Financial Statements of

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Years ended March 31, 2013 and 2012

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Financial Statements

Years ended March 31, 2013 and 2012

Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Nicola Valley Institute of Technology (the "Institute") have been prepared by management in accordance with Canadian public sector accounting standards and in compliance with the Province of British Columbia Treasury Board directives outlined in note 1 (a). 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. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Institute's management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

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 Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements yearly. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, KPMG 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 Institute and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Nicola Valley Institute of Technology:

Board Chairperson

Director, Finance & Integrated Systems

May 15, 2013

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Nicola Valley Institute of Technology, and
To the Minister of Advanced Education, Innovation and Technology, Province of British Columbia

We have audited the accompanying financial statements of Nicola Valley Institute of Technology (the "Institute"), which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net debt and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising 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 the financial reporting provisions of 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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 of Nicola Valley Institute of Technology as at March 31, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012 are prepared, in all material respects, in accordance with the financial reporting provisions of 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 1(a) to the financial statements which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

May 15, 2013

Kamloops, Canada

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	Note	March 31, 2013	March 31, 2012	April 1, 2011
Financial assets:				
Cash and cash equivalents		$ 1,814,784	$ 1,154,796	$ 1,010,597
Accounts receivable	(Note 3)	776,609	814,087	833,062
Inventory for resale		102,317	80,438	72,363
Portfolio investments	(Note 4)	4,818,344	4,418,345	4,388,154
		7,512,054	6,467,666	6,304,176
Financial liabilities:				
Accounts payable and accrued liabilities	(Note 5)	924,934	625,832	703,421
Employee benefit obligations		10,000	10,000	10,000
Deferred revenue	(Note 6)	2,173,086	1,772,005	1,736,284
Deferred capital contributions	(Note 7)	12,994,418	13,482,593	14,092,765
Long-term debt	(Note 8)	3,018,706	3,086,196	3,150,623
		19,121,144	18,976,626	19,693,093
Net debt		(11,609,090)	(12,508,960)	(13,388,917)
Non-financial assets:				
Tangible capital assets	(Note 9)	15,822,430	16,500,297	17,375,300
Endowment investments	(Note 11)	230,458	230,074	199,656
Prepaid expenses and deposits		29,165	26,078	30,941
		16,082,053	16,756,449	17,583,897
Accumulated surplus	(Note 12)	$ 4,472,963	$ 4,247,491	$ 4,216,980

Employee future benefits (note 13)

Contractual obligations (note 14)

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Operations

Year ended March 31, 2013, with comparative figures for 2012

	Budget	2013	2012
	(note 1(m))		
Revenue:			
Province of British Columbia grants	$ 7,891,969	$ 8,792,633	$ 8,672,896
Government of Canada grants	1,333	-	1,333
Tuition and student fees	742,780	811,537	693,475
Sales of goods and services	466,780	530,722	446,627
Contract services	1,100,000	909,110	859,527
Investment income	71,000	81,405	165,231
Revenue recognition of deferred capital contributions	538,000	549,900	626,031
Miscellaneous income	13,500	41,999	35,270
Total revenue	10,825,362	11,717,306	11,500,391
Expenses:			
Instruction and instructional support	10,154,747	10,830,714	10,832,236
Ancillary operations	527,515	522,550	487,303
Interest on debt	143,100	142,806	145,882
Total expenses	10,825,362	11,496,070	11,465,421
Annual surplus before the undernoted	-	221,236	34,970
Restricted endowment contributions (refunded)	-	4,236	(4,459)
Annual surplus	-	225,472	30,511
Accumulated surplus, beginning of year		4,247,491	4,216,980
Accumulated surplus, end of year		$ 4,472,963	$ 4,247,491

