

Financial Statements of

Northwest Community College

Year ended March 31, 2017 and 2016

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Management's Report

Management's Responsibility for the Financial Statements

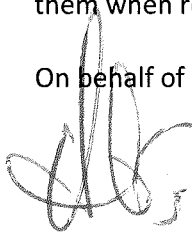
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, as required by Section 23.1 of the Budget Transparency and Accountability Act of the Province of BC, supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board. 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.

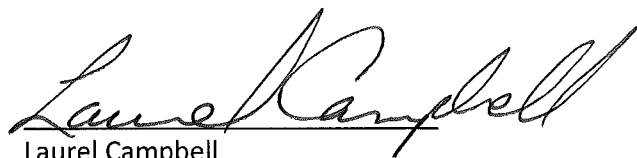
The Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Audit and Finance Committee. The Audit and Finance Committee reviews internal financial statements on a quarterly basis and external audited financial statements yearly.

The external auditors, Vohora LLP, CPAs & Business Advisors, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. Their examination considers internal control relevant to management's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of Northwest Community College's internal controls. The external auditors have full and free access to the Audit and Finance Committee of Northwest Community College and meet with them when required.

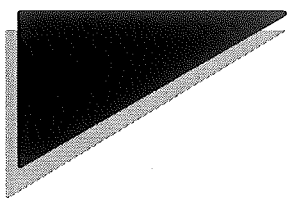
On behalf of Northwest Community College:



Herb Pond
Chair, Board of Governors



Laurel Campbell
Vice-President, Corporate Services



Vohora LLP
CPAs & Business Advisors

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Independent Auditor's Report

To the Board of Governors of Northwest Community College,

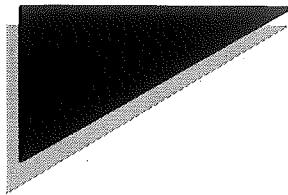
We have audited the accompanying financial statements of Northwest Community College, which comprise the statements of financial position as at March 31, 2017 and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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 audits. We conducted our audits in accordance with Canadian generally accepted 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 misstatement.



Vohora LLP
CPAs & Business Advisors

Independent Auditor's Report (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statements of financial position of Northwest Community College as at March 31, 2017 and the statements of operations, change in net debt and cash flows for the year then ended are prepared, in all material respects, in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(a) to the financial statements which describes the basis of accounting used in the preparation of these financial statements and the significant difference between the basis of accounting and Canadian Public Sector Accounting Standards.

June 15, 2017
Vancouver, BC

Vohora LLP

Chartered Professional Accountants

Northwest Community College

Statement of Financial Position

As at March 31, 2017

[In thousands of dollars]

		March 31, 2017	March 31, 2016
Financial assets			
Cash and cash equivalents	3	\$ 13,147	\$ 11,317
Accounts receivable	4	1,296	1,358
Inventory held for resale		367	394
		<u>14,810</u>	<u>13,069</u>
Liabilities			
Accounts payable and accrued liabilities	6	1,976	2,029
Accrued employee entitlements	7	1,524	1,520
Payroll liabilities	8	711	1,185
Deferred revenue	9	4,165	4,352
Deferred contributions	10	3,698	1,898
Deferred capital contributions	11	30,100	32,061
		<u>(42,174)</u>	<u>(43,045)</u>
Net debt		<u>(27,364)</u>	<u>(29,976)</u>
Non-financial assets			
Tangible capital assets	12	33,742	35,327
		<u>33,742</u>	<u>35,327</u>
Accumulated surplus	14	<u>\$ 6,378</u>	<u>\$ 5,351</u>
Contractual obligations	16		
Contingent liabilities	17		

Signature

Herb Pond, Chair, Board of Governors

Signature

Laurel Campbell, Vice President, Corporate Services

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Northwest Community College

Statement of Operations

For the Year ended March 31, 2017

[In thousands of dollars]

