

NORTHERN LIGHTS COLLEGE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017



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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.

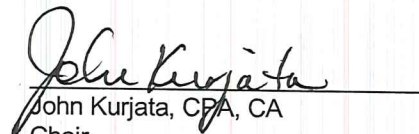
The Board of Governors are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises these responsibilities through regular board meetings. The Board of Governors review the Executive Limitation – 4, Financial Condition and Activities 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



Bryn Kulmatycki
President and CEO



John Kurjata, CPA, CA
Chair

Partners

- * Ben Sander, B. Comm., FCPA, FCA
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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, 2017 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, 2017 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 4, 2017

Sander Rose Bone Grindle LLP
Chartered Professional Accountants

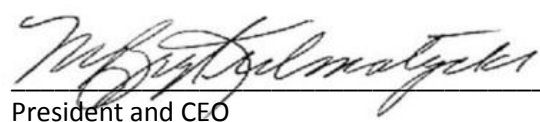
NORTHERN LIGHTS COLLEGE
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

4.

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash	\$ 12,369,099	\$ 9,504,726
Accounts receivable (Note 3)	1,321,185	1,309,757
Inventory for resale and other assets held for sale (Note 4)	334,275	378,917
	<u>14,024,559</u>	<u>11,193,400</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	5,061,975	3,371,944
Employee future benefits (Note 6)	341,000	353,000
Deferred revenue (Note 7)	4,636,037	4,829,643
Deferred contributions (Note 8)	1,887,554	347,317
Deferred capital contributions (Note 9)	45,606,113	45,321,332
Long term debt (Note 10)	3,146,000	3,344,000
	<u>60,678,679</u>	<u>57,567,236</u>
NET DEBT	<u>(46,654,120)</u>	<u>(46,373,836)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	52,757,345	52,469,045
Prepaid expenses	91,342	79,123
	<u>52,848,687</u>	<u>52,548,168</u>
ACCUMULATED SURPLUS (Note 13)	<u>\$ 6,194,567</u>	<u>\$ 6,174,332</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, 2017

5.

	2017	2017	2016
	Actual	Budget (unaudited)	Actual
REVENUE			
Province of British Columbia grants:			
Ministry of Advanced Education, Innovation and Technology	\$ 18,913,182	\$ 17,040,233	\$ 18,785,954
Industry Training Authority	1,984,008	1,728,881	1,623,935
Ministry of Jobs Tourism and Skills Training	-	-	-
Tuition and student fees	7,875,022	6,873,357	7,018,528
Revenue recognized from deferred capital contributions (Note 9)	2,862,212	2,868,221	2,701,574
Contract services	293,330	759,510	651,322
Sales of goods and services	2,231,432	2,544,947	2,246,471
Interest	96,247	77,025	82,242
Other	651,338	566,983	420,338
Total Revenue	34,906,771	32,459,157	33,530,364
EXPENDITURES (Note 18)			
Instruction	12,434,047	12,221,949	11,775,096
Academic and Student Support	6,005,022	4,848,828	5,217,975
General Administration	6,094,333	6,364,411	6,151,501
Facility Operations and Maintenance	4,802,009	3,603,136	4,028,431
Ancillary Operations	1,833,404	1,616,959	1,852,432
Amortization	3,717,721	3,781,221	3,607,241
Total Expenditures	34,886,536	32,436,504	32,632,676
ANNUAL SURPLUS	20,235	22,653	897,688
ACCUMULATED SURPLUS, beginning of year	6,174,332	6,174,332	5,276,644
ACCUMULATED SURPLUS, end of year	\$ 6,194,567	\$ 6,196,985	\$ 6,174,332

See accompanying notes to the financial statements

NORTHERN LIGHTS COLLEGE
STATEMENT OF CHANGE IN NET DEBT
FISCAL YEAR ENDED MARCH 31, 2017

6.

	2017	2017	2016
	Actual	Budget (unaudited)	Actual
ANNUAL SURPLUS	\$ 20,235	\$ -	\$ 897,688
Acquisition of tangible capital assets	(4,006,022)	(12,677,802)	(3,312,395)
Amortization of tangible capital assets	3,717,721	3,781,221	3,607,243
	(268,066)	(8,896,581)	1,192,536
Acquisition of prepaids and deposits	(64,494)	-	(52,276)
Use of prepaids and deposits	52,276	-	106,981
DECREASE (INCREASE) IN NET DEBT	(280,284)	(8,896,581)	1,247,241
NET DEBT, beginning of year	(46,373,836)	(46,373,836)	(47,621,077)
NET DEBT, end of year	<u>\$ (46,654,120)</u>	<u>\$ (55,270,417)</u>	<u>\$ (46,373,836)</u>

See accompanying notes to the financial statements

NORTHERN LIGHTS COLLEGE
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED MARCH 31, 2017

7.