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Changes in Net Debt

Year ended March 31, 2013, with comparative figures for 2012

	Budget	2013	2012
	(note 1 (m))		
Annual surplus	$ -	$ 225,472	$ 30,511
Acquisition of tangible capital assets	-	(115,807)	(77,453)
Amortization of tangible capital assets	785,000	793,671	952,457
Gain on sale of tangible capital assets	-	(2,500)	(12,400)
Proceeds on disposal of tangible capital assets	-	2,500	12,400
	-	903,336	905,515
Consumption (acquisition) of prepaid expenses	-	(3,082)	4,860
Endowment contributions	-	(384)	(30,418)
	-	(3,466)	(25,555)
Net change in net debt	785,000	899,870	879,957
Net debt, beginning of year	(12,508,960)	(12,508,960)	(13,388,917)
Net debt, end of year	$(11,723,960)	$(11,609,090)	$ (12,508,960)

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 225,472	$ 30,511
Items not involving cash:		
Amortization of tangible capital assets	793,671	952,457
Revenue recognized from deferred capital contributions	(549,900)	(626,031)
Gain on disposal of tangible capital assets	(2,500)	(12,400)
Change in non-cash operating assets and liabilities:		
Accounts receivable	37,478	18,975
Inventory held for resale	(21,879)	(8,075)
Prepaid expenses	(3,082)	4,862
Accounts payable and accrued liabilities	299,102	(77,591)
Deferred revenue	401,082	35,721
	1,179,444	318,429
Financing activities:		
Repayment of long-term debt	(67,490)	(64,427)
Additions to deferred capital contributions	61,725	15,860
	(5,765)	(48,568)
Capital activities:		
Acquisition of tangible capital assets	(115,807)	(77,453)
Proceeds on disposal of tangible capital assets	2,500	12,400
	(113,307)	(65,053)
Investing activities:		
Net change in portfolio investments	(400,384)	(60,609)
	(400,384)	(60,609)
Increase in cash and cash equivalents	659,988	144,199
Cash and cash equivalents, beginning of year	1,154,796	1,010,597
Cash and cash equivalents, end of year	$ 1,814,784	$ 1,154,796

See accompanying notes to financial statements.

Authority and Purpose

Nicola Valley Institute of Technology (the "Institute") was designated as a Provincial institute in 1995 and operates under the authority of the College and Institute Act of British Columbia. The Institute is a not for profit entity, governed by a Board of Governors appointed by the Ministry of Advanced Education, Innovation and Technology. The Institute is a registered charity and therefore exempt from income taxes under section 149 of the Income Tax Act.

The Institute provides quality post-secondary education relevant to the diverse and evolving needs of Aboriginal (First Nations, Inuit and Métis) learners at its Merritt and Vancouver campuses as well as in communities. The Institute expanded its operations to a Vancouver campus on July 1, 2007 and opened student housing facilities at its Merritt campus in September 2007.

1. Significant accounting policies:

The financial statements of the Institute are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the Institute are as follows:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections effective their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related 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 those for 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 contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(b) Cash and cash equivalents:

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

(c) Inventory for resale:

Inventory for resale in the bookstore is measured at the lower of cost and net realizable value, determined on a first-in, first-out basis.

1. Significant accounting policies (continued):

(d) Financial instruments:

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

(i) Fair value category: Portfolio instruments, including portfolio investments, that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Any gains, losses or interest expense is recorded in the annual surplus (deficit) depending on the nature of the financial liability that gave rise to the gain, loss or expense; Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are 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 de-recognition, the related realized gains and losses are recognized in the Statement of Operations 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 when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Accounts 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. Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt. Interest is accrued on loans receivable to the extent it is deemed collectible. Transaction costs related to the acquisition of investments are included in the cost of the related investments.

(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.

1. Significant accounting policies (continued):

(f) 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. Donated assets are recorded at fair value at the date of donation. In unusual circumstances where fair value cannot be reasonably determined, the tangible capital asset would be recognized at nominal value. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis, starting in the month of acquisition, over their estimated useful lives as follows at the following annual rates:

Asset	Rate
Buildings	2 1/2%
Site improvements	10%
Library acquisitions	10%
Mobile instructional equipment	10%
Automotive	25%
Office and classroom equipment	25%
Office and classroom furniture	20%
Computers	33 1/3%
Software	50%
Leasehold improvements	50%

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use. Deferred capital contributions associated with the written down capital asset are recognized as revenue if all restrictions have been complied with.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Institute'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.