		Budget (Note 2)(i))	2017	2016
Revenues				
Contributions		\$ 18,384	\$ 22,855	\$ 21,295
Tuition and other fees		1,803	2,361	2,453
Contract services and other		5,649	5,066	4,101
Ancillary services		1,448	1,263	1,314
Amortization of deferred capital contributions		2,900	3,152	2,901
		30,184	34,697	32,064
Expenses	18			
Instruction and support		25,541	28,584	27,311
Ancillary		1,343	1,601	1,440
Amortization		3,300	3,485	3,299
		30,184	33,670	32,050
Annual surplus		-	1,027	14
Accumulated surplus, beginning of year			5,351	5,337
Accumulated surplus, end of year			\$ 6,378	\$ 5,351

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Northwest Community College

Statement of Change in Net Debt
For the Year Ended March 31, 2017
[In thousands of dollars]

	Budget (Unaudited - Note 2)(i))	2017	2016
Annual surplus	\$ -	\$ 1,027	\$ 14
Acquisition of tangible capital assets	-	(1,900)	(4,117)
Amortization	-	3,485	3,299
	-	1,585	(818)
Decrease (increase) in net debt	-	2,612	(804)
Net debt at beginning of year	(29,976)	(29,976)	(29,172)
Net debt at end of year	\$ (29,976)	\$ (27,364)	\$ (29,976)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Northwest Community College

Statement of Cash Flows

For the Year ended March 31, 2017

[In thousands of dollars]

		2017	2016
Cash flows from operating activities			
Annual surplus	\$	1,027	\$ 14
Items not involving cash:			
Amortization of tangible capital assets		3,485	3,299
Amortization of deferred capital contributions		(3,152)	(2,901)
		333	398
Net change in non-cash operating items	19	(432)	419
Net increase (decrease) in deferred revenues related to expenses of future periods		1,612	170
Cash provided by (applied to) operating transactions		2,540	1,001
Capital activities			
Cash used to acquire tangible capital assets		(1,900)	(4,117)
Cash provided by (applied to) capital transactions		(1,900)	(4,117)
Financing transactions			
Deferred capital contributions		1,190	3,815
Cash provided by (applied to) financing transactions		1,190	3,815
Increase in cash and cash equivalents		1,830	699
Cash and cash equivalents at beginning of year		11,317	10,618
Cash and cash equivalents at end of year	\$	13,147	\$ 11,317

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

1. Authority and Purpose

Northwest Community College (the "College") is a post-secondary educational institution incorporated under the provisions of the College and Institute Act of British Columbia. The College is a government not-for-profit entity governed by a Board of Governors and is funded principally by the provincial government of British Columbia through the Ministry of Advanced Education, Training and Technology. The College is a registered charity and is therefore exempt from income taxes under section 149 of the *Income Tax Act*.

2. Significant Accounting Policies

(a) Basis of accounting

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 sectors 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 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(h)(i) and 2(h)(ii).

Further, the Office of the Comptroller General ("OCG") provided direction in memorandum ref. 250955 on the treatment of endowment funds, financial instruments, pension plans and employee future benefits. The OCG direction requires:

- (i) The College to treat endowment contributions as described in Note 2(h)(iii);
- (ii) The College to implement PS 3450 Financial Instrument as at April 1, 2012; and
- (iii) The College to apply the discount rate for pension plans and/or employee future benefits at the next valuation date or within three years of transition to PSAB.

These financial statements have been prepared in accordance with the financial reporting framework described above.

The basis of accounting that the College has adopted is different from PSAS with respect to the timing of revenue recognition for government transfers. If the College had recorded government transfers under PSAS rather than the accounting policy described in note 2(h)(i), capital contributions recognized as revenue and the annual surplus for the year ended March 31, 2017 would have decreased by \$1,961 (March 31, 2016 – \$914). Consequentially, as at March 31, 2017, deferred capital contributions used to purchase tangible capital assets would have decreased and the accumulated surplus would have increased by \$30,100 (March 31, 2016 – \$32,061). Under PSAS, the total cash flows from operating, financing, and capital transactions for the years ended March 31, 2017 and 2016 would have been the

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

2. Significant Accounting Policies

- (a) Basis of accounting
same as reported in these financial statements.

