75% per annum interest.

Principal and interest payments due within the next five years, assuming no change in any of the terms, are as follows:

	Principal	Interest	Total
2015	174,000	135,432	309,432
2016	3,531,000	32,735	3,563,735

In accordance with the approval of the Ministry of Advanced Education, Training and Technology, the new student residence will be self-supporting with no impact on provincial debt.

11. TANGIBLE CAPITAL ASSETS

Cost	Balance at March 31, 2013	Additions	Disposals	Balance at March 31, 2014
Land	\$ 568,977	\$ -	\$ -	\$ 568,977
Buildings - wood	18,438,836	-	-	18,438,836
Buildings - concrete	50,768,166	1,341,242	-	52,109,408
Furniture and equipment	18,507,962	818,544	(11,350)	19,315,156
Heavy equipment	124,214	-	-	124,214
Computer equipment	3,331,223	113,711	-	3,444,934
Computer software	1,116,250	34,290	-	1,150,540
Site improvements	2,767,528	633,993	-	3,401,521
Books and media	417,199	-	-	417,199
Leasehold improvements	710,284	-	-	710,284
Work in progress	1,326,458	(764,038)	-	562,420
Total	\$ 98,077,097	\$ 2,177,742	\$ (11,350)	\$ 100,243,489

Accumulated Amortization	Balance at March 31, 2013	Disposals	Amortization Expense	Balance at March 31, 2014
Land	\$ -	\$ -	\$ -	\$ -
Buildings - wood	10,250,709	-	780,434	11,031,143
Buildings - concrete	12,674,554	-	1,362,386	14,036,940
Furniture and equipment	14,198,541	(11,350)	1,131,730	15,318,921
Heavy equipment	99,371	-	24,843	124,214
Computer equipment	2,205,288	-	528,203	2,733,491
Computer software	407,155	-	352,923	760,078
Site improvements	2,767,528	-	-	2,767,528
Books and media	370,397	-	5,272	375,669
Leasehold improvements	683,276	-	27,008	710,284
Work in progress	-	-	-	-
Total	\$ 43,656,819	\$ (11,350)	\$ 4,212,799	\$ 47,858,268

11. TANGIBLE CAPITAL ASSETS (continued)

Net Book Value	2014	2013
Land	\$ 568,977	\$ 568,977
Buildings - wood	7,407,693	8,188,127
Buildings - concrete	38,072,468	38,093,612
Furniture and equipment	3,996,235	4,309,421
Heavy equipment	-	24,843
Computer equipment	711,443	1,125,935
Computer software	390,462	709,095
Site improvements	633,993	-
Books and media	41,530	46,802
Leasehold improvements	-	27,008
Work in progress	562,420	1,326,458
Total	\$ 52,385,221	\$ 54,420,278

During the fiscal year Northern Lights College received contributed equipment totaling \$719,172 (2013 - \$401,999), they were recorded at their estimated fair market value.

There were no write downs of tangible capital assets in the current year.

12. FINANCIAL RISK MANAGEMENT

Northern Lights College has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

The Board of Governors ensures that Northern Lights College has identified its major risks and ensures that management monitors and controls them.

a) Credit Risk

Credit risk is the risk of financial loss to Northern Lights College if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risk arises principally from certain financial assets held by Northern Lights College consisting of cash and accounts receivables.

12. FINANCIAL RISK MANAGEMENT (continued)

Northern Lights College manages its credit risks by not having short-term investments and reviewing accounts receivables and performing collections on a regular basis.

Maximum exposure of credit risk of Northern Lights College is the carrying value of cash and accounts receivables on the Statement of Financial Position.

b) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect Northern Lights College's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Northern Lights College manages its market risk by choosing a fixed rate over a five year term on long term debt. It is management's opinion that Northern Lights College is not exposed to significant market or interest rate risk arising from its financial instruments.

c) Liquidity risk

Liquidity risk is the risk that Northern Lights College will not be able to meet its financial obligations as they become due.