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 20,235	\$ 897,688
Non-cash items:		
Amortization of tangible capital assets	3,717,721	3,607,243
Revenue recognized from deferred capital contributions	(2,862,212)	(2,701,574)
(Increase) Decrease in receivables	(11,428)	65,069
Decrease (Increase) in inventory	44,643	(119,164)
(Increase) Decrease in prepaids and deposits	(12,219)	54,705
Increase (Decrease) in payables and accruals	1,678,031	(1,058,956)
(Decrease) Increase in deferred revenue	(193,606)	48,963
	<u>2,381,165</u>	<u>793,974</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(4,006,022)	(3,312,395)
Deferred contributions, net increase	<u>4,687,230</u>	<u>3,159,020</u>
	<u>681,208</u>	<u>(153,375)</u>
FINANCING ACTIVITIES		
Paydown on long term debt	<u>(198,000)</u>	<u>(187,000)</u>
INCREASE IN CASH	<u>2,864,373</u>	<u>453,599</u>
CASH, beginning of year	<u>9,504,726</u>	<u>9,051,127</u>
CASH, end of year	<u>\$ 12,369,099</u>	<u>\$ 9,504,726</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).

The College adopted Public Sector Accounting Standard 3260 – Liability for Contaminated Sites for the year ended March 31, 2016. At that time a review of the College properties was completed. No determinable liability was identified from this review.

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 the useful life of tangible capital assets, accrued liabilities and employee future benefits. 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.

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 March 16, 2016. 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

	2017	2016
Receivables		
Student	\$ 454,071	\$ 704,783
Trade	1,038,826	520,865
Other	145,506	401,194
	<u>1,638,403</u>	<u>1,626,842</u>
Less: allowance for doubtful accounts	<u>(317,218)</u>	<u>(317,085)</u>
	<u>\$ 1,321,185</u>	<u>\$ 1,309,757</u>

4. INVENTORY FOR RESALE AND OTHER ASSETS HELD FOR SALE

	2017	2016
Inventories for resale	\$ 279,756	\$ 326,488
Other assets held for sale	54,519	52,429
	<u>\$ 334,275</u>	<u>\$ 378,917</u>

Other assets held for sale comprises of the land to be used for the residential construction home.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade - Federal	\$ 232,387	\$ 180,630
- Provincial and regional governments	21,992	27,500
- General	3,339,903	1,858,107
Payroll	848,004	775,893
Overtime	55,729	44,236
Vacation	563,960	485,578
	<u>\$ 5,061,975</u>	<u>\$ 3,371,944</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 boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2016, the College Pension Plan has about 14,000 active members, and approximately 7,000 retired members. As at December 31, 2015, the Municipal Pension Plan has about 189,000 active members, including approximately 5,800 from colleges.

6. EMPLOYEE FUTURE BENEFITS (continued)

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2015, indicated a \$67 million surplus for basic pension benefits.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits.

The Northern Lights College paid \$1,366,000 (2016-\$1,342,882) for employer contributions to the Plans in fiscal 2016-2017, which represents 0.07 per cent of the total plan contributions. The Northern Lights College expects to pay \$1,379,660 for employer contributions in the next fiscal year.

The next valuation for the College Pension Plan will be as at August 31, 2018, with results available in 2019. The next valuation for the Municipal Pension Plan will be December 31, 2018, with results available in 2019.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

6. EMPLOYEE FUTURE BENEFITS (continued)

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 March 2017.

	Sick leave	Retirement Benefits Payments	2017 Total	2016
Accrued benefits obligation	\$ -	\$ 341,000	\$ 341,000	\$ 353,000

7. DEFERRED REVENUE

	2017	2016
Tuition	\$ 2,120,615	\$ 2,282,189
Other	2,515,422	2,547,454
	<u>\$ 4,636,037</u>	<u>\$ 4,829,643</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:

	2017	2016
Balance, beginning of year	\$ 347,317	\$ 115,317
Funds received:		
Provincial and Federal capital grants	4,367,221	3,441,019
Other capital and fundraising grants	100,000	232,000
Funds used:		
Capital purchases	(2,566,943)	(2,750,021)
Maintenance and related expenses	(360,041)	(690,998)
Balance, end of year	<u>\$ 1,887,554</u>	<u>\$ 347,317</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:

	2017	2016
Balance, beginning of year	\$ 45,321,332	\$ 45,095,885
Current year's acquisitions funded by federal capital contributions	1,054,459	-
Current year's acquisitions funded by provincial capital contributions	1,512,484	2,750,021
Current year's acquisitions funded by other capital contributions	580,050	177,000
Revenue recognized from deferred capital contributions	(2,862,212)	(2,701,574)
Balance, end of year	<u>\$ 45,606,113</u>	<u>\$ 45,321,332</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.