Had the College adopted PSAS together with the not-for-profit provisions, another alternative basis of accounting permitted under Canadian generally accepted accounting principles, capital contributions recognized as revenue and the annual surplus for each year would have been the same as reported in these financial statements. Further, deferred capital contributions used to purchase tangible capital assets would have been the same as reported in these financial statements.

- (b) Cash and cash equivalents

Cash and cash equivalents include term deposits with a term to maturity of three months or less at the date of purchase.

- (c) Financial instruments

Financial instruments are classified into two categories: fair value or cost.

- (i) Fair value category: Portfolio instruments that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Other financial instruments which the College has designated to be recorded at fair value include cash and cash equivalents. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.
- (ii) Cost category: Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

Amounts receivable are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Any gains, losses or interest expense is recorded in the annual deficit depending on the nature of the financial liability that gave rise to the gain, loss or expense.

- (d) Short-term investments

Short term investments are comprised of money market securities and other investments with maturities that are capable of prompt liquidation. Short-term investments are cashable on demand and are recorded at cost based on the transaction price on the trade date. All interest income, gains and losses are recognized in the period in which they arise.

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

2. Significant Accounting Policies

(e) 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) 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 capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value:

Site improvements	10 years
Buildings	
- Wood frame	20 years
- Concrete/steel	40 years
Furniture and equipment	5 years
Computer hardware and software	4 years
Library holdings	10 years
Landscaping	15 years

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the College's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Works of art and historic assets

Works of art and historic assets are not recorded as assets in these financial statements.

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

2. Significant Accounting Policies

(e) Non-financial assets

(iii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iv) Inventories held for use

Inventories held for use are recorded at the lower of cost and replacement cost.

Cost includes the original purchase cost, plus shipping and applicable duties. Replacement cost is the estimated current price to replace the items.

(f) Accrued employee entitlements

(i) Defined contribution plans

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The board of trustees for these plans represent plan members and employers and are responsible for administering 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. As at August 31, 2016, the College Pension Plan has about 14,000 active members from college senior administration and instructional staff and approximately 7,000 retired members. As at December 31, 2015, the Municipal Pension Plan has about 189,000 active members, with approximately 5,800 from colleges.

The most recent actuarial valuation for College Pension Plan as at August 31, 2015, indicated a \$67 million surplus for basic pension benefits. The next valuation will be August 31, 2018, with results available in 2019. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits. The next valuation 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 the plans in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The College paid \$1,434 for employer contributions to the plan in fiscal 2017.

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

2. Significant Accounting Policies

(f) Accrued employee entitlements

(ii) Severance benefits

Severance benefits are also available to the College's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The College's short-term employee benefits include accrued vacation, banked overtime and executive benefit plan payments. Employees of the College do not accumulate sick leave and therefore there is no liability recognized.

(g) Payroll liabilities

Payroll liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

The College's payroll liabilities include wages and payroll remittance accruals, WCB payable, payments to the College and Municipal Pension Plans, and other short-term payroll accruals.

(h) Revenue recognition

Tuition and student fees are reported as revenues over the duration of the course or school year. Tuition fees are deferred for the portion of the courses held in the next fiscal year. The sale of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the College or the transfer of property is completed.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services are

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

2. Significant Accounting Policies

(h) Revenue recognition

recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.

- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent, are recorded as direct increases to accumulated surplus for the portion to be held in perpetuity and as deferred contributions for any restricted investment income earned thereon.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary

(i) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the determination of the fair value of financial instruments, useful life of tangible capital assets, and the present value of employee future benefits and commitments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(j) Asset retirement obligation

The College recognizes asset retirement obligations in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset, including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is amortized over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

(k) Foreign currency translation

The College's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standard are reflected in the financial

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

2. Significant Accounting Policies

- (k) Foreign currency translation statements in equivalent Canadian dollars at the exchange rate in effect on the balance sheet date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet date is recognized in the Statement of remeasurement gains and losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the Statement of remeasurement gains and losses and the exchange gain or loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the Statement of operations.