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

(g) Employee future benefits:

The Institute and its employees make contributions to College Pension Plan and Municipal Pension Plan which are multi-employer joint trustee plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as a defined contribution plan and any contributions of Institute to the plan are expensed as incurred.

1. Significant accounting policies (continued):

(h) Employee future benefits (continued):

Prior to April 1, 2002 employees accrued sick leave benefits, with a change in benefits on that date a sick leave bank was created for employees who still had an accumulation of hours. The costs of these benefits are actuarially determined based on service and best estimates and the obligation under this benefit plan is accrued based on projected benefit utilization.

(i) Revenue recognition:

Tuition and student fees and sales 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 payment is received by the Institute.

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 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 external endowment donations on the statement of operations for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.

(iv) 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.

1. Significant accounting policies (continued):

(j) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired if the contributions were not specifically restricted for capital.

(k) 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 fair value of financial instruments, recoverable amount and estimated useful lives of tangible capital assets and the amortization of related deferred capital contributions, 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.

(l) Segmented information:

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. The Institute has provided definitions of segments used by the Institute as well as presented financial information in segmented format in note 16.

(m) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the annual budget approved by the Board of Governors on April 16, 2012. The budget is reflected in the Statement of Operations and the Statement of Changes in Net Debt.

2. Adoption of new financial reporting framework:

Effective April 1, 2012, the Institute adopted the financial reporting framework described in note 1(a). These financial statements are the first financial statements for which the Institute has applied this financial reporting framework.

The impact of the adoption to this financial reporting framework on accumulated surplus at the date of transition and the comparative annual surplus is presented below. These accounting changes have been applied retroactively with restatement of prior periods.

Key adjustments on the Institute's financial statements resulting from the adoption of these accounting standards are as follows:

(a) Previously, the Institute was not required to record an accrued benefit obligation related to sick leave benefits as the benefits do not vest. Canadian Public Sector Accounting standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Institute in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability for employee future benefits at April 1, 2011 was $10,000. An additional expense of $nil was recognized in the 2012 fiscal year. The liability for employee future benefits recorded at March 31, 2012 was increased by $nil related to the accrual for accumulated sick leave entitlement, determined by an actuarial valuation.

(b) Capital assets that do not meet tangible capital asset definitions (Art Collections) of $9,363 and matching deferred capital contributions were removed.

Summary of adjustments:

	April 1, 2011 Previously Stated	Adjustments	April 1, 2011 Restated
Statement of Financial Position:			
Employee benefit obligations	$ -	$ 10,000	$ 10,000
Deferred capital contributions	14,102,128	(9,363)	14,092,765
Tangible capital assets	17,384,663	(9,363)	17,375,300

2. Adoption of new financial reporting framework (continued):

Summary of adjustments (continued):

Accumulated surplus at April 1, 2011:		
Accumulated surplus, as previously reported	$	4,226,980
Employee benefit obligation		(10,000)
Deferred capital contributions		9,363
Tangible capital assets		(9,363)
Accumulated surplus, as restated	$	4,216,980

Annual surplus for March 31, 2012:		
Annual surplus, as previously reported	$	30,511
Adjustments		-
Annual surplus, as restated	$	30,511

3. Accounts receivable:

		March 31, 2013		March 31, 2012		April 1, 2011
Trade receivables	$	101,285	$	150,714	$	168,920
Government entities		288,387		500,000		177,450
Commodity taxes receivable		81,132		62,788		58,789
Other receivables		305,805		100,585		427,903
	$	776,609	$	814,087	$	833,062

4. Financial instruments:

	March 31, 2013	March 31, 2012	April 1, 2011
Portfolio investments designated to fair value:			
GIC's with various maturity dates with interest rates ranging from 1.5% to 2.03%	$ 2,950,000	$ 2,550,000	$ 2,524,610
Restricted GIC, earning interest at 1.55% with a maturity dates of August 2014	1,868,344	1,868,345	1,863,544
	$ 4,818,344	$ 4,418,345	$ 4,388,154

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 Institute 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:

(i) 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:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

(ii) 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)

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Institute'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.