On August 10, 2015 the promissory note was renewed for a five year term, repayable by consecutive blended monthly payments of \$17,000 principle plus 2.25% per annum interest.

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

	Principal	Interest	Total
2018	202,000	69,069	271,069
2019	207,000	63,913	270,913
2020	212,000	59,495	271,495
2021	2,525,000	23,485	2,548,485

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 ASETS

Cost	Balance at March 31, 2016	Additions	Disposals	Balance at March 31, 2017
Land	\$ 568,977	\$ -	\$ -	\$ 568,977
Buildings - wood	18,811,575	-	-	18,811,575
Buildings - concrete	55,925,923	2,141,352	-	58,067,275
Furniture and equipment	21,053,036	496,057	-	21,549,093
Heavy equipment	200,460	-	-	200,460
Computer equipment	3,733,810	207,787	-	3,941,597
Computer software	1,150,542	106,367	-	1,256,909
Site improvements	3,401,521	-	-	3,401,521
Books and media	417,199	-	-	417,199
Leasehold improvements	710,284	-	-	710,284
Work in progress	2,091,931	1,054,459	-	3,146,390
Total	\$ 108,065,258	\$ 4,006,022	\$ -	\$ 112,071,280

Accumulated Amortization	Balance at March 31, 2016	Disposals	Amortization Expense	Balance at March 31, 2017
Buildings - wood	\$ 12,523,184	\$ -	\$ 741,396	\$ 13,264,580
Buildings - concrete	16,875,412	-	1,491,330	18,366,742
Furniture and equipment	17,528,344	-	1,244,623	18,772,967
Heavy equipment	96,156	-	26,076	122,232
Computer equipment	3,443,181	-	134,195	3,577,376
Computer software	1,139,111	-	11,430	1,150,541
Site improvements	2,894,326	-	63,399	2,957,725
Books and media	386,215	-	5,272	391,487
Leasehold improvements	710,284	-	-	710,284
Work in progress	-	-	-	-
Total	\$ 55,596,213	\$ -	\$ 3,717,721	\$ 59,313,934

11. TANGIBLE CAPITAL ASSETS (continued)

Net Book Value	2017	2016
Land	\$ 568,977	\$ 568,977
Buildings - wood	5,546,995	6,288,391
Buildings - concrete	39,700,533	39,050,511
Furniture and equipment	2,776,126	3,524,692
Heavy equipment	78,228	104,304
Computer equipment	364,221	290,629
Computer software	106,367	11,431
Site improvements	443,795	507,195
Books and media	25,712	30,984
Leasehold improvements	-	-
Work in progress	3,146,391	2,091,931
Total	\$ 52,757,345	\$ 52,469,045

During the fiscal year Northern Lights College received contributed equipment totaling \$215,059; (2016-\$177,000) 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

	2017	2016
Operating Fund	\$ 2,181,690	\$ 2,414,868
Capital Fund	3,960,983	3,759,464
Externally Restricted Capital Fund	51,894	-
	<u>\$ 6,194,567</u>	<u>\$ 6,174,332</u>

Externally Restricted Capital Fund:

On April 4, 2014, pursuant to Section 50 (2) of the College and Institute Act, Northern Lights College's request to renew the lease agreement for space known as Mile 0 Farm was approved by the Ministry of Advanced Education. As per the Ministry of Advanced Education, Northern Lights College will set aside the net proceeds of the lease to a capital reserve fund, which would only be expended by seeking consent of the Minister of Advanced Education. These are the net proceeds from April 1, 2014 to October 31, 2016.

14. INTEREST PAID

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

	2017	2016
Interest Paid	<u>\$ 72,844</u>	<u>\$ 88,186</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 require 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, 2016 – increase in accumulated surplus by \$43,688,456, a decrease in deferred revenue by \$769,827, deferred contributions by \$347,318, and deferred capital contributions by \$42,571,311.

March 31, 2017 – increase in accumulated surplus by \$45,481,448, a decrease in deferred revenue by \$591,032, deferred contributions by \$338,762, and deferred capital contributions by \$44,551,654.

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.