- (l) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the College's Fiscal 2016/2017 Budget approved by the Board of Governors of the College on Feb 26, 2016. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Financial Assets.

3. Cash and cash equivalents

	2017	2016
Restricted cash	\$ 530	\$ 475
Unrestricted cash, term deposits and GICs	12,617	10,842
	<u>\$ 13,147</u>	<u>\$ 11,317</u>

Restricted cash is comprised of funds held for externally restricted purposes and is related to bursary funds and funds held in trust.

4. Accounts receivable

Accounts receivable are recorded net of allowance for doubtful receivables of \$69 (2016 - \$166).

5. Financial instruments

- (a) Financial assets and liabilities recorded at cost / amortized cost are comprised of the following:

	2017	2016
Financial assets designated to fair value category		
Cash and cash equivalents	<u>\$ 13,147</u>	<u>\$ 11,317</u>

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

5. Financial instruments

The fair value of cash and cash equivalents approximate their carrying values, unless otherwise noted.

(b) Financial assets and liabilities recorded at cost / amortized cost are comprised of the following:

	2017	2016
Accounts receivable	\$ 1,296	\$ 1,358
Accounts payable and accrued liabilities	1,976	2,029
Accrued employee entitlements	1,524	1,520
Payroll liabilities	711	1,185
	<u>\$ 5,507</u>	<u>\$ 6,092</u>

6. Accounts payable and accrued liabilities

	2017	2016
Accounts payable	\$ 1,334	\$ 1,590
Accrued liabilities	484	288
Other accrued liabilities	158	151
	<u>\$ 1,976</u>	<u>\$ 2,029</u>

7. Accrued employee entitlements

Accrued employee entitlements are comprised of the following:

	2017	2016
Accrued Vacation	\$ 513	\$ 432
Accrued Overtime	85	28
Retirement allowances(a)	584	571
Executive benefits	67	84
Early retirement incentives	169	275
Severance benefits	106	130
Balance, end of year	<u>\$ 1,524</u>	<u>\$ 1,520</u>

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

7. Accrued employee entitlements

(a) Retirement allowances:

The College provides retirement allowances to its eligible employees based on eligibility, years of service and final salary. These allowances include retirement allowance benefits for BCGEU instructors and support staff and sick leave and cash-out benefits for CUPE members. The liability associated with these benefits is calculated based on the present value of expected future payments pro-rated for services.

The fair value has been determined using a discounted cash flow analysis with an appropriate discount factor, which at March 31, 2017 was determined to be 3.0% (2016 – 3.3%).

	2017	2016
Accrued benefit liability		
Balance, beginning of year	\$ 571	\$ 568
Current service cost	47	42
Interest cost	21	24
Amortization of net actuarial losses	9	4
Benefits paid	(64)	(67)
Balance, end of year	\$ 584	\$ 571

An actuarial valuation for these benefits was performed to determine the College's accrued benefit obligation as at March 31, 2017. The difference between the actuarially determined accrued benefit obligation of \$667 and the accrued benefit liability of \$584 is an unamortized actuarial loss of \$83. The actuarial loss is amortized over a period equal to the employees' average remaining service lifetime of 10 years.

	2017	2016
Accrued benefit obligation		
Liability, end of year	\$ 584	\$ 571
Unamortized actuarial loss (gain)	83	30
Balance, end of year	\$ 667	\$ 601

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

8. Payroll liabilities

Payroll liabilities are comprised of the following:

	2017	2016
Payroll accruals	\$ 123	\$ 812
Pension benefits	7	8
Professional development accruals	328	345
Other	253	20
Balance, end of year	<u>\$ 711</u>	<u>\$ 1,185</u>

(a) Pension benefits:

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 next valuation will be as at August 31, 2018 with results available in 2019. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2,224 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2018 with results available in 2019. The College paid \$1,434 for employer contributions to the two plans in fiscal 2017 (2016 - \$1,382).

9. Deferred revenue

Deferred revenue is comprised of deferred contract services and deferred tuition revenue.