Northern Lights College manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Northern Lights College's reputation.

It is management's opinion that Northern Lights College is not exposed to significant liquidity risk arising from its financial instruments.

13. ACCUMULATED SURPLUS

	<u>2014</u>	<u>2013</u>
Operating Fund	\$ 968,963	\$ 312,513
Capital Fund	<u>3,589,188</u>	<u>4,207,370</u>
	<u>\$ 4,558,151</u>	<u>\$ 4,519,883</u>

14. INTEREST PAID

During the year the College had cash flow arising from interest paid as follows:

	<u>2014</u>	<u>2013</u>
Interest Paid	<u>\$ 142,348</u>	<u>\$ 148,521</u>

15. INVESTMENT

On May 5, 2010 Northern Lights College acquired, through donation, 500,000 non-par value common share of Canadian Timber Towers Corporation. The basis of valuation being used is the cost method. It is not possible to estimate the fair market value of these shares at this time.

16. CONTINGENT LIABILITIES

Northern Lights College is involved in various claims and or lawsuits from the ordinary course of business. Although the outcome of such matters cannot be predicted with certainty, management does not consider the possible results to have a material effect on the College's financial statements.

17. IMPACT OF ACCOUNTING FOR GOVERNMENT TRANSFERS IN ACCORDANCE WITH SECTION 23.1 OF THE BUDGET TRANSPARENCY AND ACCOUNTABILITY ACT

As noted in the significant accounting policies note 2(a), Section 23.1 of the Budget Transparency and Accountability Act and Restricted Contributions Regulation 198/2011 require Northern Lights College to recognize government transfers for capital assets into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian Public sector accounting standards would required these grants to be fully recognized into revenue. The impact of this difference on the financial statements of Northern Lights College is as follows:

March 31, 2013 – increase in accumulated surplus by \$47,214,710, a decrease in deferred revenue by \$1,253,546, deferred contributions by \$87,438, and deferred capital contributions by \$45,873,726.

March 31, 2014 – increase in accumulated surplus by \$45,654,677, a decrease in deferred revenue by \$473,327, deferred contributions by \$90,317, and deferred capital contributions by \$45,091,033.

18. SEGMENTED INFORMATION

Segmented information has been identified based upon functional lines of service provided by the Institution. Institution services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain functional lines that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Instruction

This function includes expenses related to all direct educational delivery within the institution. This would include credit and non-credit courses, diploma and certificate programs, continuing education, contract training, and trades training. Costs associated with this function include contract expenses; Deans and Chairs; and instructional administration (general and financial), support staff and support costs related to these activities.

Academic and Student Support

This function includes activities that directly support the academic functions of the institution as well as centralized functions that support individual students or group of students. These include; function related contracts; curriculum and program development; libraries; student service administration; student recruitment; records and admissions (registrar); recreation; financial aid; scholarships and bursaries; and any other centralized general and financial administration and support costs related to these activities.

General Administration

This function includes activities that support the institution as a whole, such as; executive management, Board of Governors, public relations, corporate finance, human resources, information technology, and any other centralized institution-wide general administrative activities.

Facility Operations and Maintenance

This function includes; the operations and maintenance of physical plant and equipment for all institutional activities; utilities; facilities administration; custodial services; grounds keeping; major repairs and renovations; and security services.

Amortization

This function includes all capital asset amortization expenses of the institution.

Ancillary Operations

This function includes business activities generally outside of instruction that provides goods and services to students, staff or others external to the organization. These include but are not limited to; food services, student residences, daycare and bookstores. Costs associated with this function include function related contracts and general and financial administration and support costs.