NOTE 18 SEGMENTED INFORMATION (CONTINUED)

	2016	2017						
	Total	Total	Instruction	Academic and Student Support	General Administration	Facilities	Amortization	Ancillary Operations
REVENUE								
Province of British Columbia grants	\$ 20,409,889	\$ 20,897,190	\$ 19,924,872	\$ 610,612	\$ -	\$ 347,599	\$ -	\$ 14,107
Tuition and student fees	7,018,528	7,875,022	4,708,818	3,102,566	58,054	-	-	5,584
Revenue recognized from deferred capital contributions	2,701,574	2,862,212	-	-	-	-	2,862,212	-
Contract services	651,322	293,330	293,330	-	-	-	-	-
Sales of goods and services	2,246,471	2,231,432	883	71,938	-	150,926	-	2,007,685
Interest	82,242	96,247	-	-	96,247	-	-	-
Other	420,338	651,338	476,218	49,693	95,547	29,880	-	-
	<u>33,530,364</u>	<u>34,906,771</u>	<u>25,404,121</u>	<u>3,834,809</u>	<u>249,848</u>	<u>528,405</u>	<u>2,862,212</u>	<u>2,027,376</u>
EXPENSES								
Salaries and benefits	18,856,362	20,204,111	10,471,397	3,920,684	3,373,976	1,801,706	-	636,348
Supplies	1,036,652	1,541,982	922,163	187,850	145,983	262,596	-	23,390
Contract fees	2,175,896	1,880,993	471,421	999,823	284,402	124,847	-	500
Amortization	3,607,241	3,717,721	-	-	-	-	3,717,721	-
Utilities	908,332	891,998	-	-	-	695,253	-	196,745
Book purchases	668,957	640,758	7,345	-	-	-	-	633,413
Building maintenance	1,124,466	1,521,928	-	-	163	1,196,608	-	325,157
Publicity	383,599	517,745	28,928	123,667	364,365	-	-	785
Training	193,290	227,122	9,949	831	215,627	695	-	20
Course program and development	100,594	11,852	6,129	5,723	-	-	-	-
Ownership linkage	-	11,656	-	-	11,656	-	-	-
Travel - in region	133,004	147,575	81,516	30,918	27,162	7,944	-	35
Conferences and meetings	119,797	136,681	12,303	28,143	94,870	1,365	-	-
Membership fees	159,939	210,886	76,921	28,375	102,807	2,333	-	450
Janitorial services	121,485	150,748	-	-	79	148,179	-	2,490
Interest expense	88,186	72,844	-	-	72,844	-	-	-
Travel - out of region	154,142	282,017	52,992	133,081	91,264	4,045	-	635
Telephone, fax and internet	246,010	233,388	43,152	8,060	165,147	12,602	-	4,427
Photocopy	112,203	62,681	-	-	62,681	-	-	-
Space rental	274,650	282,818	816	117,840	793	163,369	-	-
Bursaries	414,441	478,244	166,622	311,622	-	-	-	-
Vehicle operations	110,689	106,719	13,954	-	-	92,765	-	-
Equipment maintenance	154,120	86,400	51,126	-	150	32,604	-	2,520
Computer maintenance	424,908	651,936	3,008	-	648,928	-	-	-
Computer lease	393,497	125,907	-	-	125,907	-	-	-
Insurance	56,266	84,403	-	-	2,300	82,103	-	-
Grounds maintenance	102,492	166,984	-	-	-	166,984	-	-
Relocation expenses	90,638	86,110	-	-	86,110	-	-	-
Legal fees	82,324	20,029	-	40	19,989	-	-	-
Courier and postage	73,636	93,524	7,854	3,199	73,521	2,518	-	6,432
Periodicals	81,422	79,975	-	78,900	-	1,075	-	-
Equipment rental	5,508	2,280	1,363	-	-	917	-	-
Audit fees	32,324	34,541	-	10,572	23,969	-	-	-
Recreation	15,743	19,940	681	15,694	2,064	1,501	-	-
Bad debts	38,181	-	-	-	-	-	-	-
Bank and credit card fees	91,682	102,040	4,407	-	97,576	-	-	57
	<u>32,632,676</u>	<u>34,886,536</u>	<u>12,434,047</u>	<u>6,005,022</u>	<u>6,094,333</u>	<u>4,802,009</u>	<u>3,717,721</u>	<u>1,833,404</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 897,688</u>	<u>\$ 20,235</u>	<u>\$ 12,970,074</u>	<u>\$ (2,170,213)</u>	<u>\$ (5,844,485)</u>	<u>\$ (4,273,604)</u>	<u>\$ (855,509)</u>	<u>\$ 193,972</u>