Changes in deferred revenue are as follows:

	2017	2016
Balance, beginning of year	\$ 4,352	\$ 4,740
Less: amount recognized as revenue in the year	(4,091)	(388)
Add: amount received related to the following year	3,904	-
Balance, end of year	<u>\$ 4,165</u>	<u>\$ 4,352</u>

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

10. Deferred contributions

Deferred contributions are comprised of funds restricted for the following purposes:

	2017	2016
Capital	\$ 3,168	\$ 1,423
Endowment	530	475
	<u>\$ 3,698</u>	<u>\$ 1,898</u>

Changes in the deferred contribution balance are as follows:

	2017		
	Capital	Endowment	Total
Balance, beginning of year	\$ 1,423	\$ 475	\$ 1,898
Contributions received during the year	3,168	216	3,384
Revenue recognized from deferred contributions	(1,423)	(161)	(1,584)
Balance, end of year	<u>\$ 3,168</u>	<u>\$ 530</u>	<u>\$ 3,698</u>

	2016		
	Capital	Endowment	Total
Balance, beginning of year	\$ 1,140	\$ 200	\$ 1,340
Contributions received during the year	283	275	558
Balance, end of year	<u>\$ 1,423</u>	<u>\$ 475</u>	<u>\$ 1,898</u>

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

11. Deferred capital contributions

Contributions for capital that meet the definition of a liability are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. Treasury Board provided direction on accounting treatment as disclosed in note 2. Changes in the deferred capital contributions balance are as follows:

Changes in the deferred capital contributions balance are as follows:

	2017	2016
Balance, beginning of year	\$ 32,061	\$ 31,147
Contributions received during the year	1,190	3,815
Revenue recognized from deferred capital contributions	(3,151)	(2,901)
Balance, end of year	<u>\$ 30,100</u>	<u>\$ 32,061</u>

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

12. Tangible capital assets

Cost	Balance at March 31, 2016	Additions	Disposals	Balance at March 31, 2017
Land and land improvements	\$ 1,623	\$ -	\$ -	\$ 1,623
Buildings	54,629	1,277	-	55,906
Furniture and equipment	16,313	594	-	16,907
Computer hardware and software	1,753	29	-	1,782
Library holdings	1,719	-	-	1,719
Total	\$ 76,037	\$ 1,900	\$ -	\$ 77,937

Accumulated amortization	Balance at March 31, 2016	Disposals	Amortization expense	Balance at March 31, 2017
Land and land improvements	\$ -	\$ -	\$ -	\$ -
Buildings	(26,319)	-	(1,684)	(28,003)
Furniture and equipment	(11,593)	-	(1,608)	(13,201)
Computer hardware and software	(1,372)	-	(136)	(1,508)
Library holdings	(1,426)	-	(57)	(1,483)
Total	\$ (40,710)	\$ -	\$ (3,485)	\$ (44,195)

	Net book value March 31, 2016	Net book value March 31, 2017
Land and land improvements	\$ 1,623	\$ 1,623
Buildings	28,310	27,903
Furniture and equipment	4,720	3,706
Computer hardware and software	381	274
Library holdings	293	236
Total	\$ 35,327	\$ 33,742

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

12. Tangible capital assets

Cost	Balance at March 31, 2015	Additions	Disposals	Balance at March 31, 2016
Land and land improvements	\$ 1,623	\$ -	\$ -	\$ 1,623
Buildings	53,001	1,628	-	54,629
Furniture and equipment	14,088	2,249	(24)	16,313
Computer hardware and software	1,513	240	-	1,753
Library holdings	1,719	-	-	1,719
Total	\$ 71,944	\$ 4,117	\$ (24)	\$ 76,037

Accumulated amortization	Balance at March 31, 2015	Disposals	Amortization expense	Balance at March 31, 2016
Buildings	\$ (24,550)	\$ -	\$ (1,771)	\$ (26,321)
Furniture and equipment	(10,390)	(24)	(1,227)	(11,593)
Computer hardware and software	(1,127)	-	(244)	(1,372)
Library holdings	(1,368)	-	(57)	(1,426)
Total	\$ 37,435	\$ 24	\$ (3,299)	\$ 40,710

	Net book value March 31, 2015	Net book value March 31, 2016
Land and land improvements	\$ 1,623	\$ 1,623
Buildings	28,451	28,310
Furniture and equipment	3,698	4,720
Computer hardware and software	386	381
Library holdings	351	293
Total	\$ 34,509	\$ 35,327

(a) Assets under construction

Assets under construction having a value of \$621 (2016 - \$147) have not been amortized and are included under buildings. Amortization of these assets will commence when the asset is put into service.