5. Accounts payable and accrued liabilities:

	March 31, 2013	March 31, 2012	April 1, 2011
Trade payables	$ 402,268	$ 223,121	$ 281,134
Salaries and benefits payable	327,712	324,944	298,412
Other	194,954	77,767	123,875
	$ 924,934	$ 625,832	$ 703,421

6. Deferred revenue:

The deferred revenues, reported on the statement of financial position, consist of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Tuition	$ 123,963	$ 72,720	$ 64,473
Contributions	2,039,903	1,689,863	1,659,488
Rent	9,220	9,422	12,323
	$ 2,173,086	$ 1,772,005	$ 1,736,284

Continuity of deferred revenue is as follows:

	March, 31 2013	March 31, 2012
Balance, beginning of year:		
Tuition	$ 72,720	$ 64,473
Contributions	1,689,863	1,659,488
Rent	9,422	12,323
	1,772,005	1,736,284
Receipts:		
Tuition	862,780	701,722
Contributions	2,461,332	1,856,047
Rent	132,976	113,695
Total	3,457,088	2,671,464
Less: amount recorded as revenue	3,056,007	2,635,743
Balance, end of year	$ 2,173,086	$ 1,772,005

7. 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 1(i). Changes in the deferred capital contributions balance are as follows:

	March 31, 2013	March 31, 2012
Balance, beginning of year	$ 13,482,593	$ 14,092,765
Contributions received during the year	61,725	15,859
Revenue recognized from deferred capital contributions	(549,900)	(626,031)
Balance, end of year	$ 12,994,418	$ 13,482,593

8. Long-term debt:

	March 31, 2013	March 31, 2012	April 1, 2011
BC Immigrant Investment Fund term loan, repayable in quarterly installments of $52,636, including interest at 4.9%, unsecured, due September 2017	$ 3,018,706	$ 3,086,196	$ 3,150,623

Proceeds for the term loan were received in April and May 2007 with repayments beginning in December 2007. The loan had an interest free period until September 2007 which impacted the accounting balance and effective interest rate of the loan. For accounting purposes, the estimated interest foregone has been recorded as an increase in the term loan using the effective interest method to the maturity date of the loan. As a result, the effective interest rate on the loan is 4.76% per annum.

Scheduled principal payments over the next four years and thereafter are estimated as follows:

2014	$ 70,700
2015	74,063
2016	77,585
2017 and thereafter	2,796,358

9. Tangible capital assets:

March 31, 2013	Land	Buildings	Site and leasehold improvements	Library acquisitions	Mobile instructional equipment	Automotive	Office equipment and furniture	Computers and software	Total 2013
Cost:									
Balance, beginning of year	$ 432,000	$ 17,563,575	$ 396,409	$ 389,789	$ 1,149,050	$ 86,434	$ 1,150,819	$ 378,262	$ 21,546,338
Additions	-	-	20,965	-	-	28,976	32,977	32,889	115,807
Disposals	-	-	-	-	-	(19,473)	-	-	(19,473)
Balance, end of year	$ 432,000	$ 17,563,575	$ 417,374	$ 389,789	$ 1,149,050	$ 95,936	$ 1,183,796	$ 411,151	$ 21,642,672
Accumulated amortization:									
Balance, beginning of year	-	2,924,392	315,686	147,943	346,070	40,081	920,595	351,274	5,046,041
Amortization	-	439,089	21,158	38,979	115,595	17,344	128,817	32,689	793,672
Disposals	-	-	-	-	-	(19,473)	-	-	(19,473)
Balance, end of year	-	3,363,481	336,843	186,922	461,666	37,952	1,049,412	383,963	5,820,242
Net book value, end of year	$ 432,000	$ 14,200,094	$ 80,531	$ 202,867	$ 687,384	$ 57,984	$ 134,384	$ 27,188	$ 15,822,430