NORTHERN LIGHTS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE 18 SEGMENTED INFORMATION (CONTINUED)

	2013		2014		Instruction	Academic and Student Support	General Administration	Facilities	Amortization	Ancillary Operations
	Total		Total							
REVENUE										
Province of British Columbia grants	\$ 23,368,515	\$ 22,869,413	\$ 21,286,232	\$ 486,956		910,736	40,568	444,830		151,395
Tuition and student fees	4,268,379	4,815,876	3,864,572							
Revenue recognized from deferred capital contributions	2,083,959	2,628,423	-						2,628,423	
Contract services	911,427	846,837	617,409	225,101			4,327			
Sales of goods and services	2,295,496	2,455,529	470,430	130,464			20,630	156,568		1,677,437
Interest	48,646	59,092	-	59,092			59,092			
Other	456,870	629,589	519,221	15,875			30,934	63,559		
	<u>33,433,292</u>	<u>33,804,759</u>	<u>26,737,864</u>	<u>1,789,132</u>			<u>155,551</u>	<u>664,957</u>	<u>2,628,423</u>	<u>1,828,832</u>
EXPENSES										
Salaries and benefits	18,520,095	18,689,641	10,659,097	3,128,695			2,757,245	1,632,651		511,953
Supplies	1,312,606	1,420,756	1,172,595	19,177			81,890	94,236		52,858
Contract fees	3,300,561	2,302,483	1,278,788	687,357			294,365	41,973		
Amortization	3,660,567	4,212,799	-						4,212,799	
Utilities	742,304	821,576	-				509	716,511		104,556
Book purchases	682,197	570,137	71,366	-			8,645			490,126
Building maintenance	665,152	700,279	22,848	-			9	510,019		167,403
Publicity	439,523	509,282	34,065	77,119			398,097	118		(117)
Training	231,499	220,558	30,223	1,411			188,924			
Course program and development	37,119	37,435	4,059	33,376						
Ownership linkage	1,193	-	-	-						190
Travel - in region	414,839	231,772	147,013	39,164			36,325	9,080		
Conferences and meetings	47,063	59,800	41,342	12,004			40,950	42		
Membership fees	159,540	204,359	-	20,694			139,860	724		1,749
Laboratory services	156,307	131,984	-	-			-	122,413		9,571
Interest expense	148,521	142,348	78,521	84,553			142,348	4,598		252
Travel - out of region	265,816	258,387	42,237	6,685			191,713	18,543		4,460
Telephone, fax and internet	256,819	263,639	146,179	75,348			146,179	158,870		
Photocopy	136,278	146,179	-	-			81			
Space rental	208,125	265,739	31,440	33,761			50,487			
Burials	267,535	84,498	250	98				97,320		41
Vehicle operations	115,748	153,886	56,427	89,200			22,445	61,528		4,673
Equipment maintenance	119,055	215,292	59,891	466			480,289			
Computer maintenance	196,271	229,808	6,997				2,005			
Computer lease	517,991	480,289	-	1,000				89,978		
Insurance	64,548	92,983	-					181,960		85,490
Grounds maintenance	96,972	417,450	150,000	-			53,991			
Relocation expenses	129,387	53,991	19,862	60,881						
Legal fees	47,228	80,743	19,862	2,118			62,168	2,858		3,153
Courier and postage	86,499	90,280	77,772	75,724				1,079		
Periodicals	80,574	77,772	458,597	520			25,718	470		1,628
Equipment rental	12,815	461,215	-	10,964			1,088	682		
Audit fees	24,123	36,682	5,500	12,749						
Recreation	14,836	20,019	-	553						
Bad debts	108,756	553	4,696	1,075			75,482	195		429
Bank and credit card fees	89,472	81,877	14,403,470	4,412,631			3,745,848	4,212,799		1,438,415
	<u>33,355,054</u>	<u>33,766,491</u>	<u>14,403,470</u>	<u>4,412,631</u>			<u>5,553,328</u>	<u>3,745,848</u>	<u>4,212,799</u>	<u>1,438,415</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 79,238</u>	<u>\$ 38,268</u>	<u>\$ 12,354,394</u>	<u>\$ (2,643,499)</u>			<u>\$ (5,397,777)</u>	<u>\$ (3,080,891)</u>	<u>\$ (1,584,376)</u>	<u>\$ 390,412</u>