(b) Works of art and historical treasures

The Institution manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at the College sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

12. Tangible capital assets

- (c) Write-down of tangible capital assets

There was no write-down of tangible capital assets during the year (2016 - \$Nil).

13. Financial risk management

The 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 the 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 the College if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the College consisting of cash and accounts receivable.

The College manages its credit risk by reviewing the credit history of new customers before extending credit and by conducting regular reviews of its existing customer's credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The College has a significant number of customers which minimizes the concentration of credit risk.

- (b) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the 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.

It is management's opinion that the 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 the College will not be able to meet its financial obligations as they become due.

The 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

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

13. Financial risk management

- (c) Liquidity risk
conditions, without incurring unacceptable losses or risking damage to the College's reputation.

- (d) Fair value of financial instruments

Generally accepted accounting principles define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The College uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Statement of Financial Position under the following captions:

- Cash and cash equivalents, accounts receivable and accounts payables and accrued liabilities - the carrying amounts approximate fair value because of the short maturity of these instruments.

The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The College's instruments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there were no significant transfers of securities between the different levels.

14. Accumulated surplus

Accumulated surplus is comprised of the following:

	2017	2016
Operating	\$ 3,307	\$ 2,232
Capital	3,071	3,119
Endowment	-	-
Total	\$ 6,378	\$ 5,351

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

15. Endowments

The College has endowment funds totalling \$976 (2016 - \$976) with the Vancouver Foundation. The funds are permanent funds with the Foundation which provide income for scholarships and bursaries at the College. The Funds are not under College ownership or control and therefore have not been included in the financial statements. The College has recorded its contributions to the Fund as donation expenditures. The College earned income of \$45 (2016 - \$41) from the Funds during the year.

Changes to the endowment balances are as follows:

	2017		2016	
	Cost	Market Value	Cost	
Northwest Community College Endowment Fund	\$ 588	\$ 801	\$ 588	
Morice Community Skills Centre Legacy Fund	183	224	183	
NWCC School of Exploration and Mining Endowment Fund	206	254	206	
Balance, end of year	\$ 977	\$ 1,279	\$ 977	

16. Contractual obligations

The nature of the College's activities can result in multiyear contracts and obligations whereby the College will be committed to make future payments. Significant contractual obligations related to operations that can be reasonably estimated are as follows:

	2017	2016	Thereafter	Total
Lease agreements	\$ 48	\$ 55	\$ 55	\$ 158

17. Contingent liabilities

The College may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of business. In the event that any such claims or litigation are resolved against the College, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of the College. As at March 31, 2017, there are no known material outstanding claims or lawsuits.

Northwest Community College

Notes to the Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

[In thousands of dollars]

18. Expenses by object

The following is a summary of expenses by object:

	2017	2016
Personnel	\$ 20,039	\$ 20,338
Instruction and service contracts	2,862	2,627
Supplies	1,521	1,370
Cost of goods sold	537	543
Advertising and promotion	222	181
Building and equipment costs	1,952	1,247
Building leases	48	55
Janitorial	377	395
Other	699	467
Telecommunications	299	288
Travel	941	690
Utilities	688	550
Amortization	3,485	3,299
	<u>\$ 33,670</u>	<u>\$ 32,050</u>

19. Supplementary cash flow information

Net change in non-cash working capital

	2017	2016
Accounts receivable	\$ 63	\$ 956
Inventory	27	(29)
Accounts payable and accrued liabilities	(53)	422
Accrued employee entitlements	5	(1,013)
Payroll liabilities	(474)	83
	<u>\$ (432)</u>	<u>\$ 419</u>

20. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.