9. Tangible capital assets (continued):

March 31, 2012	Land	Buildings	Site and leasehold improvements	Library acquisitions	Mobile instructional equipment	Automotive	Office equipment and furniture	Computers and software	Total 2012
Cost:									
Balance, beginning of year	$ 432,000	$ 17,563,575	$ 396,409	$ 389,789	$ 1,149,050	$ 72,948	$ 1,114,208	$ 378,262	$ 21,496,241
Additions	-	-	-	-	-	40,842	36,611	-	77,453
Disposals	-	-	-	-	-	(27,356)	-	-	(27,356)
Balance, end of year	$ 432,000	$ 17,563,575	$ 396,409	$ 389,789	$ 1,149,050	$ 86,434	$ 1,150,819	$ 378,262	$ 21,546,338
Accumulated amortization:									
Balance, beginning of year	-	2,485,302	270,624	108,964	230,475	49,785	679,236	296,555	4,120,941
Amortization	-	439,090	45,062	38,979	115,595	17,653	241,359	54,719	952,457
Disposals	-	-	-	-	-	(27,357)	-	-	(27,357)
Balance, end of year	-	2,924,392	315,686	147,943	346,070	40,081	920,595	351,274	5,046,041
Net book value, end of year	$ 432,000	$ 14,639,183	$ 80,723	$ 241,846	$ 802,980	$ 46,353	$ 230,224	$ 26,988	$ 16,500,297

9. Tangible capital assets (continued):

(a) Assets under construction:

The Institute did not have any assets under construction for the 2012/13 fiscal year. Amortization of assets under construction commences when the asset is put into service.

(b) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset has been recognized at a nominal value.

(c) Write-down of tangible capital assets:

No write-down of tangible capital assets occurred during the year.

10. Financial risk management:

The Institute 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 Institute 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 Institute 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 Institute consisting of cash, portfolio investments, and accounts receivable. Unless otherwise disclosed in these financial statements, the Institute is not subject to significant credit risk associated with it financial instruments.

The maximum credit risk for the Institute's financial assets is the carrying value of the assets.

(b) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Institute’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 Institute is not exposed to significant market or interest rate risk arising from its financial instruments.

10. Financial risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they become due. the Institute 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 the Institute's reputation.

11. Endowments:

Endowment contributions form part of the accumulated surplus balance. The OCG provided direction on the accounting treatment of endowment contributions as disclosed in Note 1.

Endowment included as part of accumulated surplus is as follows:

	2013	2012
Balance, beginning of year	$ 298,302	$ 321,986
Contributions (refunded) during the year	1,000	(11,000)
Interest earned	3,236	6,541
Use of endowment funds	(3,404)	(19,225)
Balance, end of year	$ 299,134	$ 298,302

Endowment investments of $230,458 (2012 - $230,074) are made up of government investment certificates with various maturity dates earning interest at rates ranging from 0.80% to 1.75%.

12. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2013	2012
Operating fund:		
Unrestricted surplus	$ 1,759,092	$ 1,632,025
Restricted	517,209	517,311
Equity in tangible capital assets	1,677,650	1,799,853
Total surplus	3,953,951	3,949,189
Reserves set aside for operating purposes:		
Self funded building maintenance	219,878	-
Total reserve funds	219,878	-
Endowments (note 11)	299,134	298,302
Total accumulated surplus	$ 4,472,963	$ 4,247,491

13. Employee future benefits:

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed 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 5,000 retired members. The Municipal Pension Plan has about 176,000 active members, with approximately 5,700 from colleges and universities.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2009 indicated a $1 million funding surplus for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2009 indicated a $1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan.

The Institute paid $439,890 for employer contributions to the Plan in fiscal 2013 (2012 - $415,705).

14. Contractual obligations:

The Institute is committed under operating leases for premises, vehicles, office equipment and maintenance contracts extending for various periods to the 2017 fiscal year. Estimated future minimum annual lease payments required over the next four years to maturity are as follows:

2014	$ 366,673
2015	265,397
2016	68,261
2017	13,041
	$ 713,372

15. Expenses by object:

	2013	2012
Expenses:		
Salaries and wages	$ 5,067,730	$ 4,882,825
Employee benefits	1,161,684	1,149,507
Supplies and services	2,157,465	1,922,973
Interest on long term debt	142,807	145,882
Foreign exchange loss	2,395	370
Professional and contracted services	396,725	637,384
Rental	140,583	166,734
Fees and contract services	1,368,703	1,328,813
Scholarships, bursaries and prizes	123,466	132,770
Amortization of tangible capital assets	793,672	952,457
Utilities	140,840	145,706
	$ 11,496,070	$ 11,465,421

16. Segmented information:

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

(a) Instruction & instructional support:

Instruction and instructional support includes all expenses related to the business of delivering education. This includes all direct and indirect expenses for instruction, support, and administration excluding ancillary operations.

(b) Ancillary operations:

Ancillary operations includes all expenses related to the bookstore, residence, cafeteria, and parking.

(c) Capital:

Reflects the Institute's receipts and disbursements for the acquisition of tangible capital assets.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

16. Segmented information (continued):

	2012/13 Budget	Base Instruction & Instructional support	CE, CS & SP Instruction & Instructional support	Ancillary operations	Capital	March 31, 2013	March 31, 2012
Revenue							
Province of British Columbia grants	$ 7,891,969	$ 8,480,942	$ 301,250	$ -	$ 10,441	$ 8,792,633	$ 8,672,896
Government of Canada Grants	1,333	-	-	-	-	-	1,333
Tuition and student fees	742,780	745,882	65,555	-	-	811,537	693,475
Sales of goods and services	466,780	-	-	530,722	-	530,722	446,627
Contract services	1,000,000	-	909,110	-	-	909,110	859,527
Investment income	71,000	78,169	3,236	-	-	81,405	165,232
Revenue recognition of deferred capital contributions	538,000	-	-	-	549,900	549,900	626,031
Miscellaneous income	13,500	23,595	15,904	-	2,500	41,999	35,270
	10,825,362	9,328,588	1,295,155	530,722	562,841	11,717,306	11,500,391
Expenses							
Salaries and wages	4,730,501	4,404,911	561,738	101,081	-	5,067,730	4,882,825
Employee benefits	1,055,426	1,034,981	123,073	3,630	-	1,161,684	1,149,507
Supplies and services	2,890,886	1,472,957	169,847	361,879	152,782	2,157,465	1,922,973
Interest on long-term debt	143,100	-	-	-	142,807	142,807	145,882
Foreign exchange gain/losses	-	2,395	-	-	-	2,395	370
Professional and contracted services	475,575	390,343	4,994	1,388	-	396,725	637,384
Rental	180,000	130,013	10,570	-	-	140,583	166,734
Fees and contract services	358,582	556,314	804,112	8,277	-	1,368,703	1,328,813
Scholarships, bursaries and prizes	63,812	53,645	69,821	-	-	123,466	132,770
Amortization of tangible capital assets	785,000	-	-	-	793,672	793,672	952,457
Utilities	142,480	94,545	-	46,295	-	140,840	145,706
	10,825,362	8,140,104	1,744,155	522,550	1,089,261	11,496,070	11,465,421
Annual surplus (deficit) before other items	-	1,188,484	(449,000)	8,172	(526,420)	221,236	34,970
Endowment contributions (refunds)	-	1,000	3,236	-	-	4,236	(4,459)
Transfers	-	(1,254,090)	475,106	-	778,984	-	-
Annual surplus (deficit)	**$ -**	**$ (64,606)**	**$ 26,106**	**$ 8,172**	**$ 252,564**	**$ 225,472**	**$ 30,511**